

..... moves to amend H.F. No. 4385, the third engrossment, as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

FEDERAL TAX CONFORMITY

Section 1. Minnesota Statutes 2017 Supplement, section 270A.03, subdivision 5, is amended to read:

Subd. 5. **Debt.** (a) "Debt" means a legal obligation of a natural person to pay a fixed and certain amount of money, which equals or exceeds \$25 and which is due and payable to a claimant agency. The term includes criminal fines imposed under section 609.10 or 609.125, fines imposed for petty misdemeanors as defined in section 609.02, subdivision 4a, and restitution. A debt may arise under a contractual or statutory obligation, a court order, or other legal obligation, but need not have been reduced to judgment.

A debt includes any legal obligation of a current recipient of assistance which is based on overpayment of an assistance grant where that payment is based on a client waiver or an administrative or judicial finding of an intentional program violation; or where the debt is owed to a program wherein the debtor is not a client at the time notification is provided to initiate recovery under this chapter and the debtor is not a current recipient of food support, transitional child care, or transitional medical assistance.

(b) A debt does not include any legal obligation to pay a claimant agency for medical care, including hospitalization if the income of the debtor at the time when the medical care was rendered does not exceed the following amount:

(1) for an unmarried debtor, an income of ~~\$12,560~~ \$13,180 or less;

(2) for a debtor with one dependent, an income of ~~\$16,080~~ \$16,878 or less;

(3) for a debtor with two dependents, an income of ~~\$19,020~~ \$19,959 or less;

(4) for a debtor with three dependents, an income of ~~\$21,580~~ \$22,643 or less;

(5) for a debtor with four dependents, an income of ~~\$22,760~~ \$23,887 or less; and

(6) for a debtor with five or more dependents, an income of ~~\$23,730~~ \$24,900 or less.

For purposes of this paragraph, "debtor" means the individual whose income, together with the income of the individual's spouse, other than a separated spouse, brings the individual within the income provisions of this paragraph. For purposes of this paragraph, a spouse, other than a separated spouse, shall be considered a dependent.

(c) The commissioner shall adjust the income amounts in paragraph (b) by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2014" "2017" shall be substituted for the word "1992." ~~For 2016, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2014, to the 12 months ending on August 31, 2015, and in each subsequent year, from the 12 months ending on August 31, 2014, to the 12 months ending on August 31 of the year preceding the taxable year.~~ "2016." The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14. The income amount as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

(d) Debt also includes an agreement to pay a MinnesotaCare premium, regardless of the dollar amount of the premium authorized under section 256L.15, subdivision 1a.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 2. Minnesota Statutes 2017 Supplement, section 289A.02, subdivision 7, is amended to read:

Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ March 31, 2018.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 3. Minnesota Statutes 2016, section 289A.08, subdivision 1, is amended to read:

Subdivision 1. **Generally; individuals.** (a) A taxpayer must file a return for each taxable year the taxpayer is required to file a return under section 6012 of the Internal Revenue Code or meets the requirements under paragraph (d) to file a return, except that:

(1) an individual who is not a Minnesota resident for any part of the year is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources as determined under sections 290.081, paragraph (a), and 290.17, is less than the filing requirements for a single individual who is a full year resident of Minnesota; ~~and~~

(2) an individual who is a Minnesota resident is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources as determined under section 290.17, less the subtractions allowed under section 290.0132, subdivisions 12 and 15, is less than the filing requirements for a single individual who is a full-year resident of Minnesota.

(b) The decedent's final income tax return, and other income tax returns for prior years where the decedent had gross income in excess of the minimum amount at which an individual is required to file and did not file, must be filed by the decedent's personal representative, if any. If there is no personal representative, the return or returns must be filed by the transferees, as defined in section 270C.58, subdivision 3, who receive property of the decedent.

(c) The term "gross income," as it is used in this section, has the same meaning given it in section 290.01, subdivision 20.

(d) The commissioner of revenue shall annually determine the gross income levels at which individuals are required to file a return for each taxable year based on the amounts that may be deducted under section 290.0803 and the personal and dependent exemptions under section 290.0138.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 4. Minnesota Statutes 2016, section 289A.08, subdivision 7, is amended to read:

Subd. 7. **Composite income tax returns for nonresident partners, shareholders, and beneficiaries.** (a) The commissioner may allow a partnership with nonresident partners to file a composite return and to pay the tax on behalf of nonresident partners who have no other Minnesota source income. This composite return must include the names, addresses,

4.1 Social Security numbers, income allocation, and tax liability for the nonresident partners
4.2 electing to be covered by the composite return.

4.3 (b) The computation of a partner's tax liability must be determined by multiplying the
4.4 income allocated to that partner by the highest rate used to determine the tax liability for
4.5 individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard
4.6 deductions, or personal exemptions are not allowed.

4.7 (c) The partnership must submit a request to use this composite return filing method for
4.8 nonresident partners. The requesting partnership must file a composite return in the form
4.9 prescribed by the commissioner of revenue. The filing of a composite return is considered
4.10 a request to use the composite return filing method.

4.11 (d) The electing partner must not have any Minnesota source income other than the
4.12 income from the partnership and other electing partnerships. If it is determined that the
4.13 electing partner has other Minnesota source income, the inclusion of the income and tax
4.14 liability for that partner under this provision will not constitute a return to satisfy the
4.15 requirements of subdivision 1. The tax paid for the individual as part of the composite return
4.16 is allowed as a payment of the tax by the individual on the date on which the composite
4.17 return payment was made. If the electing nonresident partner has no other Minnesota source
4.18 income, filing of the composite return is a return for purposes of subdivision 1.

4.19 (e) This subdivision does not negate the requirement that an individual pay estimated
4.20 tax if the individual's liability would exceed the requirements set forth in section 289A.25.
4.21 The individual's liability to pay estimated tax is, however, satisfied when the partnership
4.22 pays composite estimated tax in the manner prescribed in section 289A.25.

4.23 (f) If an electing partner's share of the partnership's gross income from Minnesota sources
4.24 is less than the filing requirements for a nonresident under this subdivision, the tax liability
4.25 is zero. However, a statement showing the partner's share of gross income must be included
4.26 as part of the composite return.

4.27 (g) The election provided in this subdivision is only available to a partner who has no
4.28 other Minnesota source income and who is either (1) a full-year nonresident individual or
4.29 (2) a trust or estate that does not claim a deduction under either section 651 or 661 of the
4.30 Internal Revenue Code.

4.31 (h) A corporation defined in section 290.9725 and its nonresident shareholders may
4.32 make an election under this paragraph. The provisions covering the partnership apply to
4.33 the corporation and the provisions applying to the partner apply to the shareholder.

(i) Estates and trusts distributing current income only and the nonresident individual beneficiaries of the estates or trusts may make an election under this paragraph. The provisions covering the partnership apply to the estate or trust. The provisions applying to the partner apply to the beneficiary.

(j) For the purposes of this subdivision, "income" means the partner's share of federal adjusted gross income from the partnership modified by the additions provided in section 290.0131, subdivisions 8 to ~~11~~ 10 and 17, and the subtractions provided in: (1) section 290.0132, subdivision 9, to the extent the amount is assignable or allocable to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed under section 290.0132, subdivision 9, is only allowed on the composite tax computation to the extent the electing partner would have been allowed the subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 5. Minnesota Statutes 2017 Supplement, section 289A.12, subdivision 14, is amended to read:

Subd. 14. **Reporting exempt interest and exempt-interest dividends.** (a) A regulated investment company paying \$10 or more in exempt-interest dividends to an individual who is a resident of Minnesota, or any person receiving \$10 or more of exempt interest or exempt-interest dividends and paying as nominee to an individual who is a resident of Minnesota, must make a return indicating the amount of the exempt interest or exempt-interest dividends, the name, address, and Social Security number of the recipient, and any other information that the commissioner specifies. The return must be provided to the recipient by February 15 of the year following the year of the payment. The return provided to the recipient must include a clear statement, in the form prescribed by the commissioner, that the exempt interest or exempt-interest dividends must be included in the computation of Minnesota taxable income. By June 1 of each year, the payer must file a copy of the return with the commissioner.

(b) For purposes of this subdivision, the following definitions apply.

(1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest dividends that are not required to be added to federal ~~taxable~~ adjusted gross income under section 290.0131, subdivision 2, paragraph (b).

(2) "Regulated investment company" means regulated investment company as defined in section 851(a) of the Internal Revenue Code or a fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code.

(3) "Exempt interest" means income on obligations of any state other than Minnesota, or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota, and exempt from federal income taxes under the Internal Revenue Code or any other federal statute.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 6. Minnesota Statutes 2016, section 289A.20, is amended by adding a subdivision to read:

Subd. 1a. **Tax on deferred foreign income; election to pay in installments.** (a) A taxpayer subject to tax under section 290.06, subdivision 1, may elect to pay the net tax liability on the deferred foreign income in installments in the same percentages of the net tax liability for each taxable year as provided in section 965(h)(1) of the Internal Revenue Code. Payment of an installment for a taxable year is due on the due date, determined without regard to any extensions of time for filing the return, for the tax return for that taxable year.

(b) If an acceleration of payment applies for federal income tax purposes under section 965(h)(3) of the Internal Revenue Code, the unpaid portion of the remaining installments due under chapter 290 must be paid on the same date as the federal tax is due. Assessment of deficiencies must be prorated as provided under section 965(h)(4) of the Internal Revenue Code.

(c) For purposes of this subdivision, "net tax liability" means the excess of:

(1) the tax liability, determined under chapter 290, for the taxable year in which the deferred foreign income was includible in federal taxable income; over

(2) the tax liability, determined under chapter 290, for that taxable year computed after excluding the deferred foreign income under section 965 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 7. Minnesota Statutes 2017 Supplement, section 289A.35, is amended to read:

289A.35 ASSESSMENTS ON RETURNS.

(a) The commissioner may audit and adjust the taxpayer's computation of federal adjusted gross income, federal taxable income, items of federal tax preferences, or federal credit amounts to make them conform with the provisions of chapter 290 or section 298.01. If a return has been filed, the commissioner shall enter the liability reported on the return and may make any audit or investigation that is considered necessary.

(b) Upon petition by a taxpayer, and when the commissioner determines that it is in the best interest of the state, the commissioner may allow S corporations and partnerships to receive orders of assessment issued under section 270C.33, subdivision 4, on behalf of their owners, and to pay liabilities shown on such orders. In such cases, the owners' liability must be calculated using the method provided in section 289A.08, subdivision 7, paragraph (b).

(c) A taxpayer may petition the commissioner for the use of the method described in paragraph (b) after the taxpayer is notified that an audit has been initiated and before an order of assessment has been issued.

(d) A determination of the commissioner under paragraph (b) to grant or deny the petition of a taxpayer cannot be appealed to the Tax Court or any other court.

(e) The commissioner may audit and adjust the taxpayer's computation of tax under chapter 291. In the case of a return filed pursuant to section 289A.10, the commissioner shall notify the estate no later than nine months after the filing date, as provided by section 289A.38, subdivision 2, whether the return is under examination or the return has been processed as filed.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 8. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to read:

Subd. 14a. **Surviving spouse.** The term "surviving spouse" means an individual who is a surviving spouse under section 2(a) of the Internal Revenue Code for the taxable year.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 9. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 19, is amended to read:

Subd. 19. **Net income.** (a) For a corporation taxable under section 290.02, and an estate or a trust taxable under section 290.03, the term "net income" means the federal taxable

income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating the federal effective dates of changes to the Internal Revenue Code and any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in sections 290.0131 to 290.0136.

(b) For an individual, the term "net income" means federal adjusted gross income with the modifications provided in sections 290.0131, 290.0132, and 290.0135 to 290.0137.

(c) In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment company taxable income as defined in section 852(b)(2) of the Internal Revenue Code, except that:

(1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal Revenue Code does not apply;

(2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code; and

(3) the deduction for dividends paid must also be applied in the amount of any undistributed capital gains which the regulated investment company elects to have treated as provided in section 852(b)(3)(D) of the Internal Revenue Code.

(d) The net income of a real estate investment trust as defined and limited by section 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

(e) The net income of a designated settlement fund as defined in section 468B(d) of the Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal Revenue Code.

(f) The Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ March 31, 2018, shall be in effect for taxable years beginning after December 31, 1996.

(g) Except as otherwise provided, references to the Internal Revenue Code in this subdivision and sections 290.0131 to 290.0136 mean the code in effect for purposes of determining net income for the applicable year.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time as

9.1 the changes were effective for federal purposes and the changes amending the new paragraph
9.2 (a) and adding paragraph (b) are effective for taxable years beginning after December 31,
9.3 2017.

9.4 Sec. 10. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to
9.5 read:

9.6 Subd. 19i. **Deferred foreign income.** "Deferred foreign income" means the income of
9.7 a domestic corporation that is included in net income under section 965 of the Internal
9.8 Revenue Code, inclusive of the deduction allowed under section 965(c) of the Internal
9.9 Revenue Code.

9.10 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
9.11 after December 31, 2016.

9.12 Sec. 11. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to
9.13 read:

9.14 Subd. 21a. **Adjusted gross income; federal adjusted gross income.** The terms "adjusted
9.15 gross income" and "federal adjusted gross income" mean adjusted gross income, as defined
9.16 in section 62 of the Internal Revenue Code, as amended through the date named in
9.17 subdivision 19, incorporating the federal effective date of changes to the Internal Revenue
9.18 Code and any elections made by the taxpayer under the Internal Revenue Code in determining
9.19 federal adjusted gross income for federal income tax purposes.

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

9.21 Sec. 12. Minnesota Statutes 2016, section 290.01, subdivision 29a, is amended to read:

9.22 Subd. 29a. **State itemized deduction.** (a) "State itemized deduction" means federal
9.23 itemized deductions, as defined in section 63(d) of the Internal Revenue Code, disregarding
9.24 any limitation under section 68 of the Internal Revenue Code, and reduced by the amount
9.25 of the addition required under section 290.0131, subdivision 13.

9.26 (1) changes to itemized deductions made by Public Law 115-97, but including the
9.27 changes made by sections 11027, 13704, and 13705 of that public law; and

9.28 (2) the federal itemized deduction of income or sales taxes under section 164 of the
9.29 Internal Revenue Code.

9.30 (b) For an individual who is not a resident of this state for the entire taxable year, the
9.31 itemized deductions allowable under paragraph (a) are further limited as follows:

10.1 (1) the taxes paid deduction under section 164 of the Internal Revenue Code applies
10.2 only to real and personal property taxes imposed by this state or its political subdivisions;

10.3 (2) the charitable contribution deduction under section 170 of the Internal Revenue Code
10.4 does not apply;

10.5 (3) the interest deduction under section 163 of the Internal Revenue Code is limited to:

10.6 (i) interest paid on loans secured by a mortgage or lien on a residence located in this
10.7 state; and

10.8 (ii) interest paid or accrued on indebtedness properly allocable to property held for
10.9 investment located in this state;

10.10 (4) allowable miscellaneous deductions are limited to expenses related to:

10.11 (i) the production of income in this state;

10.12 (ii) property located in this state; or

10.13 (iii) taxes paid to this state or its political subdivisions; and

10.14 (5) the deduction for losses under section 165 of the Internal Revenue Code is limited
10.15 to losses attributable to property located in this state.

10.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
10.17 31, 2017.

10.18 Sec. 13. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to
10.19 read:

10.20 Subd. 29b. **State standard deduction.** "State standard deduction" means the federal
10.21 standard deduction computed under section 63(c) and (f) of the Internal Revenue Code, as
10.22 amended through December 16, 2016, except that for purposes of adjusting the amounts
10.23 under this subdivision, the provisions of section 1(f) of the Internal Revenue Code, as
10.24 amended through March 31, 2018, apply.

10.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
10.26 31, 2017.

10.27 Sec. 14. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 31, is amended
10.28 to read:

10.29 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
10.30 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December~~

~~16, 2016~~ March 31, 2018. Internal Revenue Code also includes any uncodified provision in federal law that relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as amended through March 18, 2010.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to the same taxable years as the changes incorporated by federal changes are effective for federal purposes, including any provisions that are retroactive to taxable years beginning after December 31, 2016.

Sec. 15. Minnesota Statutes 2016, section 290.0131, subdivision 1, is amended to read:

Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "addition" means an amount that must be added to federal ~~taxable~~ adjusted gross income, or for estates and trusts, federal taxable income, in computing net income for the taxable year to which the amounts relate.

(b) The additions in this section apply to individuals, estates, and trusts.

(c) Unless specifically indicated or unless the context clearly indicates otherwise, only amounts that were deducted or excluded in computing federal ~~taxable~~ adjusted gross income, or for estates and trusts, federal taxable income, are an addition under this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 16. Minnesota Statutes 2016, section 290.0131, subdivision 3, is amended to read:

Subd. 3. **Income, sales and use, motor vehicle sales, or excise taxes paid.** ~~(a) For trusts and estates,~~ the amount of income, sales and use, motor vehicle sales, or excise taxes paid or accrued within the taxable year under this chapter and the amount of taxes based on net income, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any province or territory of Canada is an addition to the extent deducted under section 63(d) of the Internal Revenue Code.

~~(b) The addition under paragraph (a) may not be more than the amount by which the state itemized deduction exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code. For the purpose of this subdivision, income, sales and use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed under subdivision 12.~~

12.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
12.2 31, 2017.

12.3 Sec. 17. Minnesota Statutes 2017 Supplement, section 290.0131, subdivision 10, is amended
12.4 to read:

12.5 Subd. 10. **Section 179 expensing.** Effective for property placed in service in taxable
12.6 years beginning before January 1, 2018, 80 percent of the amount by which the deduction
12.7 allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the
12.8 deduction allowable by section 179 of the Internal Revenue Code, as amended through
12.9 December 31, 2003, is an addition.

12.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
12.11 31, 2018.

12.12 Sec. 18. Minnesota Statutes 2016, section 290.0131, subdivision 12, is amended to read:

12.13 Subd. 12. **Disallowed itemized deductions.** (a) The amount of disallowed itemized
12.14 deductions is an addition. The amount of disallowed itemized deductions, ~~plus the addition~~
12.15 ~~required under subdivision 3,~~ may not be more than the amount by which the state itemized
12.16 deductions, ~~as allowed under section 63(d) of the Internal Revenue Code,~~ exceeds the amount
12.17 of the state standard deduction ~~as defined in section 63(e) of the Internal Revenue Code.~~

12.18 (b) The amount of disallowed itemized deductions is equal to the lesser of:

12.19 (1) three percent of the excess of the taxpayer's federal adjusted gross income over the
12.20 applicable amount; or

12.21 (2) 80 percent of the amount of the state itemized deductions otherwise allowable to the
12.22 taxpayer under the Internal Revenue Code for the taxable year.

12.23 (c) "Applicable amount" means \$100,000, or \$50,000 for a married individual filing a
12.24 separate return. Each dollar amount is increased by an amount equal to:

12.25 (1) that dollar amount, multiplied by

12.26 (2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue
12.27 Code for the calendar year in which the taxable year begins, by substituting "~~calendar year~~
12.28 ~~1990~~" for "~~calendar year 1992~~" in subparagraph (B) of section 1(f)(3) "1990" for "2016" in
12.29 section 1(f)(3) of the Internal Revenue Code.

12.30 (d) "Itemized deductions" excludes:

12.31 (1) the deduction for medical expenses under section 213 of the Internal Revenue Code;

13.1 (2) any deduction for investment interest as defined in section 163(d) of the Internal
13.2 Revenue Code; and

13.3 (3) the deduction under section 165(a) of the Internal Revenue Code for casualty or theft
13.4 losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue Code or
13.5 for losses described in section 165(d) of the Internal Revenue Code.

13.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
13.7 31, 2017.

13.8 Sec. 19. Minnesota Statutes 2016, section 290.0131, subdivision 13, is amended to read:

13.9 Subd. 13. **Disallowed personal exemption amount.** (a) The amount of disallowed
13.10 personal exemptions for taxpayers with federal adjusted gross income over the threshold
13.11 amount is an addition.

13.12 (b) The disallowed personal exemption amount is equal to the ~~number of personal~~
13.13 ~~exemptions and dependent exemption subtraction~~ allowed under section ~~151(b) and (e) of~~
13.14 ~~the Internal Revenue Code~~ 290.0132, subdivision 20, multiplied by the ~~dollar amount for~~
13.15 ~~personal exemptions under section 151(d)(1) and (2) of the Internal Revenue Code, as~~
13.16 ~~adjusted for inflation by section 151(d)(4) of the Internal Revenue Code, and by the~~
13.17 applicable percentage.

13.18 (c) For a married individual filing a separate return, "applicable percentage" means two
13.19 percentage points for each \$1,250, or fraction of that amount, by which the taxpayer's federal
13.20 adjusted gross income for the taxable year exceeds the threshold amount. For all other filers,
13.21 applicable percentage means two percentage points for each \$2,500, or fraction of that
13.22 amount, by which the taxpayer's federal adjusted gross income for the taxable year exceeds
13.23 the threshold amount. The applicable percentage must not exceed 100 percent.

13.24 (d) "Threshold amount" means:

13.25 (1) \$150,000 for a joint return or a surviving spouse;

13.26 (2) \$125,000 for a head of a household;

13.27 (3) \$100,000 for an individual who is not married and who is not a surviving spouse or
13.28 head of a household; and

13.29 (4) \$75,000 for a married individual filing a separate return.

13.30 (e) The thresholds must be increased by an amount equal to:

13.31 (1) the threshold dollar amount, multiplied by

(2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "~~calendar year 1990~~" for "~~calendar year 1992~~" in subparagraph (B) of section 1(f)(3) "1990" for "2016" in section 1(f)(3) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 20. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision to read:

Subd. 15. Qualified business income addition. For a trust or estate, the amount deducted under section 199A of the Internal Revenue Code in computing the federal taxable income of the trust or estate is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 21. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision to read:

Subd. 16. Foreign-derived intangible income. The amount of foreign-derived intangible income deducted under section 250 of the Internal Revenue Code for the taxable year is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 22. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision to read:

Subd. 17. 529 plan distributions for K-12 expenses. The lesser of the following amounts is an addition:

(1) the total distributions for the taxable year from a qualified plan under section 529 of the Internal Revenue Code, owned by the taxpayer, that are expended for qualified higher education expenses under section 529(c)(7) of the Internal Revenue Code (expenses for tuition for elementary or secondary public, private, or religious school); or

(2) the total amount required to be reported to the taxpayer by any trustee of a qualified tuition plan under section 529 of the Internal Revenue Code as earnings on Internal Revenue Service Form 1099Q for the taxable year.

15.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
15.2 31, 2017.

15.3 Sec. 23. Minnesota Statutes 2016, section 290.0132, subdivision 1, is amended to read:

15.4 Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "subtraction"
15.5 means an amount that ~~shall~~ is allowed to be subtracted from federal taxable adjusted gross
15.6 income, or for estates and trusts, federal taxable income, in computing net income for the
15.7 taxable year to which the amounts relate.

15.8 (b) The subtractions in this section apply to individuals, estates, and trusts.

15.9 (c) Unless specifically indicated or unless the context clearly indicates otherwise, no
15.10 amount deducted, subtracted, or otherwise excluded in computing federal ~~taxable~~ adjusted
15.11 gross income, or for estates and trusts, federal taxable income, is a subtraction under this
15.12 section.

15.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
15.14 31, 2017.

15.15 Sec. 24. Minnesota Statutes 2016, section 290.0132, subdivision 20, is amended to read:

15.16 Subd. 20. ~~Disallowed Personal and dependent exemption. The amount of the phaseout~~
15.17 ~~of personal exemptions under section 151(d) of the Internal Revenue Code is a subtraction.~~
15.18 The amount of personal and dependent exemptions calculated under section 290.0138 is a
15.19 subtraction.

15.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
15.21 31, 2017.

15.22 Sec. 25. Minnesota Statutes 2017 Supplement, section 290.0132, subdivision 21, is amended
15.23 to read:

15.24 Subd. 21. **Military service pension; retirement pay.** To the extent included in federal
15.25 ~~taxable~~ adjusted gross income, compensation received from a pension or other retirement
15.26 pay from the federal government for service in the military, as computed under United
15.27 States Code, title 10, sections 1401 to 1414, 1447 to 1455, and 12733, is a subtraction. The
15.28 subtraction is limited to individuals who do not claim the credit under section 290.0677.

15.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
15.30 31, 2017.

Sec. 26. Minnesota Statutes 2017 Supplement, section 290.0132, subdivision 26, is amended to read:

Subd. 26. **Social Security benefits.** (a) A portion of Social Security benefits is allowed as a subtraction. The subtraction equals the lesser of Social Security benefits or a maximum subtraction subject to the limits under paragraphs (b), (c), and (d).

(b) For married taxpayers filing a joint return and surviving spouses, the maximum subtraction equals ~~\$4,500~~ \$4,590. The maximum subtraction is reduced by 20 percent of provisional income over ~~\$77,000~~ \$78,530. In no case is the subtraction less than zero.

(c) For single or head-of-household taxpayers, the maximum subtraction equals ~~\$3,500~~ \$3,570. The maximum subtraction is reduced by 20 percent of provisional income over ~~\$60,200~~ \$61,400. In no case is the subtraction less than zero.

(d) For married taxpayers filing separate returns, the maximum subtraction equals ~~\$2,250~~ one-half the maximum subtraction for joint returns under paragraph (b). The maximum subtraction is reduced by 20 percent of provisional income over ~~\$38,500~~ one-half the maximum subtraction for joint returns under paragraph (b). In no case is the subtraction less than zero.

(e) For purposes of this subdivision, "provisional income" means modified adjusted gross income as defined in section 86(b)(2) of the Internal Revenue Code, plus one-half of the Social Security benefits received during the taxable year, and "Social Security benefits" has the meaning given in section 86(d)(1) of the Internal Revenue Code.

(f) The commissioner shall adjust the maximum subtraction and threshold amounts in paragraphs (b) to (d) by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) of the Internal Revenue Code the word "~~2016~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2018, the commissioner shall then determine the percentage change from the 12 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding the taxable year.~~ "2016." The determination of the commissioner pursuant to this subdivision must not be considered a rule and is not subject to the Administrative Procedure Act contained in chapter 14, including section 14.386. The maximum subtraction and threshold amounts as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

17.1 Sec. 27. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
17.2 to read:

17.3 Subd. 27. **Moving expenses.** Expenses that qualify as a deduction under section 217(a)
17.4 through (f) of the Internal Revenue Code, disregarding paragraph (k), are a subtraction.

17.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
17.6 31, 2017.

17.7 Sec. 28. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
17.8 to read:

17.9 Subd. 28. **Global intangible low-taxed income.** The taxpayer's global intangible
17.10 low-taxed income included under section 951A of the Internal Revenue Code for the taxable
17.11 year is a subtraction.

17.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
17.13 31, 2017.

17.14 Sec. 29. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
17.15 to read:

17.16 Subd. 29. **Deferred foreign income of nonresidents.** For a nonresident individual, the
17.17 amount of deferred foreign income recognized because of section 965 of the Internal Revenue
17.18 Code is a subtraction.

17.19 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
17.20 after December 31, 2016.

17.21 Sec. 30. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
17.22 to read:

17.23 Subd. 30. **Standard or itemized deduction.** The amount allowed under section 290.0803
17.24 is a subtraction.

17.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
17.26 31, 2017.

17.27 Sec. 31. Minnesota Statutes 2016, section 290.0133, subdivision 6, is amended to read:

17.28 Subd. 6. **Special deductions.** (a) The amount of any special deductions under sections
17.29 241 to 247 of the Internal Revenue Code and ~~965~~ the amount of foreign derived intangible
17.30 income deducted under section 250 of the Internal Revenue Code is an addition.

(b) The addition under this subdivision is reduced by the amount of the deduction under section 245A of the Internal Revenue Code that represents amounts included in federal taxable income in a prior taxable year under section 965 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 32. Minnesota Statutes 2017 Supplement, section 290.0133, subdivision 12, is amended to read:

Subd. 12. **Section 179 expensing.** Effective for property placed in service in taxable years beginning before January 1, 2018, 80 percent of the amount by which the deduction allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code, as amended through December 31, 2003, is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 33. Minnesota Statutes 2016, section 290.0134, is amended by adding a subdivision to read:

Subd. 17. **Global intangible low-taxed income.** The taxpayer's global intangible low-taxed income included under section 951A of the Internal Revenue Code for the taxable year is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 34. Minnesota Statutes 2016, section 290.0136, is amended to read:

290.0136 CERTAIN PREFERRED STOCK LOSSES.

A taxpayer must compute net income by treating losses from the sale or transfer of certain preferred stock, which the taxpayer treated as ordinary losses pursuant to Division A, title III, section 301 of Public Law 110-343, as capital losses. The amount of net income under section 290.01, subdivision 19; taxable net income under section 290.01, subdivision 22; taxable income under section 290.01, subdivision 29; the numerator and denominator in section 290.06, subdivision 2c, paragraph (e); individual alternative minimum taxable income under section 290.091, subdivision 2; ~~corporate alternative minimum taxable income under section 290.0921, subdivision 3;~~ and net operating losses under section 290.095 must

be computed for each taxable year as if those losses had been treated by the taxpayer as capital losses under the Internal Revenue Code, including the limitations under section 1211 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 35. **[290.0138] PERSONAL AND DEPENDENT EXEMPTIONS.**

Subdivision 1. Personal and dependent exemptions. (a) A taxpayer is allowed (1) a personal exemption in the amount of \$4,150, and in the case of a married couple filing a joint return an additional personal exemption of \$4,150; plus (2) a dependent exemption of \$4,150 multiplied by the number of dependents of the taxpayer, as defined under sections 151 and 152 of the Internal Revenue Code.

(b) The personal and dependent exemptions are not allowed to an individual who is eligible to be claimed as a dependent, as defined in sections 151 or 152 of the Internal Revenue Code, by another taxpayer.

Subd. 2. Cost-of-living adjustment. For taxable years beginning after December 31, 2018, the commissioner shall annually adjust the amounts in subdivision 1 by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code as amended through March 31, 2018. The exemption amount as adjusted for inflation must be rounded to the nearest \$50. If the amount is not a multiple of \$50, the commissioner shall round down to the next lowest multiple of \$50. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 36. Minnesota Statutes 2016, section 290.032, subdivision 2, is amended to read:

Subd. 2. Computation. The amount of tax imposed by subdivision 1 shall be computed in the same way as the tax imposed under section 402(d) of the Internal Revenue Code of 1986, as amended through December 31, 1995, except that the initial separate tax shall be an amount equal to five times the tax which would be imposed by section 290.06, subdivision 2c, if the recipient was an unmarried individual, and the taxable net income was an amount equal to one-fifth of the excess of

(i) the total taxable amount of the lump-sum distribution for the year, over

(ii) the minimum distribution allowance, and except that references in section 402(d) of the Internal Revenue Code of 1986, as amended through December 31, 1995, to paragraph (1)(A) thereof shall instead be references to subdivision 1, and the excess, if any, of the subtraction base amount over ~~federal taxable~~ net income for a qualified individual as provided under section 290.0802, subdivision 2.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 37. Minnesota Statutes 2016, section 290.06, subdivision 1, is amended to read:

Subdivision 1. **Computation, corporations.** (a) The franchise tax imposed upon corporations shall be computed by applying to their taxable income the rate of ~~9.8~~ 9.1 percent.

(b) Notwithstanding paragraph (a), the rate for taxable years beginning after December 31, 2017, and before January 1, 2020, is 9.65 percent.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 38. Minnesota Statutes 2016, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses ~~as defined in section 2(a) of the Internal Revenue Code~~ must be computed by applying to their taxable net income the following schedule of rates:

(1) On the first ~~\$35,480~~ \$37,850, ~~5.35~~ 5.25 percent;

(2) On all over ~~\$35,480~~ \$37,850, but not over ~~\$140,960~~ \$150,380, ~~7.05~~ 6.85 percent;

(3) On all over ~~\$140,960~~ \$150,380, but not over ~~\$250,000~~ \$266,700, 7.85 percent;

(4) On all over ~~\$250,000~~ \$266,700, 9.85 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts.

(b) The income taxes imposed by this chapter upon unmarried individuals must be computed by applying to taxable net income the following schedule of rates:

(1) On the first ~~\$24,270~~ \$25,890, ~~5.35~~ 5.25 percent;

21.1 (2) On all over ~~\$24,270~~ \$25,890, but not over ~~\$79,730~~ \$85,060, ~~7.05~~ 6.85 percent;

21.2 (3) On all over ~~\$79,730~~ \$85,060, but not over ~~\$150,000~~ \$160,020, 7.85 percent;

21.3 (4) On all over ~~\$150,000~~ \$160,020, 9.85 percent.

21.4 (c) The income taxes imposed by this chapter upon unmarried individuals qualifying as
21.5 a head of household as defined in section 2(b) of the Internal Revenue Code must be
21.6 computed by applying to taxable net income the following schedule of rates:

21.7 (1) On the first ~~\$29,880~~ \$31,880, ~~5.35~~ 5.25 percent;

21.8 (2) On all over ~~\$29,880~~ \$31,880, but not over ~~\$120,070~~ \$128,090, ~~7.05~~ 6.85 percent;

21.9 (3) On all over ~~\$120,070~~ \$128,090, but not over ~~\$200,000~~ \$213,360, 7.85 percent;

21.10 (4) On all over ~~\$200,000~~ \$213,360, 9.85 percent.

21.11 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax
21.12 of any individual taxpayer whose taxable net income for the taxable year is less than an
21.13 amount determined by the commissioner must be computed in accordance with tables
21.14 prepared and issued by the commissioner of revenue based on income brackets of not more
21.15 than \$100. The amount of tax for each bracket shall be computed at the rates set forth in
21.16 this subdivision, provided that the commissioner may disregard a fractional part of a dollar
21.17 unless it amounts to 50 cents or more, in which case it may be increased to \$1.

21.18 (e) An individual who is not a Minnesota resident for the entire year must compute the
21.19 individual's Minnesota income tax as provided in this subdivision. After the application of
21.20 the nonrefundable credits provided in this chapter, the tax liability must then be multiplied
21.21 by a fraction in which:

21.22 (1) the numerator is the individual's Minnesota source federal adjusted gross income as
21.23 ~~defined in section 62 of the Internal Revenue Code~~ and increased by the additions required
21.24 under section 290.0131, subdivisions 2 ~~and~~ 6 to ~~4~~ 10, 16, and 17, and reduced by the
21.25 Minnesota assignable portion of the subtraction for United States government interest under
21.26 section 290.0132, subdivision 2, and the subtractions under section 290.0132, subdivisions
21.27 9, 10, 14, 15, 17, ~~and 18, and 27 to 29~~, after applying the allocation and assignability
21.28 provisions of section 290.081, clause (a), or 290.17; and

21.29 (2) the denominator is the individual's federal adjusted gross income ~~as defined in section~~
21.30 ~~62 of the Internal Revenue Code~~, increased by the amounts specified in section 290.0131,
21.31 subdivisions 2 ~~and~~ 6 to ~~4~~ 10, 16, and 17, and reduced by the amounts specified in section
21.32 290.0132, subdivisions 2, 9, 10, 14, 15, 17, ~~and 18, and 27 to 29~~.

(f) For taxable years beginning after December 31, 2017, and before January 1, 2020, a rate of 5.3 percent applies instead of the 5.25 percent rate in paragraphs (a) to (c), and a rate of 6.95 percent applies instead of the 6.85 percent rate in paragraphs (a) to (c).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 39. Minnesota Statutes 2016, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after December 31, 2013, the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). ~~For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, 2012, and before January 1, 2014.~~ The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~2012~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2014, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the year preceding the taxable year.~~ "2016." The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

No later than December 15 of each year, the commissioner shall announce the specific percentage that will be used to adjust the tax rate brackets.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

23.1 Sec. 40. Minnesota Statutes 2017 Supplement, section 290.067, subdivision 1, is amended
23.2 to read:

23.3 Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the tax
23.4 due from the taxpayer and a spouse, if any, under this chapter an amount equal to the
23.5 dependent care credit for which the taxpayer is eligible pursuant to the provisions of section
23.6 21 of the Internal Revenue Code except that in determining whether the child qualified as
23.7 a dependent, income received as a Minnesota family investment program grant or allowance
23.8 to or on behalf of the child must not be taken into account in determining whether the child
23.9 received more than half of the child's support from the taxpayer, and the provisions of
23.10 section 32(b)(1)(D) of the Internal Revenue Code do not apply.

23.11 (b) If a child who has not attained the age of six years at the close of the taxable year is
23.12 cared for at a licensed family day care home operated by the child's parent, the taxpayer is
23.13 deemed to have paid employment-related expenses. If the child is 16 months old or younger
23.14 at the close of the taxable year, the amount of expenses deemed to have been paid equals
23.15 the maximum limit for one qualified individual under section 21(c) and (d) of the Internal
23.16 Revenue Code. If the child is older than 16 months of age but has not attained the age of
23.17 six years at the close of the taxable year, the amount of expenses deemed to have been paid
23.18 equals the amount the licensee would charge for the care of a child of the same age for the
23.19 same number of hours of care.

23.20 (c) If a married couple:

23.21 (1) has a child who has not attained the age of one year at the close of the taxable year;

23.22 (2) files a joint tax return for the taxable year; and

23.23 (3) does not participate in a dependent care assistance program as defined in section 129
23.24 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for
23.25 that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i)
23.26 the combined earned income of the couple or (ii) the amount of the maximum limit for one
23.27 qualified individual under section 21(c) and (d) of the Internal Revenue Code will be deemed
23.28 to be the employment related expense paid for that child. The earned income limitation of
23.29 section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These
23.30 deemed amounts apply regardless of whether any employment-related expenses have been
23.31 paid.

23.32 (d) If the taxpayer is not required and does not file a federal individual income tax return
23.33 for the tax year, no credit is allowed for any amount paid to any person unless:

24.1 (1) the name, address, and taxpayer identification number of the person are included on
24.2 the return claiming the credit; or

24.3 (2) if the person is an organization described in section 501(c)(3) of the Internal Revenue
24.4 Code and exempt from tax under section 501(a) of the Internal Revenue Code, the name
24.5 and address of the person are included on the return claiming the credit.

24.6 In the case of a failure to provide the information required under the preceding sentence,
24.7 the preceding sentence does not apply if it is shown that the taxpayer exercised due diligence
24.8 in attempting to provide the information required.

24.9 (e) In the case of a nonresident, part-year resident, or a person who has earned income
24.10 not subject to tax under this chapter including earned income excluded pursuant to section
24.11 290.0132, subdivision 10, the credit determined under section 21 of the Internal Revenue
24.12 Code must be allocated based on the ratio by which the earned income of the claimant and
24.13 the claimant's spouse from Minnesota sources bears to the total earned income of the claimant
24.14 and the claimant's spouse.

24.15 (f) For residents of Minnesota, the subtractions for military pay under section 290.0132,
24.16 subdivisions 11 and 12, are not considered "earned income not subject to tax under this
24.17 chapter."

24.18 (g) For residents of Minnesota, the exclusion of combat pay under section 112 of the
24.19 Internal Revenue Code is not considered "earned income not subject to tax under this
24.20 chapter."

24.21 (h) For taxpayers with federal adjusted gross income in excess of ~~\$50,000~~ \$50,990, the
24.22 credit is equal to the lesser of the credit otherwise calculated under this subdivision, or the
24.23 amount equal to \$600 minus five percent of federal adjusted gross income in excess of
24.24 ~~\$50,000~~ \$50,990 for taxpayers with one qualified individual, or \$1,200 minus five percent
24.25 of federal adjusted gross income in excess of ~~\$50,000~~ \$50,990 for taxpayers with two or
24.26 more qualified individuals, but in no case is the credit less than zero.

24.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
24.28 31, 2017.

24.29 Sec. 41. Minnesota Statutes 2017 Supplement, section 290.067, subdivision 2b, is amended
24.30 to read:

24.31 Subd. 2b. **Inflation adjustment.** The commissioner shall adjust the dollar amount of
24.32 the income threshold at which the maximum credit begins to be reduced under subdivision
24.33 1 by the percentage determined pursuant to the provisions of section 1(f) of the Internal

Revenue Code, except that in section 1(f)(3)(B) the word "~~2016~~" "2017" shall be substituted for the word "~~1992~~." For 2018, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding the taxable year. "2016." The determination of the commissioner pursuant to this subdivision must not be considered a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. The threshold amount as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 42. Minnesota Statutes 2017 Supplement, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota is allowed a credit against the tax imposed by this chapter equal to a percentage of earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code, except that a taxpayer with no qualifying children who has attained the age of 21, but not attained age 65 before the close of the taxable year and is otherwise eligible for a credit under section 32 of the Internal Revenue Code may also receive a credit.

(b) For individuals with no qualifying children, the credit equals 2.10 percent of the first ~~\$6,180~~ \$6,480 of earned income. The credit is reduced by 2.01 percent of earned income or adjusted gross income, whichever is greater, in excess of ~~\$8,130~~ \$8,530, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals 9.35 percent of the first ~~\$11,120~~ \$11,670 of earned income. The credit is reduced by 6.02 percent of earned income or adjusted gross income, whichever is greater, in excess of ~~\$21,190~~ \$22,340, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals 11 percent of the first ~~\$18,240~~ \$19,130 of earned income. The credit is reduced by 10.82 percent of earned income or adjusted gross income, whichever is greater, in excess of ~~\$25,130~~ \$26,360, but in no case is the credit less than zero.

(e) For a part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(f) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, including income excluded under section 290.0132, subdivision 10, the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income. For purposes of this paragraph, the following clauses are not considered "earned income not subject to tax under this chapter":

(1) the subtractions for military pay under section 290.0132, subdivisions 11 and 12;

(2) the exclusion of combat pay under section 112 of the Internal Revenue Code; and

(3) income derived from an Indian reservation by an enrolled member of the reservation while living on the reservation.

(g) For tax years beginning after December 31, ~~2013~~ 2018, the ~~\$8,130~~ \$8,530 in paragraph (b), the ~~\$21,190~~ \$22,340 in paragraph (c), and the ~~\$25,130~~ \$26,360 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by ~~\$5,000~~ \$5,700 for married taxpayers filing joint returns. For tax years beginning after December 31, ~~2013~~ 2018, the commissioner shall annually adjust the ~~\$5,000~~ \$5,700 by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B), the word "~~2008~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2014, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2008, to the 12 months ending on August 31, 2013, and in each subsequent year, from the 12 months ending on August 31, 2008, to the 12 months ending on August 31 of the year preceding the taxable year.~~ "2016." The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

(h) The commissioner shall construct tables showing the amount of the credit at various income levels and make them available to taxpayers. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transition between income brackets.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 43. Minnesota Statutes 2016, section 290.0671, subdivision 7, is amended to read:

Subd. 7. **Inflation adjustment.** The earned income amounts used to calculate the credit and the income thresholds at which the maximum credit begins to be reduced in subdivision

1 must be adjusted for inflation. The commissioner shall adjust by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~2013~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2015, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2013, to the 12 months ending on August 31, 2014, and in each subsequent year, from the 12 months ending on August 31, 2013, to the 12 months ending on August 31 of the year preceeding the taxable year.~~ "2016." The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 44. Minnesota Statutes 2017 Supplement, section 290.0672, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Long-term care insurance" means a policy that:

(1) qualifies for a deduction under section 213 of the Internal Revenue Code, disregarding the adjusted gross income test; or meets the requirements given in section 62A.46; or provides similar coverage issued under the laws of another jurisdiction; and

(2) has a lifetime long-term care benefit limit of not less than \$100,000; and

(3) has been offered in compliance with the inflation protection requirements of section 62S.23.

(c) "Qualified beneficiary" means the taxpayer or the taxpayer's spouse.

(d) "Premiums deducted in determining ~~federal~~ taxable net income" means the lesser of (1) long-term care insurance premiums that qualify as deductions under section 213 of the Internal Revenue Code; and (2) the total amount deductible for medical ~~care~~ expenses under section 213 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

28.1 Sec. 45. Minnesota Statutes 2016, section 290.0672, subdivision 2, is amended to read:

28.2 Subd. 2. **Credit.** A taxpayer is allowed a credit against the tax imposed by this chapter
28.3 for long-term care insurance policy premiums paid during the tax year. The credit for each
28.4 policy equals 25 percent of premiums paid to the extent not deducted in determining ~~federal~~
28.5 taxable net income. A taxpayer may claim a credit for only one policy for each qualified
28.6 beneficiary. A maximum of \$100 applies to each qualified beneficiary. The maximum total
28.7 credit allowed per year is \$200 for married couples filing joint returns and \$100 for all other
28.8 filers. For a nonresident or part-year resident, the credit determined under this section must
28.9 be allocated based on the percentage calculated under section 290.06, subdivision 2c,
28.10 paragraph (e).

28.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
28.12 31, 2017.

28.13 Sec. 46. Minnesota Statutes 2017 Supplement, section 290.0681, subdivision 1, is amended
28.14 to read:

28.15 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have
28.16 the meanings given.

28.17 (b) "Account" means the historic credit administration account in the special revenue
28.18 fund.

28.19 (c) "Office" means the State Historic Preservation Office of the Department of
28.20 Administration.

28.21 (d) "Project" means rehabilitation of a certified historic structure, as defined in section
28.22 47(c)(3)(A) of the Internal Revenue Code, that is located in Minnesota and is allowed a
28.23 federal credit.

28.24 (e) "Federal credit" means the credit allowed under section ~~47(a)(2)~~ 47(a) of the Internal
28.25 Revenue Code, except that the amount allowed is deemed to be allocated in the taxable year
28.26 that the project is placed in service.

28.27 (f) "Placed in service" has the meaning used in section 47 of the Internal Revenue Code.

28.28 (g) "Qualified rehabilitation expenditures" has the meaning given in section 47 of the
28.29 Internal Revenue Code.

28.30 **EFFECTIVE DATE.** This section is effective for applications for allocation certificates
28.31 submitted after December 31, 2017.

29.1 Sec. 47. Minnesota Statutes 2017 Supplement, section 290.0681, subdivision 2, is amended
29.2 to read:

29.3 Subd. 2. **Credit or grant allowed; certified historic structure.** (a) A credit is allowed
29.4 against the tax imposed under this chapter equal to not more than 100 percent of the credit
29.5 allowed under section ~~47(a)(2)~~ 47(a) of the Internal Revenue Code for a project. The credit
29.6 is payable in an amount equal to one-fifth of the total credit amount allowed in the five
29.7 taxable years beginning with the year the project is placed in service. To qualify for the
29.8 credit:

29.9 (1) the project must receive Part 3 certification and be placed in service during the taxable
29.10 year; and

29.11 (2) the taxpayer must be allowed the federal credit and be issued a credit certificate for
29.12 the taxable year as provided in subdivision 4.

29.13 (b) The commissioner of administration may pay a grant in lieu of the credit. The grant
29.14 equals 90 percent of the credit that would be allowed for the project. The grant is payable
29.15 in an amount equal to one-fifth of 90 percent of the credit that would be allowed for the
29.16 project in the five taxable years beginning with the year the project is placed in service.

29.17 (c) In lieu of the credit under paragraph (a), an insurance company may claim a credit
29.18 against the insurance premiums tax imposed under chapter 297I.

29.19 **EFFECTIVE DATE.** This section is effective for applications for allocation certificates
29.20 submitted after December 31, 2017.

29.21 Sec. 48. Minnesota Statutes 2016, section 290.0681, subdivision 3, is amended to read:

29.22 Subd. 3. **Applications; allocations.** (a) To qualify for a credit or grant under this section,
29.23 the developer of a project must apply to the office before the rehabilitation begins. The
29.24 application must contain the information and be in the form prescribed by the office. The
29.25 office may collect a fee for application of up to 0.5 percent of qualified rehabilitation
29.26 expenditures, up to \$40,000, based on estimated qualified rehabilitation expenditures, to
29.27 offset costs associated with personnel and administrative expenses related to administering
29.28 the credit and preparing the economic impact report in subdivision 9. Application fees are
29.29 deposited in the account. The application must indicate if the application is for a credit or
29.30 a grant in lieu of the credit or a combination of the two and designate the taxpayer qualifying
29.31 for the credit or the recipient of the grant.

29.32 (b) Upon approving an application for credit, the office shall issue allocation certificates
29.33 that:

30.1 (1) verify eligibility for the credit or grant;

30.2 (2) state the amount of credit or grant anticipated with the project, with the credit amount
30.3 equal to 100 percent and the grant amount equal to 90 percent of the federal credit anticipated
30.4 in the application;

30.5 (3) state that the credit or grant allowed may increase or decrease if the federal credit
30.6 the project receives at the time it is placed in service is different than the amount anticipated
30.7 at the time the allocation certificate is issued; and

30.8 (4) state the fiscal year in which the credit or grant is allocated, and that the taxpayer or
30.9 grant recipient is entitled to receive one-fifth of the total amount of either the credit or the
30.10 grant at the time the project is placed in service, provided that date is within three calendar
30.11 years following the issuance of the allocation certificate.

30.12 (c) The office, in consultation with the commissioner, shall determine if the project is
30.13 eligible for a credit or a grant under this section and must notify the developer in writing
30.14 of its determination. Eligibility for the credit is subject to review and audit by the
30.15 commissioner.

30.16 (d) The federal credit recapture and repayment requirements under section 50 of the
30.17 Internal Revenue Code do not apply to the credit allowed under this section.

30.18 (e) Any decision of the office under paragraph (c) may be challenged as a contested case
30.19 under chapter 14. The contested case proceeding must be initiated within 45 days of the
30.20 date of written notification by the office.

30.21 **EFFECTIVE DATE.** This section is effective for applications for allocation certificates
30.22 submitted after December 31, 2017.

30.23 Sec. 49. Minnesota Statutes 2016, section 290.0681, subdivision 4, is amended to read:

30.24 Subd. 4. **Credit certificates; grants.** (a)(1) The developer of a project for which the
30.25 office has issued an allocation certificate must notify the office when the project is placed
30.26 in service. Upon verifying that the project has been placed in service, and was allowed a
30.27 federal credit, the office must issue a credit certificate to the taxpayer designated in the
30.28 application or must issue a grant to the recipient designated in the application. The credit
30.29 certificate must state the amount of the credit.

30.30 (2) The credit amount equals the federal credit allowed for the project.

30.31 (3) The grant amount equals 90 percent of the federal credit allowed for the project.

(b) The recipient of a credit certificate may assign the certificate to another taxpayer before the first one-fifth payment is claimed, which is then allowed the credit under this section or section 297I.20, subdivision 3. An assignment is not valid unless the assignee notifies the commissioner within 30 days of the date that the assignment is made. The commissioner shall prescribe the forms necessary for notifying the commissioner of the assignment of a credit certificate and for claiming a credit by assignment.

(c) Credits passed through to partners, members, shareholders, or owners pursuant to subdivision 5 are not an assignment of a credit certificate under this subdivision.

(d) A grant agreement between the office and the recipient of a grant may allow the grant to be issued to another individual or entity.

EFFECTIVE DATE. This section is effective for applications for allocation certificates submitted after December 31, 2017.

Sec. 50. Minnesota Statutes 2017 Supplement, section 290.0684, subdivision 2, is amended to read:

Subd. 2. **Credit allowed.** (a) An individual who is a resident of Minnesota is allowed a credit against the tax imposed by this chapter. The credit is not allowed to an individual who is eligible to be claimed as a dependent, as defined in sections 151 and 152 of the Internal Revenue Code. The credit may not exceed the liability for tax under this chapter.

(b) The amount of the credit allowed equals 50 percent of contributions for the taxable year. The maximum credit is \$500, subject to the phaseout in paragraphs (c) and (d). In no case is the credit less than zero.

(c) For individual filers, the maximum credit is reduced by two percent of adjusted gross income in excess of ~~\$75,000~~ \$76,490.

(d) For married couples filing a joint return, the maximum credit is phased out as follows:

(1) for married couples with adjusted gross income in excess of ~~\$75,000~~ \$76,490, but not more than ~~\$100,000~~ \$101,990, the maximum credit is reduced by one percent of adjusted gross income in excess of ~~\$75,000~~ \$76,490;

(2) for married couples with adjusted gross income in excess of ~~\$100,000~~ \$101,990, but not more than ~~\$135,000~~ \$137,680, the maximum credit is \$250; and

(3) for married couples with adjusted gross income in excess of ~~\$135,000~~ \$137,680, the maximum credit is \$250, reduced by one percent of adjusted gross income in excess of ~~\$135,000~~ \$137,680.

(e) The income thresholds in paragraphs (c) and (d) used to calculate the maximum credit must be adjusted for inflation. The commissioner shall adjust the income thresholds by the percentage determined under the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~2016~~" "2017" is substituted for the word "~~1992~~." ~~For 2018, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding the taxable year.~~ "2016." The income thresholds as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount. The determination of the commissioner under this subdivision is not subject to chapter 14, including section 14.386.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 51. Minnesota Statutes 2016, section 290.0802, subdivision 2, is amended to read:

Subd. 2. **Subtraction.** (a) A qualified individual is allowed a subtraction from federal ~~taxable~~ adjusted gross income of the individual's subtraction base amount. The excess of the subtraction base amount over the taxable net income computed without regard to the subtraction for the elderly or disabled under section 290.0132, subdivision 5, may be used to reduce the amount of a lump sum distribution subject to tax under section 290.032.

(b)(1) The initial subtraction base amount equals

(i) \$12,000 for a married taxpayer filing a joint return if a spouse is a qualified individual,

(ii) \$9,600 for a single taxpayer, and

(iii) \$6,000 for a married taxpayer filing a separate federal return.

(2) The qualified individual's initial subtraction base amount, then, must be reduced by the sum of nontaxable retirement and disability benefits and one-half of the amount of adjusted gross income in excess of the following thresholds:

(i) \$18,000 for a married taxpayer filing a joint return if both spouses are qualified individuals,

(ii) \$14,500 for a single taxpayer or for a married couple filing a joint return if only one spouse is a qualified individual, and

(iii) \$9,000 for a married taxpayer filing a separate federal return.

(3) In the case of a qualified individual who is under the age of 65, the maximum amount of the subtraction base may not exceed the taxpayer's disability income.

(4) The resulting amount is the subtraction base amount.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 52. **[290.0803] STANDARD OR ITEMIZED DEDUCTION.**

Subdivision 1. Election. An individual may elect to claim a state standard deduction in lieu of state itemized deductions. In the case of a married individual filing a separate return, if one spouse elects to claim state itemized deductions, the other spouse is not allowed a state standard deduction.

Subd. 2. Subtraction. Based on the election under subdivision 1, individuals are allowed to subtract from federal adjusted gross income the state standard deduction or the state itemized deduction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 53. Minnesota Statutes 2017 Supplement, section 290.091, subdivision 2, is amended to read:

Subd. 2. Definitions. For purposes of the tax imposed by this section, the following terms have the meanings given.

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

(i) the charitable contribution deduction under section 170 of the Internal Revenue Code; and

(ii) the medical expense deduction;

(iii) the casualty, theft, and disaster loss deduction; and

(iv) the impairment-related work expenses of a disabled person;

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

(4) to the extent not included in federal alternative minimum taxable income, the amount of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue Code determined without regard to subparagraph (E);

(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.0131, subdivision 2; and

(6) the amount of addition required by section 290.0131, subdivisions ~~9 to 14~~, 10, 16, and 17;

(7) the deduction allowed under section 199A of the Internal Revenue Code;

less the sum of the amounts determined under the following:

(i) interest income as defined in section 290.0132, subdivision 2;

(ii) an overpayment of state income tax as provided by section 290.0132, subdivision 3, to the extent included in federal alternative minimum taxable income;

(iii) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income;

(iv) amounts subtracted from federal ~~taxable~~ adjusted gross income as provided by section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, and ~~26 to 29~~; ~~and~~

(v) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c); and

(vi) the amount which would have been an allowable deduction under section 165(h) of the Internal Revenue Code, as amended through December 16, 2016, and which was taken as a Minnesota itemized deduction under section 290.01, subdivision 29.

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code, except that alternative minimum

35.1 taxable income must be increased by the amount of the addition under section 290.0131,
 35.2 subdivision 15.

35.3 (b) "Investment interest" means investment interest as defined in section 163(d)(3) of
 35.4 the Internal Revenue Code.

35.5 (c) "Net minimum tax" means the minimum tax imposed by this section.

35.6 (d) "Regular tax" means the tax that would be imposed under this chapter (without regard
 35.7 to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed
 35.8 under this chapter.

35.9 (e) "Tentative minimum tax" equals 6.75 percent of alternative minimum taxable income
 35.10 after subtracting the exemption amount determined under subdivision 3.

35.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 35.12 31, 2017.

35.13 Sec. 54. Minnesota Statutes 2016, section 290.091, subdivision 3, is amended to read:

35.14 Subd. 3. **Exemption amount.** (a) For purposes of computing the alternative minimum
 35.15 tax, the exemption amount is, ~~for taxable years beginning after December 31, 2005, \$60,000~~
 35.16 \$75,760 for married couples filing joint returns, ~~\$30,000~~ \$37,880 for married individuals
 35.17 filing separate returns, estates, and trusts, and ~~\$45,000~~ \$56,820 for unmarried individuals.

35.18 (b) The exemption amount determined under this subdivision is subject to the phase out
 35.19 under section ~~55(d)(3)~~ 55(d)(2) of the Internal Revenue Code, except that alternative
 35.20 minimum taxable income as determined under this section must be substituted in the
 35.21 computation of the phase out.

35.22 (c) For taxable years beginning after December 31, ~~2006~~ 2018, the exemption amount
 35.23 under paragraph (a) must be adjusted for inflation. The commissioner shall adjust the
 35.24 exemption amount by the percentage determined pursuant to the provisions of section 1(f)
 35.25 of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~2005~~" "2017"
 35.26 shall be substituted for the word "~~1992~~." ~~For 2007, the commissioner shall then determine~~
 35.27 ~~the percent change from the 12 months ending on August 31, 2005, to the 12 months ending~~
 35.28 ~~on August 31, 2006, and in each subsequent year, from the 12 months ending on August~~
 35.29 ~~31, 2005, to the 12 months ending on August 31 of the year preceding the taxable year.~~
 35.30 "2016." The exemption amount as adjusted must be rounded to the nearest \$10. If the amount
 35.31 ends in \$5, it must be rounded up to the nearest \$10 amount. The determination of the
 35.32 commissioner under this subdivision is not a rule under the Administrative Procedure Act.

36.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
36.2 31, 2017.

36.3 Sec. 55. Minnesota Statutes 2016, section 290.0921, subdivision 8, is amended to read:

36.4 Subd. 8. **Carryover credit.** (a) A corporation is allowed a credit against qualified regular
36.5 tax for qualified alternative minimum tax previously paid. The credit is allowable only if
36.6 ~~the corporation has no tax liability under this section for the taxable year and~~ if the
36.7 corporation has an alternative minimum tax credit carryover from a previous year. The
36.8 credit allowable in a taxable year equals the lesser of

36.9 (1) ~~the excess of the qualified regular tax for the taxable year over the amount computed~~
36.10 ~~under subdivision 1, clause (1), for the taxable year;~~ or

36.11 (2) the carryover credit to the taxable year.

36.12 (b) For purposes of this subdivision, the following terms have the meanings given.

36.13 (1) "Qualified alternative minimum tax" equals the amount determined under subdivision
36.14 1 for ~~the~~ a taxable year beginning before December 31, 2017.

36.15 (2) "Qualified regular tax" means the tax imposed under section 290.06, subdivision 1.

36.16 (c) The qualified alternative minimum tax for a taxable year is an alternative minimum
36.17 tax credit carryover to each of the taxable years succeeding the taxable year. The entire
36.18 amount of the credit must be carried to the earliest taxable year to which the amount may
36.19 be carried. Any unused portion of the credit must be carried to the following taxable year.
36.20 No credit may be carried to a taxable year in which alternative minimum tax was paid.

36.21 (d) An acquiring corporation may carry over this credit from a transferor or distributor
36.22 corporation in a corporate acquisition. The provisions of section 381 of the Internal Revenue
36.23 Code apply in determining the amount of the carryover, if any.

36.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
36.25 31, 2017.

36.26 Sec. 56. Minnesota Statutes 2016, section 290.0922, subdivision 1, is amended to read:

36.27 Subdivision 1. **Imposition.** (a) In addition to the tax imposed by this chapter without
36.28 regard to this section, the franchise tax imposed on a corporation required to file under
36.29 section 289A.08, subdivision 3, other than a corporation treated as an "S" corporation under
36.30 section 290.9725 for the taxable year includes a tax equal to the following amounts:

37.1 If the sum of the corporation's Minnesota
 37.2 property, payrolls, and sales or receipts is: the tax equals:

37.3			930,000	
37.4	less than	\$	<u>990,000</u>	\$ 0
37.5			930,000	190
37.6	\$	<u>990,000</u>	to \$ <u>1,989,999</u>	\$ <u>200</u>
37.7			1,870,000	560
37.8	\$	<u>1,990,000</u>	to \$ <u>9,959,999</u>	\$ <u>600</u>
37.9			9,340,000	1,870
37.10	\$	<u>9,960,000</u>	to \$ <u>19,929,999</u>	\$ <u>1,990</u>
37.11			18,680,000	3,740
37.12	\$	<u>19,930,000</u>	to \$ <u>39,859,999</u>	\$ <u>3,990</u>
37.13			37,360,000	9,340
37.14	\$	<u>39,860,000</u>	or more	\$ <u>9,960</u>

37.15 (b) A tax is imposed for each taxable year on a corporation required to file a return under
 37.16 section 289A.12, subdivision 3, that is treated as an "S" corporation under section 290.9725
 37.17 and on a partnership required to file a return under section 289A.12, subdivision 3, other
 37.18 than a partnership that derives over 80 percent of its income from farming. The tax imposed
 37.19 under this paragraph is due on or before the due date of the return for the taxpayer due under
 37.20 section 289A.18, subdivision 1. The commissioner shall prescribe the return to be used for
 37.21 payment of this tax. The tax under this paragraph is equal to the following amounts:

37.22 If the sum of the S corporation's
 37.23 or partnership's Minnesota
 37.24 property, payrolls, and sales or
 37.25 receipts is: the tax equals:

37.26			930,000	
37.27	less than	\$	<u>990,000</u>	\$ 0
37.28			930,000	190
37.29	\$	<u>990,000</u>	to \$ <u>1,989,999</u>	\$ <u>200</u>
37.30			1,870,000	560
37.31	\$	<u>1,990,000</u>	to \$ <u>9,959,999</u>	\$ <u>600</u>
37.32			9,340,000	1,870
37.33	\$	<u>9,960,000</u>	to \$ <u>19,929,999</u>	\$ <u>1,990</u>
37.34			18,680,000	3,740
37.35	\$	<u>19,930,000</u>	to \$ <u>39,859,999</u>	\$ <u>3,990</u>
37.36			37,360,000	9,340
37.37	\$	<u>39,860,000</u>	or more	\$ <u>9,960</u>

37.38 (c) The commissioner shall adjust the dollar amounts of both the tax and the property,
 37.39 payrolls, and sales or receipts thresholds in paragraphs (a) and (b) by the percentage
 37.40 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except
 37.41 that in section 1(f)(3)(B) the word "~~2012~~" "2017" must be substituted for the word "~~1992~~."
 37.42 ~~For 2014, the commissioner shall determine the percentage change from the 12 months~~

~~ending on August 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the year preceding the taxable year. "2016."~~ The determination of the commissioner pursuant to this subdivision is not a "rule" subject to the Administrative Procedure Act contained in chapter 14. The tax amounts as adjusted must be rounded to the nearest \$10 amount and the threshold amounts must be adjusted to the nearest \$10,000 amount. For tax amounts that end in \$5, the amount is rounded up to the nearest \$10 amount and for the threshold amounts that end in \$5,000, the amount is rounded up to the nearest \$10,000.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 57. Minnesota Statutes 2016, section 290.095, subdivision 4, is amended to read:

Subd. 4. **Computation and modifications.** The following modifications shall be made in computing a net operating loss in any taxable year and also in computing the taxable net income for any taxable year before a net operating loss deduction shall be allowed:

(a) No deduction shall be allowed for or with respect to losses connected with income producing activities if the income therefrom would not be required to be either assignable to this state or included in computing the taxpayer's taxable net income.

(b) A net operating loss deduction shall not be allowed.

(c) The amount deductible on account of losses from sales or exchanges of capital assets shall not exceed the amount includable on account of gains from sales or exchanges of capital assets.

(d) Renegotiation of profits for a prior taxable year under the renegotiation laws of the United States of America, including renegotiation of the profits with a subcontractor, shall not enter into the computation.

(e) Federal income and excess profits taxes shall not be allowed as a deduction.

(f) The 80-percent limitation under section 172(a)(2) of the Internal Revenue Code does not apply to the computations for corporate taxpayers under this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

39.1 Sec. 58. Minnesota Statutes 2017 Supplement, section 290.17, subdivision 2, is amended
39.2 to read:

39.3 Subd. 2. **Income not derived from conduct of a trade or business.** The income of a
39.4 taxpayer subject to the allocation rules that is not derived from the conduct of a trade or
39.5 business must be assigned in accordance with paragraphs (a) to (f):

39.6 (a)(1) Subject to paragraphs (a)(2) and (a)(3), income from wages as defined in section
39.7 3401(a) ~~and, (f), and (i)~~ of the Internal Revenue Code is assigned to this state if, and to the
39.8 extent that, the work of the employee is performed within it; all other income from such
39.9 sources is treated as income from sources without this state.

39.10 Severance pay shall be considered income from labor or personal or professional services.

39.11 (2) In the case of an individual who is a nonresident of Minnesota and who is an athlete
39.12 or entertainer, income from compensation for labor or personal services performed within
39.13 this state shall be determined in the following manner:

39.14 (i) the amount of income to be assigned to Minnesota for an individual who is a
39.15 nonresident salaried athletic team employee shall be determined by using a fraction in which
39.16 the denominator contains the total number of days in which the individual is under a duty
39.17 to perform for the employer, and the numerator is the total number of those days spent in
39.18 Minnesota. For purposes of this paragraph, off-season training activities, unless conducted
39.19 at the team's facilities as part of a team imposed program, are not included in the total number
39.20 of duty days. Bonuses earned as a result of play during the regular season or for participation
39.21 in championship, play-off, or all-star games must be allocated under the formula. Signing
39.22 bonuses are not subject to allocation under the formula if they are not conditional on playing
39.23 any games for the team, are payable separately from any other compensation, and are
39.24 nonrefundable; and

39.25 (ii) the amount of income to be assigned to Minnesota for an individual who is a
39.26 nonresident, and who is an athlete or entertainer not listed in item (i), for that person's athletic
39.27 or entertainment performance in Minnesota shall be determined by assigning to this state
39.28 all income from performances or athletic contests in this state.

39.29 (3) For purposes of this section, amounts received by a nonresident as "retirement income"
39.30 as defined in section (b)(1) of the State Income Taxation of Pension Income Act, Public
39.31 Law 104-95, are not considered income derived from carrying on a trade or business or
39.32 from wages or other compensation for work an employee performed in Minnesota, and are
39.33 not taxable under this chapter.

(b) Income or gains from tangible property located in this state that is not employed in the business of the recipient of the income or gains must be assigned to this state.

(c) Income or gains from intangible personal property not employed in the business of the recipient of the income or gains must be assigned to this state if the recipient of the income or gains is a resident of this state or is a resident trust or estate.

Gain on the sale of a partnership interest is allocable to this state in the ratio of the original cost of partnership tangible property in this state to the original cost of partnership tangible property everywhere, determined at the time of the sale. If more than 50 percent of the value of the partnership's assets consists of intangibles, gain or loss from the sale of the partnership interest is allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding the tax period of the partnership during which the partnership interest was sold.

Gain on the sale of an interest in a single member limited liability company that is disregarded for federal income tax purposes is allocable to this state as if the single member limited liability company did not exist and the assets of the limited liability company are personally owned by the sole member.

Gain on the sale of goodwill or income from a covenant not to compete that is connected with a business operating all or partially in Minnesota is allocated to this state to the extent that the income from the business in the year preceding the year of sale was allocable to Minnesota under subdivision 3.

When an employer pays an employee for a covenant not to compete, the income allocated to this state is in the ratio of the employee's service in Minnesota in the calendar year preceding leaving the employment of the employer over the total services performed by the employee for the employer in that year.

(d) Income from winnings on a bet made by an individual while in Minnesota is assigned to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

(e) All items of gross income not covered in paragraphs (a) to (d) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

(f) For the purposes of this section, working as an employee shall not be considered to be conducting a trade or business.

EFFECTIVE DATE. This section is effective for wages paid after December 31, 2017.

41.1 Sec. 59. Minnesota Statutes 2016, section 290.21, subdivision 4, is amended to read:

41.2 Subd. 4. **Dividends received from another corporation.** (a)(1) Eighty percent of
41.3 dividends received by a corporation during the taxable year from another corporation, in
41.4 which the recipient owns 20 percent or more of the stock, by vote and value, not including
41.5 stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate
41.6 stock with respect to which dividends are paid does not constitute the stock in trade of the
41.7 taxpayer or would not be included in the inventory of the taxpayer, or does not constitute
41.8 property held by the taxpayer primarily for sale to customers in the ordinary course of the
41.9 taxpayer's trade or business, or when the trade or business of the taxpayer does not consist
41.10 principally of the holding of the stocks and the collection of the income and gains therefrom;
41.11 and

41.12 (2)(i) the remaining 20 percent of dividends if the dividends received are the stock in
41.13 an affiliated company transferred in an overall plan of reorganization and the dividend is
41.14 eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended
41.15 through December 31, 1989;

41.16 (ii) the remaining 20 percent of dividends if the dividends are received from a corporation
41.17 which is subject to tax under section 290.36 and which is a member of an affiliated group
41.18 of corporations as defined by the Internal Revenue Code and the dividend is eliminated in
41.19 consolidation under Treasury Department Regulation 1.1502-14(a), as amended through
41.20 December 31, 1989, or is deducted under an election under section 243(b) of the Internal
41.21 Revenue Code; or

41.22 (iii) the remaining 20 percent of the dividends if the dividends are received from a
41.23 property and casualty insurer as defined under section 60A.60, subdivision 8, which is a
41.24 member of an affiliated group of corporations as defined by the Internal Revenue Code and
41.25 either: (A) the dividend is eliminated in consolidation under Treasury Regulation
41.26 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted
41.27 under an election under section 243(b) of the Internal Revenue Code.

41.28 (b) Seventy percent of dividends received by a corporation during the taxable year from
41.29 another corporation in which the recipient owns less than 20 percent of the stock, by vote
41.30 or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code
41.31 when the corporate stock with respect to which dividends are paid does not constitute the
41.32 stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily
41.33 for sale to customers in the ordinary course of the taxpayer's trade or business, or when the

42.1 trade or business of the taxpayer does not consist principally of the holding of the stocks
42.2 and the collection of income and gain therefrom.

42.3 (c) The dividend deduction provided in this subdivision shall be allowed only with
42.4 respect to dividends that are included in a corporation's Minnesota taxable net income for
42.5 the taxable year.

42.6 The dividend deduction provided in this subdivision does not apply to a dividend from
42.7 a corporation which, for the taxable year of the corporation in which the distribution is made
42.8 or for the next preceding taxable year of the corporation, is a corporation exempt from tax
42.9 under section 501 of the Internal Revenue Code.

42.10 The dividend deduction provided in this subdivision does not apply to a dividend received
42.11 from a real estate investment trust as defined in section 856 of the Internal Revenue Code.

42.12 The dividend deduction provided in this subdivision applies to the amount of regulated
42.13 investment company dividends only to the extent determined under section 854(b) of the
42.14 Internal Revenue Code.

42.15 The dividend deduction provided in this subdivision shall not be allowed with respect
42.16 to any dividend for which a deduction is not allowed under the provisions of section 246(c)
42.17 or 246A of the Internal Revenue Code.

42.18 (d) If dividends received by a corporation that does not have nexus with Minnesota under
42.19 the provisions of Public Law 86-272 are included as income on the return of an affiliated
42.20 corporation permitted or required to file a combined report under section 290.17, subdivision
42.21 4, or 290.34, subdivision 2, then for purposes of this subdivision the determination as to
42.22 whether the trade or business of the corporation consists principally of the holding of stocks
42.23 and the collection of income and gains therefrom shall be made with reference to the trade
42.24 or business of the affiliated corporation having a nexus with Minnesota.

42.25 (e) The deduction provided by this subdivision does not apply if the dividends are paid
42.26 by a FSC as defined in section 922 of the Internal Revenue Code.

42.27 (f) If one or more of the members of the unitary group whose income is included on the
42.28 combined report received a dividend, the deduction under this subdivision for each member
42.29 of the unitary business required to file a return under this chapter is the product of: (1) 100
42.30 percent of the dividends received by members of the group; (2) the percentage allowed
42.31 pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income
42.32 apportionable to this state for the taxable year under section 290.191 or 290.20.

43.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
43.2 31, 2017.

43.3 Sec. 60. Minnesota Statutes 2016, section 290.21, is amended by adding a subdivision to
43.4 read:

43.5 Subd. 9. **Controlled foreign corporations.** The income of a domestic corporation that
43.6 is included in net income under section 965 or other provisions of subchapter N, part III,
43.7 subpart F, of the Internal Revenue Code is dividend income.

43.8 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
43.9 after December 31, 2016, with regard to income section 965 of the Internal Revenue Code
43.10 and confirms the treatment of income under subpart F of the Internal Revenue Code as
43.11 dividend income for any open taxable year.

43.12 Sec. 61. Minnesota Statutes 2016, section 290.34, is amended by adding a subdivision to
43.13 read:

43.14 Subd. 5. **Insurance companies; interest expense limitation.** To be consistent with the
43.15 federal treatment of the interest expense limitation under section 163(j) of the Internal
43.16 Revenue Code for an affiliated group that includes an insurance company taxable under
43.17 chapter 297I and exempt from taxation under section 290.05, subdivision 1, clause (c), the
43.18 rules under this subdivision apply. In that case, the interest expense limitation under section
43.19 163(j) must be computed for the corporation subject to tax under this chapter using the
43.20 adjusted taxable income of the insurance companies that are part of the affiliated group and
43.21 taxed under chapter 297I.

43.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
43.23 31, 2017.

43.24 Sec. 62. Minnesota Statutes 2016, section 290.34, is amended by adding a subdivision to
43.25 read:

43.26 Subd. 6. **Affiliated corporations filing a combined report; interest expense limitation.**
43.27 Section 163(j) of the Internal Revenue Code shall be applied to affiliated corporations
43.28 permitted or required to file a combined report under section 290.17, subdivision 4, consistent
43.29 with its application to a consolidated group of corporations for federal income tax purposes.

43.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
43.31 31, 2017.

Sec. 63. Minnesota Statutes 2016, section 290.92, subdivision 1, is amended to read:

Subdivision 1. Definitions. (1) Wages. For purposes of this section, the term "wages" means the same as that term is defined in section 3401(a) ~~and~~₂ (f), and (i) of the Internal Revenue Code.

(2) Payroll period. For purposes of this section the term "payroll period" means a period for which a payment of wages is ordinarily made to the employee by the employee's employer, and the term "miscellaneous payroll period" means a payroll period other than a daily, weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual payroll period.

(3) Employee. For purposes of this section the term "employee" means any resident individual performing services for an employer, either within or without, or both within and without the state of Minnesota, and every nonresident individual performing services within the state of Minnesota, the performance of which services constitute, establish, and determine the relationship between the parties as that of employer and employee. As used in the preceding sentence, the term "employee" includes an officer of a corporation, and an officer, employee, or elected official of the United States, a state, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing.

(4) Employer. For purposes of this section the term "employer" means any person, including individuals, fiduciaries, estates, trusts, partnerships, limited liability companies, and corporations transacting business in or deriving any income from sources within the state of Minnesota for whom an individual performs or performed any service, of whatever nature, as the employee of such person, except that if the person for whom the individual performs or performed the services does not have control of the payment of the wages for such services, the term "employer," except for purposes of paragraph (1), means the person having control of the payment of such wages. As used in the preceding sentence, the term "employer" includes any corporation, individual, estate, trust, or organization which is exempt from taxation under section 290.05 and further includes, but is not limited to, officers of corporations who have control, either individually or jointly with another or others, of the payment of the wages.

(5) Number of withholding exemptions claimed. For purposes of this section, the term "number of withholding exemptions claimed" means the number of withholding exemptions claimed in a withholding exemption certificate in effect under subdivision 5, except that if

45.1 no such certificate is in effect, the number of withholding exemptions claimed shall be
45.2 considered to be zero.

45.3 **EFFECTIVE DATE.** This section is effective for wages paid after July 1, 2018.

45.4 Sec. 64. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 3, is amended
45.5 to read:

45.6 Subd. 3. **Income.** (a) "Income" means the sum of the following:

45.7 (1) federal adjusted gross income as defined in the Internal Revenue Code; and

45.8 (2) the sum of the following amounts to the extent not included in clause (1):

45.9 (i) all nontaxable income;

45.10 (ii) the amount of a passive activity loss that is not disallowed as a result of section 469,
45.11 paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss
45.12 carryover allowed under section 469(b) of the Internal Revenue Code;

45.13 (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a
45.14 solvent individual excluded from gross income under section 108(g) of the Internal Revenue
45.15 Code;

45.16 (iv) cash public assistance and relief;

45.17 (v) any pension or annuity (including railroad retirement benefits, all payments received
45.18 under the federal Social Security Act, Supplemental Security Income, and veterans benefits),
45.19 which was not exclusively funded by the claimant or spouse, or which was funded exclusively
45.20 by the claimant or spouse and which funding payments were excluded from federal adjusted
45.21 gross income in the years when the payments were made;

45.22 (vi) interest received from the federal or a state government or any instrumentality or
45.23 political subdivision thereof;

45.24 (vii) workers' compensation;

45.25 (viii) nontaxable strike benefits;

45.26 (ix) the gross amounts of payments received in the nature of disability income or sick
45.27 pay as a result of accident, sickness, or other disability, whether funded through insurance
45.28 or otherwise;

45.29 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of
45.30 1986, as amended through December 31, 1995;

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for the claimant and spouse;

(xii) to the extent not included in federal adjusted gross income, distributions received by the claimant or spouse from a traditional or Roth style retirement account or plan;

(xiii) nontaxable scholarship or fellowship grants;

(xiv) ~~the amount of deduction allowed under section 199 of the Internal Revenue Code~~ alimony received to the extent not included in the recipient's income;

(xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;

(xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue Code; ~~and~~

(xvii) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code;

(xviii) the amount excluded from federal adjusted gross income for qualified moving expense reimbursements under section 132(a)(6) of the Internal Revenue Code, as amended through December 16, 2016; and

(xix) the amount deducted from federal adjusted gross income for moving expenses under section 217 of the Internal Revenue Code, as amended through December 16, 2016.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(b) "Income" does not include:

(1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

(2) amounts of any pension or annuity which was exclusively funded by the claimant or spouse and which funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(3) to the extent included in federal adjusted gross income, amounts contributed by the claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed the retirement base amount reduced by the amount of contributions excluded from federal adjusted gross income, but not less than zero;

(4) surplus food or other relief in kind supplied by a governmental agency;

(5) relief granted under this chapter;

(6) child support payments received under a temporary or final decree of dissolution or legal separation; or

(7) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16.

(c) The sum of the following amounts may be subtracted from income:

(1) for the claimant's first dependent, the exemption amount multiplied by 1.4;

(2) for the claimant's second dependent, the exemption amount multiplied by 1.3;

(3) for the claimant's third dependent, the exemption amount multiplied by 1.2;

(4) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

(5) for the claimant's fifth dependent, the exemption amount; and

(6) if the claimant or claimant's spouse was disabled or attained the age of 65 on or before December 31 of the year for which the taxes were levied or rent paid, the exemption amount.

(d)(1) For purposes of this subdivision, the "exemption amount" means ~~the exemption amount under section 151(d) of the Internal Revenue Code for the taxable year for which the income is reported; "retirement base amount" means the deductible amount for the taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for inflation as provided in section 219(b)(5)(C) of the Internal Revenue Code, without regard to whether the claimant or spouse claimed a deduction; and "traditional or Roth style retirement account or plan" means retirement plans under sections 401, 403, 408, 408A, and 457 of the Internal Revenue Code.~~ \$4,150. For refunds payable after December 31, 2018, the commissioner shall annually adjust the \$4,150 by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, as amended through March 31, 2018. The exemption amount as adjusted for inflation must be rounded to the nearest \$50. If the amount is not a multiple of \$50, the commissioner shall

round down to the next lowest multiple of \$50. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act, including section 14.386; and

(2) "retirement base amount" means the deductible amount for the taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for inflation as provided in section 219(b)(5)(C) of the Internal Revenue Code, without regard to whether the claimant or spouse claimed a deduction, and "traditional or Roth-style retirement account or plan" means retirement plans under sections 401, 403, 408, 408A, and 457 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for refunds based on property taxes payable after December 31, 2018, and rent paid after December 31, 2017.

Sec. 65. Minnesota Statutes 2016, section 290A.03, subdivision 12, is amended to read:

Subd. 12. **Gross rent.** (a) "Gross rent" means rental paid for the right of occupancy, at arm's length, of a homestead, exclusive of charges for any medical services furnished by the landlord as a part of the rental agreement, whether expressly set out in the rental agreement or not.

(b) The gross rent of a resident of a nursing home or intermediate care facility is ~~\$350~~ \$490 per month. The gross rent of a resident of an adult foster care home is ~~\$550~~ \$760 per month. Beginning for rent paid in ~~2002~~ 2019, the commissioner shall annually adjust for inflation the gross rent amounts stated in this paragraph. The adjustment must be made in accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this paragraph the percentage increase shall be determined from the year ending on June 30, ~~2001~~ 2017, to the year ending on June 30 of the year in which the rent is paid. The commissioner shall round the gross rents to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up to the next \$10 amount. The determination of the commissioner under this paragraph is not a rule under the Administrative Procedure Act.

(c) If the landlord and tenant have not dealt with each other at arm's length and the commissioner determines that the gross rent charged was excessive, the commissioner may adjust the gross rent to a reasonable amount for purposes of this chapter.

(d) Any amount paid by a claimant residing in property assessed pursuant to section 273.124, subdivision 3, 4, 5, or 6 for occupancy in that property shall be excluded from gross rent for purposes of this chapter. However, property taxes imputed to the homestead of the claimant or the dwelling unit occupied by the claimant that qualifies for homestead

49.1 treatment pursuant to section 273.124, subdivision 3, 4, 5, or 6 shall be included within the
 49.2 term "property taxes payable" as defined in subdivision 13, notwithstanding the fact that
 49.3 ownership is not in the name of the claimant.

49.4 **EFFECTIVE DATE.** This section is effective for refunds based on rent paid after
 49.5 December 31, 2017, and property taxes payable after December 31, 2018.

49.6 Sec. 66. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 15, is amended
 49.7 to read:

49.8 Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue
 49.9 Code of 1986, as amended through ~~December 16, 2016~~ March 31, 2018.

49.10 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes
 49.11 payable after December 31, 2018, and rent paid after December 31, 2017.

49.12 Sec. 67. Minnesota Statutes 2016, section 290A.04, subdivision 2, is amended to read:

49.13 Subd. 2. **Homeowners; homestead credit refund.** A claimant whose property taxes
 49.14 payable are in excess of the percentage of the household income stated below shall pay an
 49.15 amount equal to the percent of income shown for the appropriate household income level
 49.16 along with the percent to be paid by the claimant of the remaining amount of property taxes
 49.17 payable. The state refund equals the amount of property taxes payable that remain, up to
 49.18 the state refund amount shown below.

49.19			Percent Paid by	Maximum
49.20			Claimant	State
49.21	Household Income	Percent of Income		Refund
49.22				2,580
49.23	\$0 to 1,619 <u>1,729</u>	1.0 percent	15 percent	\$ <u>2,760</u>
49.24	1,620 <u>1,730</u> to 3,229			2,580
49.25	<u>3,449</u>	1.1 percent	15 percent	\$ <u>2,760</u>
49.26	3,230 <u>3,450</u> to 4,889			2,580
49.27	<u>5,229</u>	1.2 percent	15 percent	\$ <u>2,760</u>
49.28	4,890 <u>5,230</u> to 6,519			2,580
49.29	<u>6,969</u>	1.3 percent	20 percent	\$ <u>2,760</u>
49.30	6,520 <u>6,970</u> to 8,129			2,580
49.31	<u>8,689</u>	1.4 percent	20 percent	\$ <u>2,760</u>
49.32	8,130 <u>8,690</u> to 11,389			2,580
49.33	<u>12,169</u>	1.5 percent	20 percent	\$ <u>2,760</u>
49.34	11,390 <u>12,170</u> to 13,009			2,580
49.35	<u>13,899</u>	1.6 percent	20 percent	\$ <u>2,760</u>
49.36	13,010 <u>13,900</u> to 14,649			2,580
49.37	<u>15,659</u>	1.7 percent	20 percent	\$ <u>2,760</u>

50.1	14,650 <u>15,660</u> to 16,269				<u>2,580</u>
50.2	<u>17,389</u>	1.8 percent	20 percent		\$ <u>2,760</u>
50.3	16,270 <u>17,390</u> to 17,879				<u>2,580</u>
50.4	<u>19,109</u>	1.9 percent	25 percent		\$ <u>2,760</u>
50.5	17,880 <u>19,110</u> to 22,779				<u>2,580</u>
50.6	<u>24,349</u>	2.0 percent	25 percent		\$ <u>2,760</u>
50.7	22,780 <u>24,350</u> to 24,399				<u>2,580</u>
50.8	<u>26,079</u>	2.0 percent	30 percent		\$ <u>2,760</u>
50.9	24,400 <u>26,080</u> to 27,659				<u>2,580</u>
50.10	<u>29,559</u>	2.0 percent	30 percent		\$ <u>2,760</u>
50.11	27,660 <u>29,560</u> to 39,029				<u>2,580</u>
50.12	<u>41,709</u>	2.0 percent	35 percent		\$ <u>2,760</u>
50.13	39,030 <u>41,710</u> to 56,919				<u>2,090</u>
50.14	<u>60,829</u>	2.0 percent	35 percent		\$ <u>2,230</u>
50.15	56,920 <u>60,830</u> to 65,049				<u>1,830</u>
50.16	<u>69,519</u>	2.0 percent	40 percent		\$ <u>1,960</u>
50.17	65,050 <u>69,520</u> to 73,189				<u>1,510</u>
50.18	<u>78,219</u>	2.1 percent	40 percent		\$ <u>1,610</u>
50.19	73,190 <u>78,220</u> to 81,319				<u>1,350</u>
50.20	<u>86,909</u>	2.2 percent	40 percent		\$ <u>1,440</u>
50.21	81,320 <u>86,910</u> to 89,449				<u>1,180</u>
50.22	<u>95,599</u>	2.3 percent	40 percent		\$ <u>1,260</u>
50.23	89,450 <u>95,600</u> to 94,339				<u>1,000</u>
50.24	<u>100,819</u>	2.4 percent	45 percent		\$ <u>1,070</u>
50.25	94,340 <u>100,820</u> to				<u>830</u>
50.26	97,609 <u>104,319</u>	2.5 percent	45 percent		\$ <u>890</u>
50.27	97,610 <u>104,320</u> to				<u>680</u>
50.28	101,559 <u>108,539</u>	2.5 percent	50 percent		\$ <u>730</u>
50.29	101,560 <u>108,540</u> to				<u>500</u>
50.30	105,499 <u>112,749</u>	2.5 percent	50 percent		\$ <u>530</u>

50.31 The payment made to a claimant shall be the amount of the state refund calculated under
 50.32 this subdivision. No payment is allowed if the claimant's household income is ~~\$105,500~~
 50.33 \$112,750 or more.

50.34 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes
 50.35 payable after December 31, 2017.

50.36 Sec. 68. Minnesota Statutes 2016, section 290A.04, subdivision 2a, is amended to read:

50.37 Subd. 2a. **Renters.** A claimant whose rent constituting property taxes exceeds the
 50.38 percentage of the household income stated below must pay an amount equal to the percent
 50.39 of income shown for the appropriate household income level along with the percent to be
 50.40 paid by the claimant of the remaining amount of rent constituting property taxes. The state

51.1 refund equals the amount of rent constituting property taxes that remain, up to the maximum
 51.2 state refund amount shown below.

51.3				Maximum
51.4			Percent Paid by	State
51.5	Household Income	Percent of Income	Claimant	Refund
51.6				2,000
51.7	\$0 to 4,909 <u>5,249</u>	1.0 percent	5 percent	\$ <u>2,140</u>
51.8	4,910 <u>5,250 to 6,529</u>			2,000
51.9	<u>6,979</u>	1.0 percent	10 percent	\$ <u>2,140</u>
51.10	6,530 <u>6,980 to 8,159</u>			1,950
51.11	<u>8,719</u>	1.1 percent	10 percent	\$ <u>2,080</u>
51.12	8,160 <u>8,720 to 11,439</u>			1,900
51.13	<u>12,229</u>	1.2 percent	10 percent	\$ <u>2,030</u>
51.14	11,440 <u>12,230 to 14,709</u>			1,850
51.15	<u>15,719</u>	1.3 percent	15 percent	\$ <u>1,980</u>
51.16	14,710 <u>15,720 to 16,339</u>			1,800
51.17	<u>17,459</u>	1.4 percent	15 percent	\$ <u>1,920</u>
51.18	16,340 <u>17,460 to 17,959</u>			1,750
51.19	<u>19,189</u>	1.4 percent	20 percent	\$ <u>1,870</u>
51.20	17,960 <u>19,190 to 21,239</u>			1,700
51.21	<u>22,699</u>	1.5 percent	20 percent	\$ <u>1,820</u>
51.22	21,240 <u>22,700 to 22,869</u>			1,650
51.23	<u>24,439</u>	1.6 percent	20 percent	\$ <u>1,760</u>
51.24	22,870 <u>24,440 to 24,499</u>			1,650
51.25	<u>26,179</u>	1.7 percent	25 percent	\$ <u>1,760</u>
51.26	24,500 <u>26,180 to 27,779</u>			1,650
51.27	<u>29,689</u>	1.8 percent	25 percent	\$ <u>1,760</u>
51.28	27,780 <u>29,690 to 29,399</u>			1,650
51.29	<u>31,419</u>	1.9 percent	30 percent	\$ <u>1,760</u>
51.30	29,400 <u>31,420 to 34,299</u>			1,650
51.31	<u>36,659</u>	2.0 percent	30 percent	\$ <u>1,760</u>
51.32	34,300 <u>36,660 to 39,199</u>			1,650
51.33	<u>41,889</u>	2.0 percent	35 percent	\$ <u>1,760</u>
51.34	39,200 <u>41,890 to 45,739</u>			1,650
51.35	<u>48,879</u>	2.0 percent	40 percent	\$ <u>1,760</u>
51.36	45,740 <u>48,880 to 47,369</u>			1,500
51.37	<u>50,629</u>	2.0 percent	45 percent	\$ <u>1,600</u>
51.38	47,370 <u>50,630 to 49,009</u>			1,350
51.39	<u>52,379</u>	2.0 percent	45 percent	\$ <u>1,440</u>
51.40	49,010 <u>52,380 to 50,649</u>			1,150
51.41	<u>54,129</u>	2.0 percent	45 percent	\$ <u>1,230</u>
51.42	50,650 <u>54,130 to 52,269</u>			1,000
51.43	<u>55,859</u>	2.0 percent	50 percent	\$ <u>1,070</u>
51.44	52,270 <u>55,860 to 53,909</u>			900
51.45	<u>57,619</u>	2.0 percent	50 percent	\$ <u>960</u>

52.1	53,910 <u>57,620</u> to 55,539				<u>500</u>
52.2	<u>59,359</u>	2.0 percent	50 percent	\$	<u>530</u>
52.3	55,540 <u>59,360</u> to 57,169				<u>200</u>
52.4	<u>61,099</u>	2.0 percent	50 percent	\$	<u>210</u>

52.5 The payment made to a claimant is the amount of the state refund calculated under this
 52.6 subdivision. No payment is allowed if the claimant's household income is ~~\$57,170~~ \$61,100
 52.7 or more.

52.8 **EFFECTIVE DATE.** This section is effective for refunds based on rent paid after
 52.9 December 31, 2016.

52.10 Sec. 69. Minnesota Statutes 2016, section 290A.04, subdivision 4, is amended to read:

52.11 Subd. 4. **Inflation adjustment.** (a) Beginning for property tax refunds payable in calendar
 52.12 year 2002, the commissioner shall annually adjust the dollar amounts of the income thresholds
 52.13 and the maximum refunds under subdivisions 2 and 2a for inflation. The commissioner
 52.14 shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue
 52.15 Code, except that for purposes of this subdivision the percentage increase shall be determined
 52.16 as provided in this subdivision.

52.17 (b) In adjusting the dollar amounts of the income thresholds and the maximum refunds
 52.18 under subdivision 2 for inflation, the percentage increase shall be determined from the year
 52.19 ending on June 30, ~~2013~~ 2018, to the year ending on June 30 of the year preceding that in
 52.20 which the refund is payable.

52.21 (c) In adjusting the dollar amounts of the income thresholds and the maximum refunds
 52.22 under subdivision 2a for inflation, the percentage increase shall be determined from the
 52.23 year ending on June 30, ~~2013~~ 2018, to the year ending on June 30 of the year preceding that
 52.24 in which the refund is payable.

52.25 (d) The commissioner shall use the appropriate percentage increase to annually adjust
 52.26 the income thresholds and maximum refunds under subdivisions 2 and 2a for inflation
 52.27 without regard to whether or not the income tax brackets are adjusted for inflation in that
 52.28 year. The commissioner shall round the thresholds and the maximum amounts, as adjusted
 52.29 to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up to
 52.30 the next \$10 amount.

52.31 (e) The commissioner shall annually announce the adjusted refund schedule at the same
 52.32 time provided under section 290.06. The determination of the commissioner under this
 52.33 subdivision is not a rule under the Administrative Procedure Act.

53.1 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes paid
53.2 after December 31, 2018, and rent paid after December 31, 2017.

53.3 Sec. 70. Minnesota Statutes 2017 Supplement, section 291.005, subdivision 1, is amended
53.4 to read:

53.5 Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following terms
53.6 used in this chapter shall have the following meanings:

53.7 (1) "Commissioner" means the commissioner of revenue or any person to whom the
53.8 commissioner has delegated functions under this chapter.

53.9 (2) "Federal gross estate" means the gross estate of a decedent as required to be valued
53.10 and otherwise determined for federal estate tax purposes under the Internal Revenue Code,
53.11 increased by the value of any property in which the decedent had a qualifying income interest
53.12 for life and for which an election was made under section 291.03, subdivision 1d, for
53.13 Minnesota estate tax purposes, but was not made for federal estate tax purposes.

53.14 (3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986,
53.15 as amended through ~~December 16, 2016~~ March 31, 2018.

53.16 (4) "Minnesota gross estate" means the federal gross estate of a decedent after (a)
53.17 excluding therefrom any property included in the estate which has its situs outside Minnesota,
53.18 and (b) including any property omitted from the federal gross estate which is includable in
53.19 the estate, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

53.20 (5) "Nonresident decedent" means an individual whose domicile at the time of death
53.21 was not in Minnesota.

53.22 (6) "Personal representative" means the executor, administrator or other person appointed
53.23 by the court to administer and dispose of the property of the decedent. If there is no executor,
53.24 administrator or other person appointed, qualified, and acting within this state, then any
53.25 person in actual or constructive possession of any property having a situs in this state which
53.26 is included in the federal gross estate of the decedent shall be deemed to be a personal
53.27 representative to the extent of the property and the Minnesota estate tax due with respect
53.28 to the property.

53.29 (7) "Resident decedent" means an individual whose domicile at the time of death was
53.30 in Minnesota. The provisions of section 290.01, subdivision 7, paragraphs (c) and (d), apply
53.31 to determinations of domicile under this chapter.

53.32 (8) "Situs of property" means, with respect to:

54.1 (i) real property, the state or country in which it is located;

54.2 (ii) tangible personal property, the state or country in which it was normally kept or
54.3 located at the time of the decedent's death or for a gift of tangible personal property within
54.4 three years of death, the state or country in which it was normally kept or located when the
54.5 gift was executed;

54.6 (iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue
54.7 Code, owned by a nonresident decedent and that is normally kept or located in this state
54.8 because it is on loan to an organization, qualifying as exempt from taxation under section
54.9 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is
54.10 deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

54.11 (iv) intangible personal property, the state or country in which the decedent was domiciled
54.12 at death or for a gift of intangible personal property within three years of death, the state or
54.13 country in which the decedent was domiciled when the gift was executed.

54.14 For a nonresident decedent with an ownership interest in a pass-through entity with
54.15 assets that include real or tangible personal property, situs of the real or tangible personal
54.16 property, including qualified works of art, is determined as if the pass-through entity does
54.17 not exist and the real or tangible personal property is personally owned by the decedent. If
54.18 the pass-through entity is owned by a person or persons in addition to the decedent, ownership
54.19 of the property is attributed to the decedent in proportion to the decedent's capital ownership
54.20 share of the pass-through entity.

54.21 (9) "Pass-through entity" includes the following:

54.22 (i) an entity electing S corporation status under section 1362 of the Internal Revenue
54.23 Code;

54.24 (ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

54.25 (iii) a single-member limited liability company or similar entity, regardless of whether
54.26 it is taxed as an association or is disregarded for federal income tax purposes under Code
54.27 of Federal Regulations, title 26, section 301.7701-3; or

54.28 (iv) a trust to the extent the property is includible in the decedent's federal gross estate;
54.29 but excludes

54.30 (v) an entity whose ownership interest securities are traded on an exchange regulated
54.31 by the Securities and Exchange Commission as a national securities exchange under section
54.32 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

55.1 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents
55.2 dying after December 31, 2017.

55.3 Sec. 71. Minnesota Statutes 2016, section 297A.68, subdivision 25, is amended to read:

55.4 Subd. 25. **Sale of property used in a trade or business.** (a) The sale of tangible personal
55.5 property primarily used in a trade or business is exempt if the sale is not made in the normal
55.6 course of business of selling that kind of property and if one of the following conditions is
55.7 satisfied:

55.8 (1) the sale occurs in a transaction subject to or described in section 118, 331, 332, 336,
55.9 337, 338, 351, 355, 368, 721, 731, 1031, or 1033 of the Internal Revenue Code, as amended
55.10 through December 16, 2016;

55.11 (2) the sale is between members of a controlled group as defined in section 1563(a) of
55.12 the Internal Revenue Code;

55.13 (3) the sale is a sale of farm machinery;

55.14 (4) the sale is a farm auction sale;

55.15 (5) the sale is a sale of substantially all of the assets of a trade or business; or

55.16 (6) the total amount of gross receipts from the sale of trade or business property made
55.17 during the calendar month of the sale and the preceding 11 calendar months does not exceed
55.18 \$1,000.

55.19 The use, storage, distribution, or consumption of tangible personal property acquired as
55.20 a result of a sale exempt under this subdivision is also exempt.

55.21 (b) For purposes of this subdivision, the following terms have the meanings given.

55.22 (1) A "farm auction" is a public auction conducted by a licensed auctioneer if substantially
55.23 all of the property sold consists of property used in the trade or business of farming and
55.24 property not used primarily in a trade or business.

55.25 (2) "Trade or business" includes the assets of a separate division, branch, or identifiable
55.26 segment of a trade or business if, before the sale, the income and expenses attributable to
55.27 the separate division, branch, or identifiable segment could be separately ascertained from
55.28 the books of account or record (the lease or rental of an identifiable segment does not qualify
55.29 for the exemption).

55.30 (3) A "sale of substantially all of the assets of a trade or business" must occur as a single
55.31 transaction or a series of related transactions within the 12-month period beginning on the

56.1 date of the first sale of assets intended to qualify for the exemption provided in paragraph
56.2 (a), clause (5).

56.3 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
56.4 made after December 31, 2017.

56.5 Sec. 72. Minnesota Statutes 2016, section 297B.03, is amended to read:

56.6 **297B.03 EXEMPTIONS.**

56.7 There is specifically exempted from the provisions of this chapter and from computation
56.8 of the amount of tax imposed by it the following:

56.9 (1) purchase or use, including use under a lease purchase agreement or installment sales
56.10 contract made pursuant to section 465.71, of any motor vehicle by the United States and its
56.11 agencies and instrumentalities and by any person described in and subject to the conditions
56.12 provided in section 297A.67, subdivision 11;

56.13 (2) purchase or use of any motor vehicle by any person who was a resident of another
56.14 state or country at the time of the purchase and who subsequently becomes a resident of
56.15 Minnesota, provided the purchase occurred more than 60 days prior to the date such person
56.16 began residing in the state of Minnesota and the motor vehicle was registered in the person's
56.17 name in the other state or country;

56.18 (3) purchase or use of any motor vehicle by any person making a valid election to be
56.19 taxed under the provisions of section 297A.90;

56.20 (4) purchase or use of any motor vehicle previously registered in the state of Minnesota
56.21 when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336,
56.22 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code,
56.23 as amended through December 16, 2016;

56.24 (5) purchase or use of any vehicle owned by a resident of another state and leased to a
56.25 Minnesota-based private or for-hire carrier for regular use in the transportation of persons
56.26 or property in interstate commerce provided the vehicle is titled in the state of the owner or
56.27 secured party, and that state does not impose a sales tax or sales tax on motor vehicles used
56.28 in interstate commerce;

56.29 (6) purchase or use of a motor vehicle by a private nonprofit or public educational
56.30 institution for use as an instructional aid in automotive training programs operated by the
56.31 institution. "Automotive training programs" includes motor vehicle body and mechanical
56.32 repair courses but does not include driver education programs;

57.1 (7) purchase of a motor vehicle by an ambulance service licensed under section 144E.10
57.2 when that vehicle is equipped and specifically intended for emergency response or for
57.3 providing ambulance service;

57.4 (8) purchase of a motor vehicle by or for a public library, as defined in section 134.001,
57.5 subdivision 2, as a bookmobile or library delivery vehicle;

57.6 (9) purchase of a ready-mixed concrete truck;

57.7 (10) purchase or use of a motor vehicle by a town for use exclusively for road
57.8 maintenance, including snowplows and dump trucks, but not including automobiles, vans,
57.9 or pickup trucks;

57.10 (11) purchase or use of a motor vehicle by a corporation, society, association, foundation,
57.11 or institution organized and operated exclusively for charitable, religious, or educational
57.12 purposes, except a public school, university, or library, but only if the vehicle is:

57.13 (i) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a
57.14 passenger automobile, as defined in section 168.002, if the automobile is designed and used
57.15 for carrying more than nine persons including the driver; and

57.16 (ii) intended to be used primarily to transport tangible personal property or individuals,
57.17 other than employees, to whom the organization provides service in performing its charitable,
57.18 religious, or educational purpose;

57.19 (12) purchase of a motor vehicle for use by a transit provider exclusively to provide
57.20 transit service is exempt if the transit provider is either (i) receiving financial assistance or
57.21 reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29,
57.22 473.388, or 473.405;

57.23 (13) purchase or use of a motor vehicle by a qualified business, as defined in section
57.24 469.310, located in a job opportunity building zone, if the motor vehicle is principally
57.25 garaged in the job opportunity building zone and is primarily used as part of or in direct
57.26 support of the person's operations carried on in the job opportunity building zone. The
57.27 exemption under this clause applies to sales, if the purchase was made and delivery received
57.28 during the duration of the job opportunity building zone. The exemption under this clause
57.29 also applies to any local sales and use tax;

57.30 (14) purchase of a leased vehicle by the lessee who was a participant in a lease-to-own
57.31 program from a charitable organization that is:

57.32 (i) described in section 501(c)(3) of the Internal Revenue Code; and

(ii) licensed as a motor vehicle lessor under section 168.27, subdivision 4; and

(15) purchase of a motor vehicle used exclusively as a mobile medical unit for the provision of medical or dental services by a federally qualified health center, as defined under title 19 of the Social Security Act, as amended by Section 4161 of the Omnibus Budget Reconciliation Act of 1990.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after December 31, 2017.

Sec. 73. Minnesota Statutes 2017 Supplement, section 462D.06, subdivision 1, is amended to read:

Subdivision 1. **Subtraction.** (a) As provided in section 290.0132, subdivision 25, an account holder is allowed a subtraction from the federal ~~taxable~~ adjusted gross income equal to interest or dividends earned on the first-time home buyer savings account during the taxable year.

(b) The subtraction under paragraph (a) is allowed each year for the taxable years including and following the taxable year in which the account was established. No person other than the account holder is allowed a subtraction under this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 74. Minnesota Statutes 2017 Supplement, section 462D.06, subdivision 2, is amended to read:

Subd. 2. **Addition.** (a) As provided in section 290.0131, subdivision 14, an account holder must add to federal ~~taxable~~ adjusted gross income the following amounts:

(1) the amount in excess of the total contributions for all taxable years that is withdrawn and used for other than eligible costs, or for a transfer permitted under section 462D.04, subdivision 2; and

(2) the amount remaining in the first-time home buyer savings account at the close of the tenth taxable year that exceeds the total contributions to the account for all taxable years.

(b) For an account that received a transfer under section 462D.04, subdivision 2, the ten-year period under paragraph (a), clause (2), ends at the close of the earliest taxable year that applies to either account under that clause.

59.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 59.2 31, 2017.

59.3 Sec. 75. Minnesota Statutes 2016, section 469.316, subdivision 1, is amended to read:

59.4 Subdivision 1. **Application.** An individual, estate, or trust operating a trade or business
 59.5 in a job opportunity building zone, and an individual, estate, or trust making a qualifying
 59.6 investment in a qualified business operating in a job opportunity building zone qualifies for
 59.7 the exemptions from taxes imposed under chapter 290, as provided in this section. The
 59.8 exemptions provided under this section apply only to the extent that the income otherwise
 59.9 would be taxable under chapter 290. Subtractions under this section from federal adjusted
 59.10 gross income, federal taxable income, alternative minimum taxable income, or any other
 59.11 base subject to tax are limited to the amount that otherwise would be included in the tax
 59.12 base absent the exemption under this section. This section applies only to taxable years
 59.13 beginning during the duration of the job opportunity building zone.

59.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 59.15 31, 2017.

59.16 Sec. 76. Minnesota Statutes 2016, section 469.317, is amended to read:

59.17 **469.317 CORPORATE FRANCHISE TAX EXEMPTION.**

59.18 (a) A qualified business is exempt from taxation under section 290.02, ~~the alternative~~
 59.19 ~~minimum tax under section 290.0921~~, and the minimum fee under section 290.0922, on the
 59.20 portion of its income attributable to operations within the zone. ~~This exemption is determined~~
 59.21 ~~as follows:~~

59.22 ~~(1) (b)~~ For purposes of the tax imposed under section 290.02, the exemption is determined
 59.23 by multiplying its taxable net income by its zone percentage and by its relocation payroll
 59.24 percentage and subtracting the result in determining taxable income;

59.25 ~~(2) for purposes of the alternative minimum tax under section 290.0921, by multiplying~~
 59.26 ~~its alternative minimum taxable income by its zone percentage and by its relocation payroll~~
 59.27 ~~percentage and reducing alternative minimum taxable income by this amount; and~~

59.28 ~~(3) (c)~~ For purposes of the minimum fee under section 290.0922, the exemption is
 59.29 determined by excluding property and payroll in the zone from the computations of the fee
 59.30 or by exempting the entity under section 290.0922, subdivision 2, clause (7).

59.31 ~~(b) (d)~~ No subtraction is allowed under this section in excess of 20 percent of the sum
 59.32 of the corporation's job opportunity building zone payroll and the adjusted basis of the

property at the time that the property is first used in the job opportunity building zone by the corporation.

~~(e)~~ (e) This section applies only to taxable years beginning during the duration of the job opportunity building zone.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 77. **REPEALER.**

Minnesota Statutes 2016, sections 290.0131, subdivisions 7 and 11; 290.0133, subdivisions 13 and 14; 290.067, subdivision 2a; 290.0921, subdivisions 1, 2, 3a, 4, and 6; and 290.10, subdivision 2, are repealed.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

ARTICLE 2

INDIVIDUAL INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

Section 1. Minnesota Statutes 2016, section 116J.8737, subdivision 5, is amended to read:

Subd. 5. **Credit allowed.** (a)(1) A qualified investor or qualified fund is eligible for a credit equal to 25 percent of the qualified investment in a qualified small business.

Investments made by a pass-through entity qualify for a credit only if the entity is a qualified fund. The commissioner must not allocate more than ~~\$15,000,000~~ \$5,000,000 in credits to qualified investors or qualified funds for taxable years beginning after December 31, ~~2013~~ 2017, and before January 1, ~~2017~~, ~~and must not allocate more than \$10,000,000 in credits to qualified investors or qualified funds for taxable years beginning after December 31, 2016, and before January 1, 2018~~ 2019; and

(2) ~~for taxable years beginning after December 31, 2014, and before January 1, 2018,~~ 50 percent must be allocated to credits for qualifying investments in qualified greater Minnesota businesses and minority- or women-owned qualified small businesses in Minnesota. Any portion of a taxable year's credits that is reserved for qualifying investments in greater Minnesota businesses and minority- or women-owned qualified small businesses in Minnesota that is not allocated by September 30 of the taxable year is available for allocation to other credit applications beginning on October 1. Any portion of a taxable year's credits that is not allocated by the commissioner does not cancel and may be carried forward to subsequent taxable years until all credits have been allocated.

(b) The commissioner may not allocate more than a total maximum amount in credits for a taxable year to a qualified investor for the investor's cumulative qualified investments as an individual qualified investor and as an investor in a qualified fund; for married couples filing joint returns the maximum is \$250,000, and for all other filers the maximum is \$125,000. The commissioner may not allocate more than a total of \$1,000,000 in credits over all taxable years for qualified investments in any one qualified small business.

(c) The commissioner may not allocate a credit to a qualified investor either as an individual qualified investor or as an investor in a qualified fund if, at the time the investment is proposed:

(1) the investor is an officer or principal of the qualified small business; or

(2) the investor, either individually or in combination with one or more members of the investor's family, owns, controls, or holds the power to vote 20 percent or more of the outstanding securities of the qualified small business.

A member of the family of an individual disqualified by this paragraph is not eligible for a credit under this section. For a married couple filing a joint return, the limitations in this paragraph apply collectively to the investor and spouse. For purposes of determining the ownership interest of an investor under this paragraph, the rules under section 267(c) and 267(e) of the Internal Revenue Code apply.

(d) Applications for tax credits for 2010 must be made available on the department's Web site by September 1, 2010, and the department must begin accepting applications by September 1, 2010. Applications for subsequent years must be made available by November 1 of the preceding year.

(e) Qualified investors and qualified funds must apply to the commissioner for tax credits. Tax credits must be allocated to qualified investors or qualified funds in the order that the tax credit request applications are filed with the department. The commissioner must approve or reject tax credit request applications within 15 days of receiving the application. The investment specified in the application must be made within 60 days of the allocation of the credits. If the investment is not made within 60 days, the credit allocation is canceled and available for reallocation. A qualified investor or qualified fund that fails to invest as specified in the application, within 60 days of allocation of the credits, must notify the commissioner of the failure to invest within five business days of the expiration of the 60-day investment period.

(f) All tax credit request applications filed with the department on the same day must be treated as having been filed contemporaneously. If two or more qualified investors or

qualified funds file tax credit request applications on the same day, and the aggregate amount of credit allocation claims exceeds the aggregate limit of credits under this section or the lesser amount of credits that remain unallocated on that day, then the credits must be allocated among the qualified investors or qualified funds who filed on that day on a pro rata basis with respect to the amounts claimed. The pro rata allocation for any one qualified investor or qualified fund is the product obtained by multiplying a fraction, the numerator of which is the amount of the credit allocation claim filed on behalf of a qualified investor and the denominator of which is the total of all credit allocation claims filed on behalf of all applicants on that day, by the amount of credits that remain unallocated on that day for the taxable year.

(g) A qualified investor or qualified fund, or a qualified small business acting on their behalf, must notify the commissioner when an investment for which credits were allocated has been made, and the taxable year in which the investment was made. A qualified fund must also provide the commissioner with a statement indicating the amount invested by each investor in the qualified fund based on each investor's share of the assets of the qualified fund at the time of the qualified investment. After receiving notification that the investment was made, the commissioner must issue credit certificates for the taxable year in which the investment was made to the qualified investor or, for an investment made by a qualified fund, to each qualified investor who is an investor in the fund. The certificate must state that the credit is subject to revocation if the qualified investor or qualified fund does not hold the investment in the qualified small business for at least three years, consisting of the calendar year in which the investment was made and the two following years. The three-year holding period does not apply if:

(1) the investment by the qualified investor or qualified fund becomes worthless before the end of the three-year period;

(2) 80 percent or more of the assets of the qualified small business is sold before the end of the three-year period;

(3) the qualified small business is sold before the end of the three-year period;

(4) the qualified small business's common stock begins trading on a public exchange before the end of the three-year period; or

(5) the qualified investor dies before the end of the three-year period.

(h) The commissioner must notify the commissioner of revenue of credit certificates issued under this section.

63.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
63.2 31, 2017.

63.3 Sec. 2. Minnesota Statutes 2016, section 116J.8737, subdivision 12, is amended to read:

63.4 Subd. 12. **Sunset.** This section expires for taxable years beginning after December 31,
63.5 ~~2017~~ 2018, except that reporting requirements under subdivision 6 and revocation of credits
63.6 under subdivision 7 remain in effect through ~~2019~~ 2020 for qualified investors and qualified
63.7 funds, and through ~~2021~~ 2022 for qualified small businesses, reporting requirements under
63.8 subdivision 9 remain in effect through ~~2022~~ 2023, and the appropriation in subdivision 11
63.9 remains in effect through ~~2021~~ 2022.

63.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
63.11 31, 2017.

63.12 Sec. 3. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 4a, is amended
63.13 to read:

63.14 Subd. 4a. **Financial institution.** (a) "Financial institution" means:

63.15 (1) any corporation or other business entity registered (i) under state law as a bank
63.16 holding company; (ii) under the federal Bank Holding Company Act of 1956, as amended;
63.17 or (iii) as a savings and loan holding company under the federal National Housing Act, as
63.18 amended;

63.19 (2) a national bank organized and existing as a national bank association pursuant to the
63.20 provisions of United States Code, title 12, chapter 2;

63.21 (3) a savings association or federal savings bank as defined in United States Code, title
63.22 12, section 1813(b)(1);

63.23 (4) any bank or thrift institution incorporated or organized under the laws of any state;

63.24 (5) any corporation organized under United States Code, title 12, sections 611 to 631;

63.25 (6) any agency or branch of a foreign depository as defined under United States Code,
63.26 title 12, section 3101;

63.27 (7) any corporation or other business entity that is more than 50 percent owned, directly
63.28 or indirectly, by any person or business entity described in clauses (1) to (6), other than an
63.29 insurance company taxable under chapter 297I;

63.30 (8) a corporation or other business entity that derives more than 50 percent of its total
63.31 gross income for financial accounting purposes from finance leases. For the purposes of

this clause, "gross income" means the average from the current tax year and immediately preceding two years and excludes gross income from incidental or occasional transactions. For purposes of this clause, "finance lease" means any lease transaction that is the functional equivalent of an extension of credit and that transfers substantially all the benefits and risks incident to the ownership of property, including any direct financing lease or leverage lease that meets the criteria of Financial Accounting Standards Board Statement No. 13, accounting for leases, or any other lease that is accounted for as financing by a lessor under generally accepted accounting principles; or

(9) any other person or business entity, other than an insurance company ~~taxable under chapter 297I~~, that derives more than 50 percent of its gross income from activities that an entity described in clauses (2) to (6) or (8) is authorized to transact. For the purposes of this clause, gross income does not include income from nonrecurring, extraordinary items.

(b) The commissioner is authorized to exclude any person from the application of paragraph (a), clause (9), if the person proves by clear and convincing evidence that the person's income-producing activity is not in substantial competition with any person described in paragraph (a), clauses (2) to (6) or (8).

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 4. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to read:

Subd. 5c. Disqualified captive insurance company. (a) "Captive insurance company" means a company that:

(1) is licensed as a captive insurance company under the laws of any state or foreign country; or

(2) derives less than 50 percent of its total premiums for the taxable year from sources outside of the unitary business, as that term is used in section 290.17.

(b) A captive insurance company is a "disqualified captive insurance company" if the company:

(1) pays less than 0.5 percent of its total premiums for the taxable year in tax under chapter 297I or a comparable tax of another state; or

(2) receives less than 50 percent of its gross receipts for the taxable year from premiums.

(c) For purposes of this subdivision, "premiums" means amounts paid for arrangements that constitute insurance for federal income tax purposes, but excludes return premiums, premiums for reinsurance assumed from other insurance companies, and any other premiums that are or would be exempt from taxation under section 297I.05 as a result of their type or character, if the insurance was for business in Minnesota.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 5. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision to read:

Subd. 29. Disallowed section 280E expenses; medical cannabis manufacturers. The amount of expenses of a medical cannabis manufacturer, as defined under section 152.22, subdivision 7, related to the business of medical cannabis under sections 152.21 to 152.37, and not allowed for federal income tax purposes under section 280E of the Internal Revenue Code is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 6. Minnesota Statutes 2016, section 290.0134, is amended by adding a subdivision to read:

Subd. 18. Disallowed section 280E expenses; medical cannabis manufacturers. The amount of expenses of a medical cannabis manufacturer, as defined under section 152.22, subdivision 7, related to the business of medical cannabis under sections 152.21 to 152.37, and not allowed for federal income tax purposes under section 280E of the Internal Revenue Code is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 7. Minnesota Statutes 2017 Supplement, section 290.05, subdivision 1, is amended to read:

Subdivision 1. **Exempt entities.** The following corporations, individuals, estates, trusts, and organizations shall be exempted from taxation under this chapter, provided that every such person or corporation claiming exemption under this chapter, in whole or in part, must establish to the satisfaction of the commissioner the taxable status of any income or activity:

(a) corporations, individuals, estates, and trusts engaged in the business of mining or producing iron ore and mining, producing, or refining other ores, metals, and minerals, the mining, production, or refining of which is subject to the occupation tax imposed by section 298.01; but if any such corporation, individual, estate, or trust engages in any other business or activity or has income from any property not used in such business it shall be subject to this tax computed on the net income from such property or such other business or activity. Royalty shall not be considered as income from the business of mining or producing iron ore within the meaning of this section;

(b) the United States of America, the state of Minnesota or any political subdivision of either agencies or instrumentalities, whether engaged in the discharge of governmental or proprietary functions; and

(c) any insurance company, ~~as defined in section 290.17, subdivision 4, paragraph (j), but including any insurance company licensed and domiciled in another state that grants, on a reciprocal basis, exemption from retaliatory taxes~~ other than a disqualified captive insurance company.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 8. Minnesota Statutes 2016, section 290.0685, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An eligible individual is allowed a credit against the tax imposed by this chapter equal to \$2,000 for each ~~birth for which a certificate of birth resulting in stillbirth has been issued under section 144.2151~~ stillbirth. The credit under this section is allowed only in the taxable year in which the stillbirth occurred ~~and if the child would have been a dependent of the taxpayer as defined in section 152 of the Internal Revenue Code.~~

(b) For a ~~nonresident~~ or part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2015.

Sec. 9. Minnesota Statutes 2016, section 290.0685, is amended by adding a subdivision to read:

Subd. 1a. Definitions. (a) For purposes of this section, the following terms have the meanings given, unless the context clearly indicates otherwise.

(b) "Certificate of birth resulting in stillbirth" means the printed certificate of birth resulting in stillbirth issued under section 144.2151 or for a stillbirth occurring in another state or country a similar certificate issued under that state's or country's law that documents that the still birth occurred.

(c) "Eligible individual" means an individual who is:

(1)(i) a resident; or

(ii) the nonresident spouse of a resident who is a member of armed forces of the United States or the United Nations; and

(2)(i) the individual who gave birth resulting in stillbirth and is listed as a parent on the certificate of birth resulting in stillbirth; or

(ii) the individual who gave birth resulting in stillbirth for a birth outside of this state for which no certificate of birth resulting in stillbirth was issued.

(d) "Stillbirth" means a birth for which a fetal death report would be required under section 144.222, subdivision 1, if the birth occurred in this state.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2015.

Sec. 10. Minnesota Statutes 2017 Supplement, section 290.17, subdivision 4, is amended to read:

Subd. 4. Unitary business principle. (a) If a trade or business conducted wholly within this state or partly within and partly without this state is part of a unitary business, the entire income of the unitary business is subject to apportionment pursuant to section 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary business is considered to be derived from any particular source and none may be allocated to a particular place except as provided by the applicable apportionment formula. The provisions of this subdivision do not apply to business income subject to subdivision 5, income of an insurance company, or income of an investment company determined under section 290.36.

(b) The term "unitary business" means business activities or operations which result in a flow of value between them. The term may be applied within a single legal entity or between multiple entities and without regard to whether each entity is a sole proprietorship, a corporation, a partnership or a trust.

(c) Unity is presumed whenever there is unity of ownership, operation, and use, evidenced by centralized management or executive force, centralized purchasing, advertising,

accounting, or other controlled interaction, but the absence of these centralized activities will not necessarily evidence a nonunitary business. Unity is also presumed when business activities or operations are of mutual benefit, dependent upon or contributory to one another, either individually or as a group.

(d) Where a business operation conducted in Minnesota is owned by a business entity that carries on business activity outside the state different in kind from that conducted within this state, and the other business is conducted entirely outside the state, it is presumed that the two business operations are unitary in nature, interrelated, connected, and interdependent unless it can be shown to the contrary.

(e) Unity of ownership does not exist when two or more corporations are involved unless more than 50 percent of the voting stock of each corporation is directly or indirectly owned by a common owner or by common owners, either corporate or noncorporate, or by one or more of the member corporations of the group. For this purpose, the term "voting stock" shall include membership interests of mutual insurance holding companies formed under section 66A.40.

(f) The net income and apportionment factors under section 290.191 or 290.20 of foreign corporations and other foreign entities, but excluding a disqualified captive insurance company, which are part of a unitary business shall not be included in the net income or the apportionment factors of the unitary business; except that the income and apportionment factors of a foreign entity, other than an entity treated as a C corporation for federal income tax purposes, that are included in the federal taxable income, as defined in section 63 of the Internal Revenue Code as amended through the date named in section 290.01, subdivision 19, of a domestic corporation, domestic entity, or individual must be included in determining net income and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20. A foreign corporation or other foreign entity which is not included on a combined report and which is required to file a return under this chapter shall file on a separate return basis.

(g) For purposes of determining the net income of a unitary business and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20, there must be included only the income and apportionment factors of domestic corporations or other domestic entities that are determined to be part of the unitary business pursuant to this subdivision, notwithstanding that foreign corporations or other foreign entities might be included in the unitary business; except that the income and apportionment factors of a foreign entity, other than an entity treated as a C corporation for federal income tax purposes, that is included in the federal taxable income, as defined in section 63 of the Internal Revenue

Code as amended through the date named in section 290.01, subdivision 19, of a domestic corporation, domestic entity, or individual must be included in determining net income and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20.

(h) Each corporation or other entity, except a sole proprietorship, that is part of a unitary business must file combined reports as the commissioner determines. On the reports, all intercompany transactions between entities included pursuant to paragraph (g) must be eliminated and the entire net income of the unitary business determined in accordance with this subdivision is apportioned among the entities by using each entity's Minnesota factors for apportionment purposes in the numerators of the apportionment formula and the total factors for apportionment purposes of all entities included pursuant to paragraph (g) in the denominators of the apportionment formula. Except as otherwise provided by paragraph (f), all sales of the unitary business made within this state pursuant to section 290.191 or 290.20 must be included on the combined report of a corporation or other entity that is a member of the unitary business and is subject to the jurisdiction of this state to impose tax under this chapter.

(i) If a corporation has been divested from a unitary business and is included in a combined report for a fractional part of the common accounting period of the combined report:

(1) its income includable in the combined report is its income incurred for that part of the year determined by proration or separate accounting; and

(2) its sales, property, and payroll included in the apportionment formula must be prorated or accounted for separately.

(j) For purposes of this subdivision, "insurance company" means an insurance company, as defined in section 290.01, subdivision 5b, that is:

~~(1) licensed to engage in the business of insurance in Minnesota pursuant to chapter 60A; or~~

~~(2) domiciled and licensed to engage in the business of insurance in another state or country that imposes retaliatory taxes, fines, deposits, penalties, licenses, or fees and that does not grant, on a reciprocal basis, exemption from such retaliatory taxes to insurance companies or their agents domiciled in Minnesota.~~

~~(k) For purposes of this subdivision, "retaliatory taxes" means taxes imposed on insurance companies organized in another state or country that result from the fact that an insurance~~

70.1 ~~company organized in the taxing jurisdiction and doing business in the other jurisdiction is~~
70.2 ~~subject to taxes, fines, deposits, penalties, licenses, or fees in an amount exceeding that~~
70.3 ~~imposed by the taxing jurisdiction upon an insurance company organized in the other state~~
70.4 ~~or country and doing business to the same extent in the taxing jurisdiction~~ not a disqualified
70.5 captive insurance company.

70.6 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
70.7 after December 31, 2016.

70.8 Sec. 11. Minnesota Statutes 2016, section 291.03, subdivision 8, is amended to read:

70.9 Subd. 8. **Definitions.** (a) For purposes of this section, the following terms have the
70.10 meanings given in this subdivision.

70.11 (b) "Family member" means a family member as defined in section 2032A(e)(2) of the
70.12 Internal Revenue Code, or a trust whose present beneficiaries are all family members as
70.13 defined in section 2032A(e)(2) of the Internal Revenue Code.

70.14 (c) "Qualified heir" means a family member who acquired qualified property upon the
70.15 death of the decedent and satisfies the requirement under subdivision 9, clause ~~(7)~~ (8), or
70.16 subdivision 10, clause (5), for the property.

70.17 (d) "Qualified property" means qualified small business property under subdivision 9
70.18 and qualified farm property under subdivision 10.

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

70.20 Sec. 12. Minnesota Statutes 2017 Supplement, section 291.03, subdivision 9, is amended
70.21 to read:

70.22 Subd. 9. **Qualified small business property.** Property satisfying all of the following
70.23 requirements is qualified small business property:

70.24 (1) The value of the property was included in the federal adjusted taxable estate.

70.25 (2) The property consists of the assets of a trade or business or shares of stock or other
70.26 ownership interests in a corporation or other entity engaged in a trade or business. Shares
70.27 of stock in a corporation or an ownership interest in another type of entity do not qualify
70.28 under this subdivision if the shares or ownership interests are traded on a public stock
70.29 exchange at any time during the three-year period ending on the decedent's date of death.
70.30 For purposes of this subdivision, an ownership interest includes the interest the decedent is

71.1 deemed to own under ~~sections~~ section 2036, 2037, ~~and~~ 2038, 2040, or 2044 of the Internal
71.2 Revenue Code.

71.3 (3) During the taxable year that ended before the decedent's death, the trade or business
71.4 must not have been a passive activity within the meaning of section 469(c) of the Internal
71.5 Revenue Code, and the decedent or the decedent's spouse must have materially participated
71.6 in the trade or business within the meaning of section 469(h) of the Internal Revenue Code,
71.7 excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided
71.8 by United States Treasury Department regulation that substitutes material participation in
71.9 prior taxable years for material participation in the taxable year that ended before the
71.10 decedent's death.

71.11 (4) The gross annual sales of the trade or business were \$10,000,000 or less for the last
71.12 taxable year that ended before the date of the death of the decedent.

71.13 (5) The property does not include:

71.14 (i) cash;

71.15 (ii) cash equivalents;

71.16 (iii) publicly traded securities; or

71.17 (iv) any assets not used in the operation of the trade or business.

71.18 (6) For property consisting of shares of stock or other ownership interests in an entity,
71.19 the value of items described in clause (5) must be excluded in the valuation of the decedent's
71.20 interest in the entity.

71.21 (7) The decedent or the decedent's spouse continuously owned the property, or an
71.22 undivided or joint interest in the property, including property the decedent or the decedent's
71.23 spouse is deemed to own under ~~sections~~ section 2036, 2037, ~~and~~ 2038, 2040, or 2044 of
71.24 the Internal Revenue Code, or under subdivision 1d, for the three-year period ending on the
71.25 date of death of the decedent. In the case of a sole proprietor, if the property replaced similar
71.26 property within the three-year period, the replacement property will be treated as having
71.27 been owned for the three-year period ending on the date of death of the decedent. For the
71.28 purposes of the three-year holding period under this clause, any ownership by the decedent's
71.29 spouse, whether the spouse predeceases or survives the decedent, is attributed to the decedent.

71.30 (8) For three years following the date of death of the decedent, the trade or business is
71.31 not a passive activity within the meaning of section 469(c) of the Internal Revenue Code,
71.32 and a family member materially participates in the operation of the trade or business within
71.33 the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3)

72.1 of the Internal Revenue Code and any other provision provided by United States Treasury
 72.2 Department regulation that substitutes material participation in prior taxable years for
 72.3 material participation in the three years following the date of death of the decedent.

72.4 (9) The estate and the qualified heir elect to treat the property as qualified small business
 72.5 property and agree, in the form prescribed by the commissioner, to pay the recapture tax
 72.6 under subdivision 11, if applicable.

72.7 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents
 72.8 dying after December 31, 2017.

72.9 Sec. 13. Minnesota Statutes 2016, section 291.03, subdivision 10, is amended to read:

72.10 Subd. 10. **Qualified farm property.** Property satisfying all of the following requirements
 72.11 is qualified farm property:

72.12 (1) The value of the property was included in the federal adjusted taxable estate.

72.13 (2) The property consists of agricultural land and is owned by a person or entity that is
 72.14 either not subject to or is in compliance with section 500.24.

72.15 (3) For property taxes payable in the taxable year of the decedent's death, the property
 72.16 is classified as class 2a property under section 273.13, subdivision 23, and is classified as
 72.17 agricultural homestead, agricultural relative homestead, or special agricultural homestead
 72.18 under section 273.124.

72.19 (4) The decedent or the decedent's spouse continuously owned the property, or an
 72.20 undivided or joint interest in the property, including property the decedent or the decedent's
 72.21 spouse is deemed to own under ~~sections~~ section 2036, 2037, ~~and~~ 2038, 2040, or 2044 of
 72.22 the Internal Revenue Code, or under subdivision 1d, for the three-year period ending on the
 72.23 date of death of the decedent either by ownership of the agricultural land or pursuant to
 72.24 holding an interest in an entity that is not subject to or is in compliance with section 500.24.
 72.25 For the purposes of the three-year holding period under this clause, any ownership by the
 72.26 decedent's spouse, whether the spouse predeceases or survives the decedent, is attributed
 72.27 to the decedent.

72.28 (5) The property is classified for property tax purposes as class 2a property under section
 72.29 273.13, subdivision 23, for three years following the date of death of the decedent.

72.30 (6) The estate and the qualified heir elect to treat the property as qualified farm property
 72.31 and agree, in a form prescribed by the commissioner, to pay the recapture tax under
 72.32 subdivision 11, if applicable.

73.1 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents
73.2 dying after December 31, 2017.

73.3 Sec. 14. Minnesota Statutes 2017 Supplement, section 291.03, subdivision 11, is amended
73.4 to read:

73.5 Subd. 11. **Recapture tax.** (a) If, within three years after the decedent's death and before
73.6 the death of the qualified heir, the qualified heir disposes of any interest in the qualified
73.7 property, other than by a disposition to a family member, or a family member ceases to
73.8 satisfy the requirement under subdivision 9, clause ~~(7)~~ (8); or 10, clause (5), an additional
73.9 estate tax is imposed on the property. In the case of a sole proprietor, if the qualified heir
73.10 replaces qualified small business property excluded under subdivision 9 with similar property,
73.11 then the qualified heir will not be treated as having disposed of an interest in the qualified
73.12 property.

73.13 (b) The amount of the additional tax equals the amount of the ~~exclusion~~ subtraction
73.14 claimed by the estate under section 291.016, subdivision 3, for qualified property as defined
73.15 in subdivision 8, paragraph (d), multiplied by 16 percent.

73.16 (c) The additional tax under this subdivision is due on the day which is six months after
73.17 the date of the disposition or cessation in paragraph (a).

73.18 (d) The tax under this subdivision does not apply to the acquisition of title or possession
73.19 of the qualified property by a federal, state, or local government unit, or any other entity
73.20 with the power of eminent domain for a public purpose, as defined in section 117.025,
73.21 subdivision 11, within the three-year holding period.

73.22 (e) This subdivision shall not apply as a result of any of the following:

73.23 (1) a portion of qualified farm property consisting of less than one-fifth of the acreage
73.24 of the property is reclassified as class 2b property under section 273.13, subdivision 23, and
73.25 the qualified heir has not substantially altered the reclassified property during the three-year
73.26 holding period; or

73.27 (2) a portion of qualified farm property classified as 2a property at the death of the
73.28 decedent pursuant to section 273.13, subdivision 23, paragraph (a), consisting of a residence,
73.29 garage, and immediately surrounding one acre of land is reclassified as 4bb property during
73.30 the three-year holding period, and the qualified heir has not substantially altered the property.

73.31 (f) This paragraph applies only to estates of decedents dying after June 30, 2011, and
73.32 before January 1, 2017, for which no tax liability was reported on the final estate tax return.
73.33 For purposes of estates qualifying under this paragraph, the amount of the subtraction

claimed by the estate for purposes of calculating the tax under paragraph (b) is deemed to be the minimum amount of the subtraction necessary to reduce the amount of estate tax to zero, without regard to the amount actually claimed on the final estate tax return. The provisions of this paragraph expire effective January 1, 2020.

EFFECTIVE DATE. The provisions of this section adding paragraph (f) are effective retroactively for estates of decedents dying after June 30, 2011, and claims for refund of recapture tax may be made under a process established by the commissioner for estates entitled to refunds under the section. The authority to file claims for refunds under these provisions expires on January 1, 2020.

Sec. 15. APPLICATION OF ANGEL TAX CREDIT FOR TAXABLE YEAR 2018.

Applications for (1) certification as a qualified small business, qualified investor, or qualified fund under Minnesota Statutes, section 116J.8737, subdivisions 2, 3, and 4, and (2) the credit under Minnesota Statutes, section 116J.8737, subdivision 5, for taxable year 2018 must be made available on the Department of Employment and Economic Development's Web site within 30 days of the day following final enactment of this act. The provisions of Minnesota Statutes, section 116J.8737, generally apply to the taxable year 2018 extension of the credit in sections 1 and 2.

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

ARTICLE 3

SALES AND USE TAXES

Section 1. Minnesota Statutes 2017 Supplement, section 297A.67, subdivision 34, is amended to read:

Subd. 34. **Precious metal bullion and bullion coin.** (a) Precious metal bullion and bullion coin is exempt. For purposes of this subdivision;

(1) "precious metal bullion" means bars or rounds that consist of 99.9 percent or more by weight of either gold, silver, platinum, or palladium and are marked with weight, purity, and content; and

(2) "bullion coin" means a coin as described in section 80G.01, subdivision 2.

(b) The exemption under this subdivision does not apply to sales and purchases of jewelry, works of art, or scrap metal.

(c) The intent of this subdivision is to eliminate the difference in tax treatment between the sale of precious metal bullion and bullion coin and the sale of stock, bullion ETFs, bonds, and other investment instruments.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 2. Minnesota Statutes 2016, section 297A.70, subdivision 7, is amended to read:

Subd. 7. Hospitals, outpatient surgical centers, and critical access dental providers.

(a) Sales, except for those listed in paragraph (d), to a hospital are exempt, if the items purchased are used in providing hospital services. For purposes of this subdivision, "hospital" means a hospital organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction, and "hospital services" are services authorized or required to be performed by a "hospital" under chapter 144.

(b) Sales, except for those listed in paragraph (d), to an outpatient surgical center are exempt, if the items purchased are used in providing outpatient surgical services. For purposes of this subdivision, "outpatient surgical center" means an outpatient surgical center organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction. For the purposes of this subdivision, "outpatient surgical services" means: (1) services authorized or required to be performed by an outpatient surgical center under chapter 144; and (2) urgent care. For purposes of this subdivision, "urgent care" means health services furnished to a person whose medical condition is sufficiently acute to require treatment unavailable through, or inappropriate to be provided by, a clinic or physician's office, but not so acute as to require treatment in a hospital emergency room.

(c) Sales, except for those listed in paragraph (d), to a critical access dental provider are exempt, if the items purchased are used in providing critical access dental care services. For the purposes of this subdivision, "critical access dental provider" means a dentist or dental clinic that qualifies under section 256B.76, subdivision 4, paragraph (b), and, in the previous calendar year, had no more than 15 percent of its patients covered by private dental insurance.

(d) This exemption does not apply to the following products and services:

(1) purchases made by a clinic, physician's office, or any other medical facility not operating as a hospital, outpatient surgical center, qualifying medical facility, or critical

76.1 access dental provider, even though the clinic, office, or facility may be owned and operated
76.2 by a hospital, outpatient surgical center, qualifying medical facility, or critical access dental
76.3 provider;

76.4 (2) sales under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared
76.5 food, candy, and soft drinks;

76.6 (3) building and construction materials used in constructing buildings or facilities that
76.7 will not be used principally by the hospital, outpatient surgical center, qualifying medical
76.8 facility, or critical access dental provider;

76.9 (4) building, construction, or reconstruction materials purchased by a contractor or a
76.10 subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed
76.11 maximum price covering both labor and materials for use in the construction, alteration, or
76.12 repair of a hospital, outpatient surgical center, qualifying medical facility, or critical access
76.13 dental provider; or

76.14 (5) the leasing of a motor vehicle as defined in section 297B.01, subdivision 11.

76.15 (e) A limited liability company also qualifies for exemption under this subdivision if
76.16 (1) it consists of a sole member that would qualify for the exemption, and (2) the items
76.17 purchased qualify for the exemption.

76.18 (f) An entity that contains both a hospital and a nonprofit unit may claim this exemption
76.19 on purchases made for both the hospital and nonprofit unit provided that:

76.20 (1) the nonprofit unit would have qualified for exemption under subdivision 4; and

76.21 (2) the items purchased would have qualified for the exemption.

76.22 (g) Sales, except for those listed in paragraph (d), to a qualifying medical facility are
76.23 exempt, if the items are purchased or used in providing medical services. For purposes of
76.24 this subdivision, "qualifying medical facility" means a medical facility as defined in section
76.25 469.1812, subdivision 2a, that has been granted an abatement of the state general tax under
76.26 section 469.1817.

76.27 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
76.28 30, 2018.

76.29 Sec. 3. Minnesota Statutes 2017 Supplement, section 297A.70, subdivision 20, is amended
76.30 to read:

76.31 Subd. 20. **Ice arenas and rinks.** Sales to organizations that exist primarily for the purpose
76.32 of owning or operating ice arenas or rinks that are (1) part of either the Duluth Heritage

Sports Center or the David M. Thaler Sports Center; and (2) are used for youth and high school programs, are exempt if the organization is a private, nonprofit corporation exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 4. Minnesota Statutes 2016, section 297A.70, is amended by adding a subdivision to read:

Subd. 21. Nonprofit conservation clubs. Sales to nonprofit conservation clubs are exempt. For purposes of this subdivision, a "nonprofit conservation club" means an organization exempt under section 501(c)(3) of the Internal Revenue Code that provides instruction, training, and facilities for shooting handguns or rifles.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 5. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

Subd. 51. Public safety facilities. Materials and supplies used or consumed in and equipment incorporated into construction or remodeling of the following public safety facilities are exempt:

(1) the construction of a new fire station, which includes firefighting and public safety training facilities, in the city of Inver Grove Heights;

(2) the construction of a new fire station or the remodeling and expansion of an existing fire station in the city of Virginia;

(3) the construction of a new fire station on the campus of the Minnetonka City Hall;
and

(4) the remodeling and expansion of an existing police and fire station in Minnetonka to accommodate its use as a police station.

EFFECTIVE DATE. This section is effective for sales and purchases made after the day following final enactment and before January 1, 2021.

78.1 Sec. 6. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to
78.2 read:

78.3 Subd. 52. **Nonprofit snowmobile clubs.** Building materials and supplies used by a
78.4 nonprofit snowmobile club to construct, reconstruct, or maintain or improve state or
78.5 grant-in-aid snowmobile trails are exempt. A nonprofit snowmobile club is eligible for the
78.6 exemption under this subdivision if it received, in the current year or in the previous
78.7 three-year period, a state grant-in-aid grant administered by the Department of Natural
78.8 Resources by applying for the grant with a local unit of government sponsor.

78.9 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
78.10 30, 2018.

78.11 Sec. 7. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to
78.12 read:

78.13 Subd. 53. **Medical facility in underserved area.** Materials and supplies used or
78.14 consumed in, and equipment incorporated into, the construction or improvement of real
78.15 property that has been granted an abatement of the state general tax under section 469.1817
78.16 are exempt.

78.17 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
78.18 30, 2018.

78.19 Sec. 8. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to
78.20 read:

78.21 Subd. 54. **Properties destroyed by fire.** Building materials and supplies used or
78.22 consumed in, and equipment incorporated into, the construction or replacement of real
78.23 property affected by, and restaurant equipment to replace equipment destroyed in, the fire
78.24 on March 11, 2018, in the city of Mazeppa are exempt. The tax must be imposed and
78.25 collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in
78.26 the manner provided in section 297A.75. For purposes of this subdivision, "restaurant
78.27 equipment" includes durable equipment used in a restaurant for food storage, preparation,
78.28 and serving.

78.29 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
78.30 made after March 11, 2018, and before January 1, 2021.

79.1 Sec. 9. Minnesota Statutes 2017 Supplement, section 297A.75, subdivision 1, is amended
79.2 to read:

79.3 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following
79.4 exempt items must be imposed and collected as if the sale were taxable and the rate under
79.5 section 297A.62, subdivision 1, applied. The exempt items include:

79.6 (1) building materials for an agricultural processing facility exempt under section
79.7 297A.71, subdivision 13;

79.8 (2) building materials for mineral production facilities exempt under section 297A.71,
79.9 subdivision 14;

79.10 (3) building materials for correctional facilities under section 297A.71, subdivision 3;

79.11 (4) building materials used in a residence for disabled veterans exempt under section
79.12 297A.71, subdivision 11;

79.13 (5) elevators and building materials exempt under section 297A.71, subdivision 12;

79.14 (6) materials and supplies for qualified low-income housing under section 297A.71,
79.15 subdivision 23;

79.16 (7) materials, supplies, and equipment for municipal electric utility facilities under
79.17 section 297A.71, subdivision 35;

79.18 (8) equipment and materials used for the generation, transmission, and distribution of
79.19 electrical energy and an aerial camera package exempt under section 297A.68, subdivision
79.20 37;

79.21 (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph
79.22 (a), clause (10);

79.23 (10) materials, supplies, and equipment for construction or improvement of projects and
79.24 facilities under section 297A.71, subdivision 40;

79.25 (11) materials, supplies, and equipment for construction, improvement, or expansion
79.26 of:

79.27 ~~(i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014,~~
79.28 ~~section 297A.71, subdivision 42;~~

79.29 ~~(ii)~~ a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision
79.30 45;

80.1 ~~(iii) a research and development facility exempt under Minnesota Statutes 2014, section~~
80.2 ~~297A.71, subdivision 46; and~~

80.3 ~~(iv) an industrial measurement manufacturing and controls facility exempt under~~
80.4 ~~Minnesota Statutes 2014, section 297A.71, subdivision 47;~~

80.5 (12) enterprise information technology equipment and computer software for use in a
80.6 qualified data center exempt under section 297A.68, subdivision 42;

80.7 (13) materials, supplies, and equipment for qualifying capital projects under section
80.8 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);

80.9 (14) items purchased for use in providing critical access dental services exempt under
80.10 section 297A.70, subdivision 7, paragraph (c);

80.11 (15) items and services purchased under a business subsidy agreement for use or
80.12 consumption primarily in greater Minnesota exempt under section 297A.68, subdivision
80.13 44;

80.14 (16) building materials, equipment, and supplies for constructing or replacing real
80.15 property exempt under section 297A.71, ~~subdivision~~ subdivisions 49 and 54; and

80.16 (17) building materials, equipment, and supplies for constructing or replacing real
80.17 property exempt under section 297A.71, subdivision 50, paragraph (b).

80.18 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
80.19 30, 2018.

80.20 Sec. 10. Minnesota Statutes 2016, section 477A.016, is amended to read:

80.21 **477A.016 NEW TAXES PROHIBITED.**

80.22 (a) No county, city, town or other taxing authority shall increase a present tax or impose
80.23 a new tax on sales or income.

80.24 (b) No county, city, town, or other taxing authority shall increase a present excise tax
80.25 or fee or impose a new excise tax or fee on either:

80.26 (1) the manufacture, distribution, wholesale, or retail sale of food, based on volume of
80.27 product sold, product sales value, or the type of product manufactured, distributed, or sold;
80.28 or

80.29 (2) any container used for transporting, protecting, or consuming food.

80.30 (c) For purposes of this section:

81.1 (1) "food" has the meaning given in section 34A.01, subdivision 4; and

81.2 (2) "container" means a bottle, cup, can, bag, or other packaging that is made from
81.3 plastic, aluminum, glass, cardboard, or other material.

81.4 (d) This section does not apply to reasonable license fees lawfully imposed by a county,
81.5 city, town, or other licensing authority in the exercise of its regulatory authority to license
81.6 a trade, profession, or business.

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

81.8 Sec. 11. Laws 2017, First Special Session chapter 1, article 3, section 32, the effective
81.9 date, is amended to read:

81.10 **EFFECTIVE DATE.** Paragraph (a) is effective retroactively for sales and purchases
81.11 made after September 30, 2016, and before January 1, ~~2019~~ 2022. Paragraph (b) is effective
81.12 for sales and purchases made after September 30, 2016, and before July 1, 2017.

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

81.14 Sec. 12. **MUNICIPALLY OWNED WATER TREATMENT FACILITY; CITY OF**
81.15 **ELKO NEW MARKET.**

81.16 Subdivision 1. **Exemption.** Materials and supplies used or consumed in and equipment
81.17 incorporated into a water treatment facility owned and operated by the city of Elko New
81.18 Market are exempt from taxation under Minnesota Statutes, chapter 297A, regardless of
81.19 whether purchased by the city or a contractor, subcontractor, or builder. All purchases for
81.20 this facility must be made after June 1, 2014, and before June 1, 2016.

81.21 Subd. 2. **Refund.** The tax on purchases exempt under subdivision 1 must be imposed
81.22 and collected as if the rate under Minnesota Statutes, section 297A.62, applied, and then
81.23 refunded in the manner provided in Minnesota Statutes, section 297A.75. The applicant
81.24 must be the city of Elko New Market. Notwithstanding Minnesota Statutes, section 289A.40,
81.25 subdivision 5, the city of Elko New Market may apply directly to the commissioner of
81.26 revenue for a refund of the tax paid on items exempt under subdivision 1. The application
81.27 must be made by December 31, 2018, in the form and manner required by the commissioner,
81.28 and provide sufficient information so the commissioner can verify the amount paid. If the
81.29 tax was paid by a contractor, subcontractor, or builder, the contractor, subcontractor, or
81.30 builder must furnish to the refund applicant a statement including the cost of the exempt
81.31 items and the taxes paid on the items. Interest must be paid on the refund at the rate in

82.1 Minnesota Statutes, section 270C.405, from 90 days after the refund claim is filed with the
82.2 commissioner.

82.3 Subd. 3. **Appropriation.** The amount required to make the refunds under this section
82.4 is appropriated to the commissioner of revenue.

82.5 **EFFECTIVE DATE.** This section is effective retroactively for purchases made after
82.6 June 1, 2014, and before June 1, 2016.

82.7 **ARTICLE 4**

82.8 **PROPERTY TAXES**

82.9 Section 1. Minnesota Statutes 2016, section 138.053, is amended to read:

82.10 **138.053 COUNTY HISTORICAL SOCIETY; TAX LEVY; CITIES OR TOWNS.**

82.11 The governing body of any home rule charter or statutory city or town may annually
82.12 appropriate from its general fund an amount not to exceed 0.02418 percent of estimated
82.13 market value, derived from ad valorem taxes on property or other revenues, to be paid to
82.14 the historical society of its respective city, town, or county to be used for the promotion of
82.15 historical work and to aid in defraying the expenses of carrying on the historical work in
82.16 the county. No city or town may appropriate any funds for the benefit of any historical
82.17 society unless the society is affiliated with and approved by the Minnesota Historical Society.

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

82.19 Sec. 2. Minnesota Statutes 2016, section 197.603, subdivision 2, is amended to read:

82.20 Subd. 2. **Records; data privacy.** Pursuant to chapter 13 the county veterans service
82.21 officer is the responsible authority with respect to all records in the officer's custody. The
82.22 data on clients' applications for assistance is private data on individuals, as defined in section
82.23 13.02, subdivision 12. The county veterans service officer may disclose to the county assessor
82.24 private data necessary to determine a client's eligibility for the disabled veteran's homestead
82.25 market value exclusion under section 273.13, subdivision 34.

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

82.27 Sec. 3. Minnesota Statutes 2016, section 272.02, is amended by adding a subdivision to
82.28 read:

82.29 Subd. 102. **Certain property owned by an Indian tribe.** (a) Property is exempt that:

83.1 (1) is located in a city of the first class with a population of more than 380,000 as of the
83.2 2010 federal census;

83.3 (2) was on January 1, 2016, and is for the current assessment, owned by a federally
83.4 recognized Indian tribe, or its instrumentality, that is located within the state of Minnesota;
83.5 and

83.6 (3) is used exclusively as a pharmacy.

83.7 (b) Property that qualifies for the exemption under this subdivision is limited to parcels
83.8 and structures that do not exceed, in the aggregate, 4,000 square feet. Property acquired for
83.9 single-family housing, market-rate apartments, agriculture, or forestry does not qualify for
83.10 this exemption. For assessment year 2018 only, an exemption application under this
83.11 subdivision is due by July 1, 2018. The exemption created by this subdivision expires with
83.12 taxes payable in 2028.

83.13 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019
83.14 and thereafter.

83.15 Sec. 4. Minnesota Statutes 2016, section 273.124, subdivision 3a, is amended to read:

83.16 Subd. 3a. **Manufactured home park cooperative.** (a) When a manufactured home park
83.17 is owned by a corporation or association organized under chapter 308A or 308B, and each
83.18 person who owns a share or shares in the corporation or association is entitled to occupy a
83.19 lot within the park, the corporation or association may claim homestead treatment for the
83.20 park. Each lot must be designated by legal description or number, and each lot is limited to
83.21 not more than one-half acre of land.

83.22 (b) The manufactured home park shall be entitled to homestead treatment if all of the
83.23 following criteria are met:

83.24 (1) the occupant or the cooperative corporation or association is paying the ad valorem
83.25 property taxes and any special assessments levied against the land and structure either
83.26 directly, or indirectly through dues to the corporation or association; and

83.27 (2) the corporation or association organized under chapter 308A or 308B is wholly
83.28 owned by persons having a right to occupy a lot owned by the corporation or association.

83.29 (c) A charitable corporation, organized under the laws of Minnesota with no outstanding
83.30 stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status,
83.31 qualifies for homestead treatment with respect to a manufactured home park if its members

84.1 hold residential participation warrants entitling them to occupy a lot in the manufactured
84.2 home park.

84.3 (d) "Homestead treatment" under this subdivision means the classification rate provided
84.4 for class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause
84.5 (5), item (ii); and the homestead market value exclusion under section 273.13, subdivision
84.6 35, does not apply ~~and the property taxes assessed against the park shall not be included in~~
84.7 ~~the determination of taxes payable for rent paid under section 290A.03.~~

84.8 **EFFECTIVE DATE.** This section is effective beginning with claims for taxes payable
84.9 in 2019.

84.10 Sec. 5. Minnesota Statutes 2016, section 273.124, subdivision 8, is amended to read:

84.11 Subd. 8. **Homestead owned by or leased to family farm corporation, joint farm**
84.12 **venture, limited liability company, or partnership.** (a) Each family farm corporation;
84.13 each joint family farm venture; and each limited liability company or partnership which
84.14 operates a family farm; is entitled to class 1b under section 273.13, subdivision 22, paragraph
84.15 (b), or class 2a assessment for one homestead occupied by a shareholder, member, or partner
84.16 thereof who is residing on the land, and actively engaged in farming of the land owned by
84.17 the family farm corporation, joint family farm venture, limited liability company, or
84.18 partnership. Homestead treatment applies even if:

84.19 (1) legal title to the property is in the name of the family farm corporation, joint family
84.20 farm venture, limited liability company, or partnership, and not in the name of the person
84.21 residing on it; or

84.22 (2) the family farm is operated by a business entity other than the business entity that
84.23 owns the land, provided that both business entities have the same owners.

84.24 "Family farm corporation," "family farm," and "partnership operating a family farm"
84.25 have the meanings given in section 500.24, except that the number of allowable shareholders,
84.26 members, or partners under this subdivision shall not exceed 12. "Limited liability company"
84.27 has the meaning contained in sections 322B.03, subdivision 28, or 322C.0102, subdivision
84.28 12, and 500.24, subdivision 2, paragraphs (l) and (m). "Joint family farm venture" means
84.29 a cooperative agreement among two or more farm enterprises authorized to operate a family
84.30 farm under section 500.24.

84.31 "Business entity" means a corporation, joint venture, partnership, or limited liability
84.32 company within the meaning of this paragraph.

(b) In addition to property specified in paragraph (a), any other residences owned by family farm corporations, joint family farm ventures, limited liability companies, or partnerships described in paragraph (a) which are located on agricultural land and occupied as homesteads by its shareholders, members, or partners who are actively engaged in farming on behalf of that corporation, joint farm venture, limited liability company, or partnership must also be assessed as class 2a property or as class 1b property under section 273.13.

(c) Agricultural property that is owned by a member, partner, or shareholder of a family farm corporation or joint family farm venture, limited liability company operating a family farm, or by a partnership operating a family farm and leased to the family farm corporation, limited liability company, partnership, or joint farm venture, as defined in paragraph (a), is eligible for classification as class 1b or class 2a under section 273.13, if the owner is actually residing on the property, and is actually engaged in farming the land on behalf of that corporation, joint farm venture, limited liability company, or partnership. This paragraph applies without regard to any legal possession rights of the family farm corporation, joint family farm venture, limited liability company, or partnership under the lease.

(d) Nonhomestead agricultural property that is owned by a family farm corporation, joint farm venture, limited liability company, or partnership; and located not farther than four townships or cities, or combination thereof, from agricultural land that is owned, and used for the purposes of a homestead by an individual who is a shareholder, member, or partner of the corporation, venture, company, or partnership; is entitled to receive the first tier homestead classification rate on any remaining market value in the first homestead class tier that is in excess of the market value of the shareholder's, member's, or partner's class 2 agricultural homestead property, if the owner, or someone acting on the owner's behalf notifies the county assessor by July 1 that the property may be eligible under this paragraph for the current assessment year, for taxes payable in the following year. As used in this paragraph, "agricultural property" means property classified as 2a under section 273.13, along with any contiguous property classified as 2b under section 273.13, if the contiguous 2a and 2b properties are under the same ownership.

EFFECTIVE DATE. This section is effective for assessments beginning in 2018.

Sec. 6. Minnesota Statutes 2016, section 273.124, subdivision 14, is amended to read:

Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than ten acres that is the homestead of its owner must be classified as class 2a under section 273.13, subdivision 23, paragraph (a), if:

86.1 (1) the parcel on which the house is located is contiguous on at least two sides to (i)
86.2 agricultural land, (ii) land owned or administered by the United States Fish and Wildlife
86.3 Service, or (iii) land administered by the Department of Natural Resources on which in lieu
86.4 taxes are paid under sections 477A.11 to 477A.14;

86.5 (2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20
86.6 acres;

86.7 (3) the noncontiguous land is located not farther than four townships or cities, or a
86.8 combination of townships or cities from the homestead; and

86.9 (4) the agricultural use value of the noncontiguous land and farm buildings is equal to
86.10 at least 50 percent of the market value of the house, garage, and one acre of land.

86.11 Homesteads initially classified as class 2a under the provisions of this paragraph shall
86.12 remain classified as class 2a, irrespective of subsequent changes in the use of adjoining
86.13 properties, as long as the homestead remains under the same ownership, the owner owns a
86.14 noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use
86.15 value qualifies under clause (4). Homestead classification under this paragraph is limited
86.16 to property that qualified under this paragraph for the 1998 assessment.

86.17 (b)(i) Agricultural property shall be classified as the owner's homestead, to the same
86.18 extent as other agricultural homestead property, if all of the following criteria are met:

86.19 (1) the agricultural property consists of at least 40 acres including undivided government
86.20 lots and correctional 40's;

86.21 (2) the owner, the owner's spouse, or a grandchild, child, sibling, or parent of the owner
86.22 or of the owner's spouse, is actively farming the agricultural property, either on the person's
86.23 own behalf as an individual or on behalf of a partnership operating a family farm, family
86.24 farm corporation, joint family farm venture, or limited liability company of which the person
86.25 is a partner, shareholder, or member;

86.26 (3) both the owner of the agricultural property and the person who is actively farming
86.27 the agricultural property under clause (2), are Minnesota residents;

86.28 (4) neither the owner nor the spouse of the owner claims another agricultural homestead
86.29 in Minnesota; and

86.30 (5) neither the owner nor the person actively farming the agricultural property lives
86.31 farther than four townships or cities, or a combination of four townships or cities, from the
86.32 agricultural property, except that if the owner or the owner's spouse is required to live in
86.33 employer-provided housing, the owner or owner's spouse, whichever is actively farming

87.1 the agricultural property, may live more than four townships or cities, or combination of
87.2 four townships or cities from the agricultural property.

87.3 The relationship under this paragraph may be either by blood or marriage.

87.4 (ii) ~~Agricultural property held by a trustee under a trust is eligible for agricultural~~
87.5 ~~homestead classification under this paragraph if the qualifications in clause (i) are met,~~
87.6 ~~except that "owner" means the grantor of the trust.~~

87.7 (iii) Property containing the residence of an owner who owns qualified property under
87.8 clause (i) shall be classified as part of the owner's agricultural homestead, if that property
87.9 is also used for noncommercial storage or drying of agricultural crops.

87.10 (iv) (iii) As used in this paragraph, "agricultural property" means class 2a property and
87.11 any class 2b property that is contiguous to and under the same ownership as the class 2a
87.12 property.

87.13 (c) Noncontiguous land shall be included as part of a homestead under section 273.13,
87.14 subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached
87.15 land is located in the same township or city, or not farther than four townships or cities or
87.16 combination thereof from the homestead. Any taxpayer of these noncontiguous lands must
87.17 notify the county assessor that the noncontiguous land is part of the taxpayer's homestead,
87.18 and, if the homestead is located in another county, the taxpayer must also notify the assessor
87.19 of the other county.

87.20 (d) Agricultural land used for purposes of a homestead and actively farmed by a person
87.21 holding a vested remainder interest in it must be classified as a homestead under section
87.22 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other
87.23 dwellings on the land used for purposes of a homestead by persons holding vested remainder
87.24 interests who are actively engaged in farming the property, and up to one acre of the land
87.25 surrounding each homestead and reasonably necessary for the use of the dwelling as a home,
87.26 must also be assessed class 2a.

87.27 (e) Agricultural land and buildings that were class 2a homestead property under section
87.28 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as
87.29 agricultural homesteads for subsequent assessments if:

87.30 (1) the property owner abandoned the homestead dwelling located on the agricultural
87.31 homestead as a result of the April 1997 floods;

87.32 (2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or
87.33 Wilkin;

88.1 (3) the agricultural land and buildings remain under the same ownership for the current
88.2 assessment year as existed for the 1997 assessment year and continue to be used for
88.3 agricultural purposes;

88.4 (4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles
88.5 of one of the parcels of agricultural land that is owned by the taxpayer; and

88.6 (5) the owner notifies the county assessor that the relocation was due to the 1997 floods,
88.7 and the owner furnishes the assessor any information deemed necessary by the assessor in
88.8 verifying the change in dwelling. Further notifications to the assessor are not required if the
88.9 property continues to meet all the requirements in this paragraph and any dwellings on the
88.10 agricultural land remain uninhabited.

88.11 (f) Agricultural land and buildings that were class 2a homestead property under section
88.12 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified
88.13 agricultural homesteads for subsequent assessments if:

88.14 (1) the property owner abandoned the homestead dwelling located on the agricultural
88.15 homestead as a result of damage caused by a March 29, 1998, tornado;

88.16 (2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur,
88.17 Nicollet, Nobles, or Rice;

88.18 (3) the agricultural land and buildings remain under the same ownership for the current
88.19 assessment year as existed for the 1998 assessment year;

88.20 (4) the dwelling occupied by the owner is located in this state and is within 50 miles of
88.21 one of the parcels of agricultural land that is owned by the taxpayer; and

88.22 (5) the owner notifies the county assessor that the relocation was due to a March 29,
88.23 1998, tornado, and the owner furnishes the assessor any information deemed necessary by
88.24 the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the
88.25 owner must notify the assessor by December 1, 1998. Further notifications to the assessor
88.26 are not required if the property continues to meet all the requirements in this paragraph and
88.27 any dwellings on the agricultural land remain uninhabited.

88.28 (g) Agricultural property of a family farm corporation, joint family farm venture, family
88.29 farm limited liability company, or partnership operating a family farm as described under
88.30 subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead
88.31 property, if all of the following criteria are met:

88.32 (1) the property consists of at least 40 acres including undivided government lots and
88.33 correctional 40's;

89.1 (2) a shareholder, member, or partner of that entity is actively farming the agricultural
89.2 property;

89.3 (3) that shareholder, member, or partner who is actively farming the agricultural property
89.4 is a Minnesota resident;

89.5 (4) neither that shareholder, member, or partner, nor the spouse of that shareholder,
89.6 member, or partner claims another agricultural homestead in Minnesota; and

89.7 (5) that shareholder, member, or partner does not live farther than four townships or
89.8 cities, or a combination of four townships or cities, from the agricultural property.

89.9 Homestead treatment applies under this paragraph even if:

89.10 (i) the shareholder, member, or partner of that entity is actively farming the agricultural
89.11 property on the shareholder's, member's, or partner's own behalf; or

89.12 (ii) the family farm is operated by a business entity other than the business entity that
89.13 owns the land, provided that both business entities have the same owners. For purposes of
89.14 this paragraph, "business entity" means a corporation, joint venture, partnership, or limited
89.15 liability company within the meaning of subdivision 8, paragraph (a).

89.16 Homestead treatment applies under this paragraph for property leased to a family farm
89.17 corporation, joint farm venture, limited liability company, or partnership operating a family
89.18 farm if legal title to the property is in the name of an individual who is a member, shareholder,
89.19 or partner in the entity.

89.20 (h) To be eligible for the special agricultural homestead under this subdivision, an initial
89.21 full application must be submitted to the county assessor where the property is located.
89.22 Owners and the persons who are actively farming the property shall be required to complete
89.23 only a one-page abbreviated version of the application in each subsequent year provided
89.24 that none of the following items have changed since the initial application:

89.25 (1) the day-to-day operation, administration, and financial risks remain the same;

89.26 (2) the owners and the persons actively farming the property continue to live within the
89.27 four townships or city criteria and are Minnesota residents;

89.28 (3) the same operator of the agricultural property is listed with the Farm Service Agency;

89.29 (4) a Schedule F or equivalent income tax form was filed for the most recent year;

89.30 (5) the property's acreage is unchanged; and

90.1 (6) none of the property's acres have been enrolled in a federal or state farm program
90.2 since the initial application.

90.3 The owners and any persons who are actively farming the property must include the
90.4 appropriate Social Security numbers, and sign and date the application. If any of the specified
90.5 information has changed since the full application was filed, the owner must notify the
90.6 assessor, and must complete a new application to determine if the property continues to
90.7 qualify for the special agricultural homestead. The commissioner of revenue shall prepare
90.8 a standard reapplication form for use by the assessors.

90.9 (i) Agricultural land and buildings that were class 2a homestead property under section
90.10 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain classified
90.11 agricultural homesteads for subsequent assessments if:

90.12 (1) the property owner abandoned the homestead dwelling located on the agricultural
90.13 homestead as a result of damage caused by the August 2007 floods;

90.14 (2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele,
90.15 Wabasha, or Winona;

90.16 (3) the agricultural land and buildings remain under the same ownership for the current
90.17 assessment year as existed for the 2007 assessment year;

90.18 (4) the dwelling occupied by the owner is located in this state and is within 50 miles of
90.19 one of the parcels of agricultural land that is owned by the taxpayer; and

90.20 (5) the owner notifies the county assessor that the relocation was due to the August 2007
90.21 floods, and the owner furnishes the assessor any information deemed necessary by the
90.22 assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the
90.23 owner must notify the assessor by December 1, 2008. Further notifications to the assessor
90.24 are not required if the property continues to meet all the requirements in this paragraph and
90.25 any dwellings on the agricultural land remain uninhabited.

90.26 (j) Agricultural land and buildings that were class 2a homestead property under section
90.27 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain classified as
90.28 agricultural homesteads for subsequent assessments if:

90.29 (1) the property owner abandoned the homestead dwelling located on the agricultural
90.30 homestead as a result of the March 2009 floods;

90.31 (2) the property is located in the county of Marshall;

91.1 (3) the agricultural land and buildings remain under the same ownership for the current
91.2 assessment year as existed for the 2008 assessment year and continue to be used for
91.3 agricultural purposes;

91.4 (4) the dwelling occupied by the owner is located in Minnesota and is within 50 miles
91.5 of one of the parcels of agricultural land that is owned by the taxpayer; and

91.6 (5) the owner notifies the county assessor that the relocation was due to the 2009 floods,
91.7 and the owner furnishes the assessor any information deemed necessary by the assessor in
91.8 verifying the change in dwelling. Further notifications to the assessor are not required if the
91.9 property continues to meet all the requirements in this paragraph and any dwellings on the
91.10 agricultural land remain uninhabited.

91.11 **EFFECTIVE DATE.** This section is effective beginning for property taxes payable in
91.12 2019.

91.13 Sec. 7. Minnesota Statutes 2016, section 273.124, subdivision 21, is amended to read:

91.14 Subd. 21. **Trust property; homestead.** Real or personal property, including agricultural
91.15 property, held by a trustee under a trust is eligible for classification as homestead property
91.16 if the property satisfies the requirements of paragraph (a), (b), (c), ~~or (d)~~, or (e).

91.17 (a) The grantor or surviving spouse of the grantor of the trust occupies and uses the
91.18 property as a homestead.

91.19 (b) A relative or surviving relative of the grantor who meets the requirements of
91.20 subdivision 1, paragraph (c), in the case of residential real estate; or subdivision 1, paragraph
91.21 (d), in the case of agricultural property, occupies and uses the property as a homestead.

91.22 (c) A family farm corporation, joint farm venture, limited liability company, or partnership
91.23 operating a family farm in which the grantor or the grantor's surviving spouse is a
91.24 shareholder, member, or partner rents the property; and, either (1) a shareholder, member,
91.25 or partner of the corporation, joint farm venture, limited liability company, or partnership
91.26 occupies and uses the property as a homestead; or (2) the property is at least 40 acres,
91.27 including undivided government lots and correctional 40's, and a shareholder, member, or
91.28 partner of the tenant-entity is actively farming the property on behalf of the corporation,
91.29 joint farm venture, limited liability company, or partnership.

91.30 (d) A person who has received homestead classification for property taxes payable in
91.31 2000 on the basis of an unqualified legal right under the terms of the trust agreement to
91.32 occupy the property as that person's homestead and who continues to use the property as a
91.33 homestead; or, a person who received the homestead classification for taxes payable in 2005

92.1 under paragraph (c) who does not qualify under paragraph (c) for taxes payable in 2006 or
92.2 thereafter but who continues to qualify under paragraph (c) as it existed for taxes payable
92.3 in 2005.

92.4 (e) The qualifications under subdivision 14, paragraph (b), clause (i), are met. For
92.5 purposes of this paragraph, "owner" means the grantor of the trust or the surviving spouse
92.6 of the grantor.

92.7 (f) For purposes of this subdivision, the following terms have the meanings given them:

92.8 (1) "agricultural property" means the house, garage, other farm buildings and structures,
92.9 and agricultural land;

92.10 (2) "agricultural land" has the meaning given in section 273.13, subdivision 23, except
92.11 that the phrases "owned by same person" or "under the same ownership" as used in that
92.12 subdivision mean and include contiguous tax parcels owned by:

92.13 (i) an individual and a trust of which the individual, the individual's spouse, or the
92.14 individual's deceased spouse is the grantor; or

92.15 (ii) different trusts of which the grantors of each trust are any combination of an
92.16 individual, the individual's spouse, or the individual's deceased spouse; and

92.17 ~~For purposes of this subdivision, (3) "grantor" is defined as~~ means the person creating
92.18 or establishing a testamentary, inter Vivos, revocable or irrevocable trust by written
92.19 instrument or through the exercise of a power of appointment.

92.20 (g) Noncontiguous agricultural land is included as part of a homestead under this
92.21 subdivision, only if the homestead is classified as class 2a, as defined in section 273.13,
92.22 subdivision 23, and the detached land is located in the same township or city, or not farther
92.23 than four townships or cities or combination thereof from the homestead. Any taxpayer of
92.24 these noncontiguous agricultural lands must notify the county assessor by December 15 for
92.25 taxes payable in the following year that the noncontiguous agricultural land is part of the
92.26 taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must
92.27 also notify the assessor of the other county.

92.28 **EFFECTIVE DATE.** This section is effective beginning for property taxes payable in
92.29 2019.

93.1 Sec. 8. Minnesota Statutes 2016, section 273.124, is amended by adding a subdivision to
93.2 read:

93.3 Subd. 23. **Fractional homesteads.** In the case of property that is classified as part
93.4 homestead and part nonhomestead solely because not all the owners occupy or farm the
93.5 property, not all the owners have qualifying relatives occupying or farming the property,
93.6 or not all the spouses of owners occupy the property, the portions of property classified as
93.7 part homestead and part nonhomestead must correspond to the ownership percentages that
93.8 each owner has in the property, as determined by the land records in the county recorder's
93.9 office or registrar of titles. If the ownership percentages of each owner cannot be determined
93.10 by reference to the land records, the portions of property classified as part homestead and
93.11 part nonhomestead must correspond to the ownership percentages each owner would have
93.12 if they each owned an equal share of the property.

93.13 **EFFECTIVE DATE.** This section is effective for assessments beginning in 2018.

93.14 Sec. 9. Minnesota Statutes 2016, section 273.1245, subdivision 2, is amended to read:

93.15 Subd. 2. **Disclosure.** The assessor shall disclose the data described in subdivision 1 to
93.16 the commissioner of revenue as provided by law. The assessor shall also disclose all or
93.17 portions of the data described in subdivision 1 to:

93.18 (1) the county treasurer solely for the purpose of proceeding under the Revenue Recapture
93.19 Act to recover personal property taxes owing; and

93.20 (2) the county veterans service officer for the purpose of determining a person's eligibility
93.21 for the disabled veteran's homestead market value exclusion under section 273.13, subdivision
93.22 34.

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

93.24 Sec. 10. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 22, is amended
93.25 to read:

93.26 Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and
93.27 (c), real estate which is residential and used for homestead purposes is class 1a. In the case
93.28 of a duplex or triplex in which one of the units is used for homestead purposes, the entire
93.29 property is deemed to be used for homestead purposes. The market value of class 1a property
93.30 must be determined based upon the value of the house, garage, and land.

94.1 The first \$500,000 of market value of class 1a property has a net classification rate of
94.2 one percent of its market value; and the market value of class 1a property that exceeds
94.3 \$500,000 has a classification rate of 1.25 percent of its market value.

94.4 (b) Class 1b property includes homestead real estate or homestead manufactured homes
94.5 used for the purposes of a homestead by:

94.6 (1) any person who is blind as defined in section 256D.35, or the blind person and the
94.7 blind person's spouse;

94.8 (2) any person who is permanently and totally disabled or by the disabled person and
94.9 the disabled person's spouse; or

94.10 (3) the surviving spouse of a permanently and totally disabled veteran homesteading a
94.11 property classified under this paragraph for taxes payable in 2008.

94.12 Property is classified and assessed under clause (2) only if the government agency or
94.13 income-providing source certifies, upon the request of the homestead occupant, that the
94.14 homestead occupant satisfies the disability requirements of this paragraph, and that the
94.15 property is not eligible for the valuation exclusion under subdivision 34.

94.16 Property is classified and assessed under paragraph (b) only if the commissioner of
94.17 revenue or the county assessor certifies that the homestead occupant satisfies the requirements
94.18 of this paragraph.

94.19 Permanently and totally disabled for the purpose of this subdivision means a condition
94.20 which is permanent in nature and totally incapacitates the person from working at an
94.21 occupation which brings the person an income. The first \$50,000 market value of class 1b
94.22 property has a net classification rate of .45 percent of its market value. The remaining market
94.23 value of class 1b property is classified as class 1a or class 2a property, whichever is
94.24 appropriate.

94.25 (c) Class 1c property is commercial use real and personal property that abuts public
94.26 water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by
94.27 the Department of Natural Resources, and is devoted to temporary and seasonal residential
94.28 occupancy for recreational purposes but not devoted to commercial purposes for more than
94.29 250 days in the year preceding the year of assessment, and that includes a portion used as
94.30 a homestead by the owner, which includes a dwelling occupied as a homestead by a
94.31 shareholder of a corporation that owns the resort, a partner in a partnership that owns the
94.32 resort, or a member of a limited liability company that owns the resort ~~even if~~, whether the
94.33 title to the homestead is held by the corporation, partnership, or limited liability company,

95.1 or by a shareholder of a corporation that owns the resort, a partner in a partnership that owns
95.2 the resort, or a member of a limited liability company that owns the resort. For purposes of
95.3 this paragraph, property is devoted to a commercial purpose on a specific day if any portion
95.4 of the property, excluding the portion used exclusively as a homestead, is used for residential
95.5 occupancy and a fee is charged for residential occupancy. Class 1c property must contain
95.6 three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse,
95.7 sleeping room, or individual camping site equipped with water and electrical hookups for
95.8 recreational vehicles. Class 1c property must provide recreational activities such as the
95.9 rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski
95.10 equipment; provide marina services, launch services, or guide services; or sell bait and
95.11 fishing tackle. Any unit in which the right to use the property is transferred to an individual
95.12 or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c
95.13 even though it may remain available for rent. A camping pad offered for rent by a property
95.14 that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental
95.15 agreement, as long as the use of the camping pad does not exceed 250 days. If the same
95.16 owner owns two separate parcels that are located in the same township, and one of those
95.17 properties is classified as a class 1c property and the other would be eligible to be classified
95.18 as a class 1c property if it was used as the homestead of the owner, both properties will be
95.19 assessed as a single class 1c property; for purposes of this sentence, properties are deemed
95.20 to be owned by the same owner if each of them is owned by a limited liability company,
95.21 and both limited liability companies have the same membership. The portion of the property
95.22 used as a homestead is class 1a property under paragraph (a). The remainder of the property
95.23 is classified as follows: the first \$600,000 of market value is tier I, the next \$1,700,000 of
95.24 market value is tier II, and any remaining market value is tier III. The classification rates
95.25 for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners
95.26 of real and personal property devoted to temporary and seasonal residential occupancy for
95.27 recreation purposes in which all or a portion of the property was devoted to commercial
95.28 purposes for not more than 250 days in the year preceding the year of assessment desiring
95.29 classification as class 1c, must, by January 15 of the assessment year, submit a declaration
95.30 to the assessor designating: (1) the cabins or units occupied for 250 days or less in the year
95.31 preceding the year of assessment by January 15 of the assessment year; and (2) the portion
95.32 of the resort used as a homestead and the owner of the homestead under the title. Those
95.33 cabins or units and a proportionate share of the land on which they are located must be
95.34 designated as class 1c as otherwise provided. The remainder of the cabins or units and a
95.35 proportionate share of the land on which they are located must be designated as class 3a
95.36 commercial. The owner of property desiring designation as class 1c property must provide

guest registers or other records demonstrating that the units for which class 1c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

(d) Class 1d property includes structures that meet all of the following criteria:

(1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;

(2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;

(3) the structure meets all applicable health and safety requirements for the appropriate season; and

(4) the structure is not salable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

The market value of class 1d property has the same classification rates as class 1a property under paragraph (a).

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 11. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 23, is amended to read:

Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural land that is homesteaded, along with any class 2b rural vacant land that is contiguous to the class 2a land under the same ownership. The market value of the house and garage and immediately surrounding one acre of land has the same classification rates as class 1a or 1b property under subdivision 22. The value of the remaining land including improvements up to the first tier valuation limit of agricultural homestead property has a classification rate of 0.5 percent of market value. The remaining property over the first tier has a classification rate of one percent of market value. For purposes of this subdivision, the "first tier valuation limit of agricultural homestead property" and "first tier" means the limit certified under section 273.11, subdivision 23.

(b) Class 2a agricultural land consists of parcels of property, or portions thereof, that are agricultural land and buildings. Class 2a property has a classification rate of one percent of market value, unless it is part of an agricultural homestead under paragraph (a). Class 2a property must also include any property that would otherwise be classified as 2b, but is interspersed with class 2a property, including but not limited to sloughs, wooded wind shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback requirement, and other similar land that is impractical for the assessor to value separately from the rest of the property or that is unlikely to be able to be sold separately from the rest of the property.

An assessor may classify the part of a parcel described in this subdivision that is used for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

(c) Class 2b rural vacant land consists of parcels of property, or portions thereof, that are unplatted real estate, rural in character and not used for agricultural purposes, including land used for growing trees for timber, lumber, and wood and wood products, that is not improved with a structure. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph. Any parcel of 20 acres or more improved with a structure that is not a minor, ancillary nonresidential structure must be split-classified, and ten acres must be assigned to the split parcel containing the structure. Class 2b property has a classification rate of one percent of market value unless it is part of an agricultural homestead under paragraph (a), or qualifies as class 2c under paragraph (d).

(d) Class 2c managed forest land consists of no less than 20 and no more than 1,920 acres statewide per taxpayer that is being managed under a forest management plan that meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource management incentive program. It has a classification rate of .65 percent, provided that the owner of the property must apply to the assessor in order for the property to initially qualify for the reduced rate and provide the information required by the assessor to verify that the property qualifies for the reduced rate. If the assessor receives the application and information before May 1 in an assessment year, the property qualifies beginning with that assessment year. If the assessor receives the application and information after April 30 in an assessment year, the property may not qualify until the next assessment year. The commissioner of natural resources must concur that the land is qualified. The commissioner of natural resources shall annually provide county assessors verification information on a timely basis. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph.

(e) Agricultural land as used in this section means:

98.1 (1) contiguous acreage of ten acres or more, used during the preceding year for
98.2 agricultural purposes; or

98.3 (2) contiguous acreage used during the preceding year for an intensive livestock or
98.4 poultry confinement operation, provided that land used only for pasturing or grazing does
98.5 not qualify under this clause.

98.6 "Agricultural purposes" as used in this section means the raising, cultivation, drying, or
98.7 storage of agricultural products for sale, or the storage of machinery or equipment used in
98.8 support of agricultural production by the same farm entity. For a property to be classified
98.9 as agricultural based only on the drying or storage of agricultural products, the products
98.10 being dried or stored must have been produced by the same farm entity as the entity operating
98.11 the drying or storage facility. "Agricultural purposes" also includes (i) enrollment in a local
98.12 conservation program or the Reinvest in Minnesota program under sections 103F.501 to
98.13 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198
98.14 or a similar state or federal conservation program if the property was classified as agricultural
98.15 (+) (A) under this subdivision for taxes payable in 2003 because of its enrollment in a
98.16 qualifying program and the land remains enrolled or (++) (B) in the year prior to its enrollment,
98.17 or (ii) use of land, not to exceed the greater of three acres or ten percent of the total land
98.18 area, to provide environmental benefits such as buffer strips, old growth forest restoration
98.19 or retention, or retention ponds to prevent soil erosion. For the purposes of item (ii), "total
98.20 land area" means contiguous parcels under common ownership. For purposes of this section,
98.21 a "local conservation program" means a program administered by a town, statutory or home
98.22 rule charter city, or county, including a watershed district, water management organization,
98.23 or soil and water conservation district, in which landowners voluntarily enroll land and
98.24 receive incentive payments equal to at least \$50 per acre in exchange for use or other
98.25 restrictions placed on the land. In order for property to qualify under the local conservation
98.26 program provision, a taxpayer must apply to the assessor by February 1 of the assessment
98.27 year and must submit the information required by the assessor, including but not limited to
98.28 a copy of the program requirements, the specific agreement between the land owner and
98.29 the local agency, if applicable, and a map of the conservation area. Agricultural classification
98.30 shall not be based upon the market value of any residential structures on the parcel or
98.31 contiguous parcels under the same ownership.

98.32 "Agricultural purposes" also includes land consisting of a holding pond designed to
98.33 prevent runoff onto a divided four-lane expressway that is located at least 150 feet above
98.34 the expressway, as certified by the local soil and water conservation district in accordance
98.35 with USDA Field Office Technical Guide conservation practice standards, provided that

99.1 the land is located outside the metropolitan area as defined in section 473.121, and was
99.2 classified as agricultural in assessment year 2017.

99.3 "Contiguous acreage," for purposes of this paragraph, means all of, or a contiguous
99.4 portion of, a tax parcel as described in section 272.193, or all of, or a contiguous portion
99.5 of, a set of contiguous tax parcels under that section that are owned by the same person.

99.6 (f) Agricultural land under this section also includes:

99.7 (1) contiguous acreage that is less than ten acres in size and exclusively used in the
99.8 preceding year for raising or cultivating agricultural products; or

99.9 (2) contiguous acreage that contains a residence and is less than 11 acres in size, if the
99.10 contiguous acreage exclusive of the house, garage, and surrounding one acre of land was
99.11 used in the preceding year for one or more of the following three uses:

99.12 (i) for an intensive grain drying or storage operation, or for intensive machinery or
99.13 equipment storage activities used to support agricultural activities on other parcels of property
99.14 operated by the same farming entity;

99.15 (ii) as a nursery, provided that only those acres used intensively to produce nursery stock
99.16 are considered agricultural land; or

99.17 (iii) for intensive market farming; for purposes of this paragraph, "market farming"
99.18 means the cultivation of one or more fruits or vegetables or production of animal or other
99.19 agricultural products for sale to local markets by the farmer or an organization with which
99.20 the farmer is affiliated.

99.21 "Contiguous acreage," for purposes of this paragraph, means all of a tax parcel as
99.22 described in section 272.193, or all of a set of contiguous tax parcels under that section that
99.23 are owned by the same person.

99.24 (g) Land shall be classified as agricultural even if all or a portion of the agricultural use
99.25 of that property is the leasing to, or use by another person for agricultural purposes.

99.26 Classification under this subdivision is not determinative for qualifying under section
99.27 273.111.

99.28 (h) The property classification under this section supersedes, for property tax purposes
99.29 only, any locally administered agricultural policies or land use restrictions that define
99.30 minimum or maximum farm acreage.

99.31 (i) The term "agricultural products" as used in this subdivision includes production for
99.32 sale of:

100.1 (1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing
100.2 animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains, bees,
100.3 and apiary products by the owner;

100.4 (2) aquacultural products for sale and consumption, as defined under section 17.47, if
100.5 the aquaculture occurs on land zoned for agricultural use;

100.6 (3) the commercial boarding of horses, which may include related horse training and
100.7 riding instruction, if the boarding is done on property that is also used for raising pasture
100.8 to graze horses or raising or cultivating other agricultural products as defined in clause (1);

100.9 (4) property which is owned and operated by nonprofit organizations used for equestrian
100.10 activities, excluding racing;

100.11 (5) game birds and waterfowl bred and raised (i) on a game farm licensed under section
100.12 97A.105, provided that the annual licensing report to the Department of Natural Resources,
100.13 which must be submitted annually by March 30 to the assessor, indicates that at least 500
100.14 birds were raised or used for breeding stock on the property during the preceding year and
100.15 that the owner provides a copy of the owner's most recent schedule F; or (ii) for use on a
100.16 shooting preserve licensed under section 97A.115;

100.17 (6) insects primarily bred to be used as food for animals;

100.18 (7) trees, grown for sale as a crop, including short rotation woody crops, and not sold
100.19 for timber, lumber, wood, or wood products; and

100.20 (8) maple syrup taken from trees grown by a person licensed by the Minnesota
100.21 Department of Agriculture under chapter 28A as a food processor.

100.22 (j) If a parcel used for agricultural purposes is also used for commercial or industrial
100.23 purposes, including but not limited to:

100.24 (1) wholesale and retail sales;

100.25 (2) processing of raw agricultural products or other goods;

100.26 (3) warehousing or storage of processed goods; and

100.27 (4) office facilities for the support of the activities enumerated in clauses (1), (2), and
100.28 (3),

100.29 the assessor shall classify the part of the parcel used for agricultural purposes as class 1b,
100.30 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use.

100.31 The grading, sorting, and packaging of raw agricultural products for first sale is considered
100.32 an agricultural purpose. A greenhouse or other building where horticultural or nursery

101.1 products are grown that is also used for the conduct of retail sales must be classified as
101.2 agricultural if it is primarily used for the growing of horticultural or nursery products from
101.3 seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products.
101.4 Use of a greenhouse or building only for the display of already grown horticultural or nursery
101.5 products does not qualify as an agricultural purpose.

101.6 (k) The assessor shall determine and list separately on the records the market value of
101.7 the homestead dwelling and the one acre of land on which that dwelling is located. If any
101.8 farm buildings or structures are located on this homesteaded acre of land, their market value
101.9 shall not be included in this separate determination.

101.10 (l) Class 2d airport landing area consists of a landing area or public access area of a
101.11 privately owned public use airport. It has a classification rate of one percent of market value.
101.12 To qualify for classification under this paragraph, a privately owned public use airport must
101.13 be licensed as a public airport under section 360.018. For purposes of this paragraph, "landing
101.14 area" means that part of a privately owned public use airport properly cleared, regularly
101.15 maintained, and made available to the public for use by aircraft and includes runways,
101.16 taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing
101.17 area also includes land underlying both the primary surface and the approach surfaces that
101.18 comply with all of the following:

101.19 (i) the land is properly cleared and regularly maintained for the primary purposes of the
101.20 landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities
101.21 for servicing, repair, or maintenance of aircraft is not included as a landing area;

101.22 (ii) the land is part of the airport property; and

101.23 (iii) the land is not used for commercial or residential purposes.

101.24 The land contained in a landing area under this paragraph must be described and certified
101.25 by the commissioner of transportation. The certification is effective until it is modified, or
101.26 until the airport or landing area no longer meets the requirements of this paragraph. For
101.27 purposes of this paragraph, "public access area" means property used as an aircraft parking
101.28 ramp, apron, or storage hangar, or an arrival and departure building in connection with the
101.29 airport.

101.30 (m) Class 2e consists of land with a commercial aggregate deposit that is not actively
101.31 being mined and is not otherwise classified as class 2a or 2b, provided that the land is not
101.32 located in a county that has elected to opt-out of the aggregate preservation program as
101.33 provided in section 273.1115, subdivision 6. It has a classification rate of one percent of
101.34 market value. To qualify for classification under this paragraph, the property must be at

102.1 least ten contiguous acres in size and the owner of the property must record with the county
102.2 recorder of the county in which the property is located an affidavit containing:

102.3 (1) a legal description of the property;

102.4 (2) a disclosure that the property contains a commercial aggregate deposit that is not
102.5 actively being mined but is present on the entire parcel enrolled;

102.6 (3) documentation that the conditional use under the county or local zoning ordinance
102.7 of this property is for mining; and

102.8 (4) documentation that a permit has been issued by the local unit of government or the
102.9 mining activity is allowed under local ordinance. The disclosure must include a statement
102.10 from a registered professional geologist, engineer, or soil scientist delineating the deposit
102.11 and certifying that it is a commercial aggregate deposit.

102.12 For purposes of this section and section 273.1115, "commercial aggregate deposit"
102.13 means a deposit that will yield crushed stone or sand and gravel that is suitable for use as
102.14 a construction aggregate; and "actively mined" means the removal of top soil and overburden
102.15 in preparation for excavation or excavation of a commercial deposit.

102.16 (n) When any portion of the property under this subdivision or subdivision 22 begins to
102.17 be actively mined, the owner must file a supplemental affidavit within 60 days from the
102.18 day any aggregate is removed stating the number of acres of the property that is actively
102.19 being mined. The acres actively being mined must be (1) valued and classified under
102.20 subdivision 24 in the next subsequent assessment year, and (2) removed from the aggregate
102.21 resource preservation property tax program under section 273.1115, if the land was enrolled
102.22 in that program. Copies of the original affidavit and all supplemental affidavits must be
102.23 filed with the county assessor, the local zoning administrator, and the Department of Natural
102.24 Resources, Division of Land and Minerals. A supplemental affidavit must be filed each
102.25 time a subsequent portion of the property is actively mined, provided that the minimum
102.26 acreage change is five acres, even if the actual mining activity constitutes less than five
102.27 acres.

102.28 (o) The definitions prescribed by the commissioner under paragraphs (c) and (d) are not
102.29 rules and are exempt from the rulemaking provisions of chapter 14, and the provisions in
102.30 section 14.386 concerning exempt rules do not apply.

102.31 **EFFECTIVE DATE.** This section is effective for assessment year 2019 and thereafter.

103.1 Sec. 12. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 25, is amended
103.2 to read:

103.3 Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units
103.4 and used or held for use by the owner or by the tenants or lessees of the owner as a residence
103.5 for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a
103.6 also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt
103.7 under section 272.02, and contiguous property used for hospital purposes, without regard
103.8 to whether the property has been platted or subdivided. The market value of class 4a property
103.9 has a classification rate of 1.25 percent.

103.10 (b) Class 4b includes:

103.11 (1) residential real estate containing less than four units that does not qualify as class
103.12 4bb, other than seasonal residential recreational property;

103.13 (2) manufactured homes not classified under any other provision;

103.14 (3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm
103.15 classified under subdivision 23, paragraph (b) containing two or three units; and

103.16 (4) unimproved property that is classified residential as determined under subdivision
103.17 33.

103.18 The market value of class 4b property has a classification rate of 1.25 percent.

103.19 (c) Class 4bb includes:

103.20 (1) nonhomestead residential real estate containing one unit, other than seasonal
103.21 residential recreational property;

103.22 (2) a single family dwelling, garage, and surrounding one acre of property on a
103.23 nonhomestead farm classified under subdivision 23, paragraph (b); and

103.24 (3) a condominium-type storage unit having an individual property identification number
103.25 that is not used for a commercial purpose.

103.26 Class 4bb property has the same classification rates as class 1a property under subdivision
103.27 22.

103.28 Property that has been classified as seasonal residential recreational property at any time
103.29 during which it has been owned by the current owner or spouse of the current owner does
103.30 not qualify for class 4bb.

103.31 (d) Class 4c property includes:

104.1 (1) except as provided in subdivision 22, paragraph (c), real and personal property
104.2 devoted to commercial temporary and seasonal residential occupancy for recreation purposes,
104.3 for not more than 250 days in the year preceding the year of assessment. For purposes of
104.4 this clause, property is devoted to a commercial purpose on a specific day if any portion of
104.5 the property is used for residential occupancy, and a fee is charged for residential occupancy.
104.6 Class 4c property under this clause must contain three or more rental units. A "rental unit"
104.7 is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site
104.8 equipped with water and electrical hookups for recreational vehicles. A camping pad offered
104.9 for rent by a property that otherwise qualifies for class 4c under this clause is also class 4c
104.10 under this clause regardless of the term of the rental agreement, as long as the use of the
104.11 camping pad does not exceed 250 days. In order for a property to be classified under this
104.12 clause, either: (i) the business located on the property must provide recreational activities,
104.13 at least 40 percent of the annual gross lodging receipts related to the property must be from
104.14 business conducted during 90 consecutive days, and either (A) at least 60 percent of all paid
104.15 bookings by lodging guests during the year must be for periods of at least two consecutive
104.16 nights; or (B) at least 20 percent of the annual gross receipts must be from charges for
104.17 providing recreational activities; ~~or;~~ (ii) the business must contain 20 or fewer rental units,
104.18 and must be located in a township or a city with a population of 2,500 or less located outside
104.19 the metropolitan area, as defined under section 473.121, subdivision 2, that contains a portion
104.20 of a state trail administered by the Department of Natural Resources; or (iii) the property
104.21 must contain a residential facility containing no more than five sleeping rooms and must
104.22 provide an area or areas to prepare meals and to conduct indoor craft or hobby activities.
104.23 For purposes of item (i)(A), a paid booking of five or more nights shall be counted as two
104.24 bookings. Class 4c property also includes commercial use real property used exclusively
104.25 for recreational purposes in conjunction with other class 4c property classified under this
104.26 clause and devoted to temporary and seasonal residential occupancy for recreational purposes,
104.27 up to a total of two acres, provided the property is not devoted to commercial recreational
104.28 use for more than 250 days in the year preceding the year of assessment and is located within
104.29 two miles of the class 4c property with which it is used. In order for a property to qualify
104.30 for classification under this clause, the owner must submit a declaration to the assessor
104.31 designating the cabins or units occupied for 250 days or less in the year preceding the year
104.32 of assessment by January 15 of the assessment year. Those cabins or units and a proportionate
104.33 share of the land on which they are located must be designated class 4c under this clause
104.34 as otherwise provided. The remainder of the cabins or units and a proportionate share of
104.35 the land on which they are located will be designated as class 3a. The owner of property
104.36 desiring designation as class 4c property under this clause must provide guest registers or

105.1 other records demonstrating that the units for which class 4c designation is sought were not
105.2 occupied for more than 250 days in the year preceding the assessment if so requested. The
105.3 portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center
105.4 or meeting room, and (5) other nonresidential facility operated on a commercial basis not
105.5 directly related to temporary and seasonal residential occupancy for recreation purposes
105.6 does not qualify for class 4c. For the purposes of this paragraph, "recreational activities"
105.7 means renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country
105.8 ski equipment; providing marina services, launch services, or guide services; or selling bait
105.9 and fishing tackle;

105.10 (2) qualified property used as a golf course if:

105.11 (i) it is open to the public on a daily fee basis. It may charge membership fees or dues,
105.12 but a membership fee may not be required in order to use the property for golfing, and its
105.13 green fees for golfing must be comparable to green fees typically charged by municipal
105.14 courses; and

105.15 (ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

105.16 A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with
105.17 the golf course is classified as class 3a property;

105.18 (3) real property up to a maximum of three acres of land owned and used by a nonprofit
105.19 community service oriented organization and not used for residential purposes on either a
105.20 temporary or permanent basis, provided that:

105.21 (i) the property is not used for a revenue-producing activity for more than six days in
105.22 the calendar year preceding the year of assessment; or

105.23 (ii) the organization makes annual charitable contributions and donations at least equal
105.24 to the property's previous year's property taxes and the property is allowed to be used for
105.25 public and community meetings or events for no charge, as appropriate to the size of the
105.26 facility.

105.27 For purposes of this clause:

105.28 (A) "charitable contributions and donations" has the same meaning as lawful gambling
105.29 purposes under section 349.12, subdivision 25, excluding those purposes relating to the
105.30 payment of taxes, assessments, fees, auditing costs, and utility payments;

105.31 (B) "property taxes" excludes the state general tax;

106.1 (C) a "nonprofit community service oriented organization" means any corporation,
106.2 society, association, foundation, or institution organized and operated exclusively for
106.3 charitable, religious, fraternal, civic, or educational purposes, and which is exempt from
106.4 federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal
106.5 Revenue Code; and

106.6 (D) "revenue-producing activities" shall include but not be limited to property or that
106.7 portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt
106.8 liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling
106.9 alley, a retail store, gambling conducted by organizations licensed under chapter 349, an
106.10 insurance business, or office or other space leased or rented to a lessee who conducts a
106.11 for-profit enterprise on the premises.

106.12 Any portion of the property not qualifying under either item (i) or (ii) is class 3a. The
106.13 use of the property for social events open exclusively to members and their guests for periods
106.14 of less than 24 hours, when an admission is not charged nor any revenues are received by
106.15 the organization shall not be considered a revenue-producing activity.

106.16 The organization shall maintain records of its charitable contributions and donations
106.17 and of public meetings and events held on the property and make them available upon
106.18 request any time to the assessor to ensure eligibility. An organization meeting the requirement
106.19 under item (ii) must file an application by May 1 with the assessor for eligibility for the
106.20 current year's assessment. The commissioner shall prescribe a uniform application form
106.21 and instructions;

106.22 (4) postsecondary student housing of not more than one acre of land that is owned by a
106.23 nonprofit corporation organized under chapter 317A and is used exclusively by a student
106.24 cooperative, sorority, or fraternity for on-campus housing or housing located within two
106.25 miles of the border of a college campus;

106.26 (5)(i) manufactured home parks as defined in section 327.14, subdivision 3, excluding
106.27 manufactured home parks described in items (ii) and (iii), (ii) manufactured home parks as
106.28 defined in section 327.14, subdivision 3, that are described in section 273.124, subdivision
106.29 3a, and (iii) class I manufactured home parks as defined in section 327C.01, subdivision
106.30 13;

106.31 (6) real property that is actively and exclusively devoted to indoor fitness, health, social,
106.32 recreational, and related uses, is owned and operated by a not-for-profit corporation, and is
106.33 located within the metropolitan area as defined in section 473.121, subdivision 2;

107.1 (7) a leased or privately owned noncommercial aircraft storage hangar not exempt under
107.2 section 272.01, subdivision 2, and the land on which it is located, provided that:

107.3 (i) the land is on an airport owned or operated by a city, town, county, Metropolitan
107.4 Airports Commission, or group thereof; and

107.5 (ii) the land lease, or any ordinance or signed agreement restricting the use of the leased
107.6 premise, prohibits commercial activity performed at the hangar.

107.7 If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be
107.8 filed by the new owner with the assessor of the county where the property is located within
107.9 60 days of the sale;

107.10 (8) a privately owned noncommercial aircraft storage hangar not exempt under section
107.11 272.01, subdivision 2, and the land on which it is located, provided that:

107.12 (i) the land abuts a public airport; and

107.13 (ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement
107.14 restricting the use of the premises, prohibiting commercial use or activity performed at the
107.15 hangar; and

107.16 (9) residential real estate, a portion of which is used by the owner for homestead purposes,
107.17 and that is also a place of lodging, if all of the following criteria are met:

107.18 (i) rooms are provided for rent to transient guests that generally stay for periods of 14
107.19 or fewer days;

107.20 (ii) meals are provided to persons who rent rooms, the cost of which is incorporated in
107.21 the basic room rate;

107.22 (iii) meals are not provided to the general public except for special events on fewer than
107.23 seven days in the calendar year preceding the year of the assessment; and

107.24 (iv) the owner is the operator of the property.

107.25 The market value subject to the 4c classification under this clause is limited to five rental
107.26 units. Any rental units on the property in excess of five, must be valued and assessed as
107.27 class 3a. The portion of the property used for purposes of a homestead by the owner must
107.28 be classified as class 1a property under subdivision 22;

107.29 (10) real property up to a maximum of three acres and operated as a restaurant as defined
107.30 under section 157.15, subdivision 12, provided it: (i) is located on a lake as defined under
107.31 section 103G.005, subdivision 15, paragraph (a), clause (3); and (ii) is either devoted to
107.32 commercial purposes for not more than 250 consecutive days, or receives at least 60 percent

108.1 of its annual gross receipts from business conducted during four consecutive months. Gross
108.2 receipts from the sale of alcoholic beverages must be included in determining the property's
108.3 qualification under item (ii). The property's primary business must be as a restaurant and
108.4 not as a bar. Gross receipts from gift shop sales located on the premises must be excluded.
108.5 Owners of real property desiring 4c classification under this clause must submit an annual
108.6 declaration to the assessor by February 1 of the current assessment year, based on the
108.7 property's relevant information for the preceding assessment year;

108.8 (11) lakeshore and riparian property and adjacent land, not to exceed six acres, used as
108.9 a marina, as defined in section 86A.20, subdivision 5, which is made accessible to the public
108.10 and devoted to recreational use for marina services. The marina owner must annually provide
108.11 evidence to the assessor that it provides services, including lake or river access to the public
108.12 by means of an access ramp or other facility that is either located on the property of the
108.13 marina or at a publicly owned site that abuts the property of the marina. No more than 800
108.14 feet of lakeshore may be included in this classification. Buildings used in conjunction with
108.15 a marina for marina services, including but not limited to buildings used to provide food
108.16 and beverage services, fuel, boat repairs, or the sale of bait or fishing tackle, are classified
108.17 as class 3a property; and

108.18 (12) real and personal property devoted to noncommercial temporary and seasonal
108.19 residential occupancy for recreation purposes.

108.20 Class 4c property has a classification rate of 1.5 percent of market value, except that (i)
108.21 each parcel of noncommercial seasonal residential recreational property under clause (12)
108.22 has the same classification rates as class 4bb property, (ii) manufactured home parks assessed
108.23 under clause (5), item (i), have the same classification rate as class 4b property, the market
108.24 value of manufactured home parks assessed under clause (5), item (ii), have a classification
108.25 rate of 0.75 percent if more than 50 percent of the lots in the park are occupied by
108.26 shareholders in the cooperative corporation or association and a classification rate of one
108.27 percent if 50 percent or less of the lots are so occupied, and class I manufactured home
108.28 parks as defined in section 327C.01, subdivision 13, have a classification rate of 1.0 percent,
108.29 (iii) commercial-use seasonal residential recreational property and marina recreational land
108.30 as described in clause (11), has a classification rate of one percent for the first \$500,000 of
108.31 market value, and 1.25 percent for the remaining market value, (iv) the market value of
108.32 property described in clause (4) has a classification rate of one percent, (v) the market value
108.33 of property described in clauses (2), (6), and (10) has a classification rate of 1.25 percent,
108.34 (vi) that portion of the market value of property in clause (9) qualifying for class 4c property
108.35 has a classification rate of 1.25 percent, and (vii) property qualifying for classification under

109.1 clause (3) that is owned or operated by a congressionally chartered veterans organization
109.2 has a classification rate of one percent. The commissioner of veterans affairs must provide
109.3 a list of congressionally chartered veterans organizations to the commissioner of revenue
109.4 by June 30, 2017, and by January 1, 2018, and each year thereafter.

109.5 (e) Class 4d property is qualifying low-income rental housing certified to the assessor
109.6 by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of
109.7 the units in the building qualify as low-income rental housing units as certified under section
109.8 273.128, subdivision 3, only the proportion of qualifying units to the total number of units
109.9 in the building qualify for class 4d. The remaining portion of the building shall be classified
109.10 by the assessor based upon its use. Class 4d also includes the same proportion of land as
109.11 the qualifying low-income rental housing units are to the total units in the building. For all
109.12 properties qualifying as class 4d, the market value determined by the assessor must be based
109.13 on the normal approach to value using normal unrestricted rents.

109.14 (f) The first tier of market value of class 4d property has a classification rate of 0.75
109.15 percent. The remaining value of class 4d property has a classification rate of 0.25 percent.
109.16 For the purposes of this paragraph, the "first tier of market value of class 4d property" means
109.17 the market value of each housing unit up to the first tier limit. For the purposes of this
109.18 paragraph, all class 4d property value must be assigned to individual housing units. The
109.19 first tier limit is \$100,000 for assessment year 2014. For subsequent years, the limit is
109.20 adjusted each year by the average statewide change in estimated market value of property
109.21 classified as class 4a and 4d under this section for the previous assessment year, excluding
109.22 valuation change due to new construction, rounded to the nearest \$1,000, provided, however,
109.23 that the limit may never be less than \$100,000. Beginning with assessment year 2015, the
109.24 commissioner of revenue must certify the limit for each assessment year by November 1
109.25 of the previous year.

109.26 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

109.27 Sec. 13. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 34, is amended
109.28 to read:

109.29 Subd. 34. **Homestead of disabled veteran or family caregiver.** (a) All or a portion of
109.30 the market value of property owned by a veteran and serving as the veteran's homestead
109.31 under this section is excluded in determining the property's taxable market value if the
109.32 veteran has a service-connected disability of 70 percent or more as certified by the United
109.33 States Department of Veterans Affairs. To qualify for exclusion under this subdivision, the
109.34 veteran must have been honorably discharged from the United States armed forces, as

110.1 indicated by United States Government Form DD214 or other official military discharge
110.2 papers.

110.3 (b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded,
110.4 except as provided in clause (2); and

110.5 (2) for a total (100 percent) and permanent disability, \$300,000 of market value is
110.6 excluded.

110.7 (c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b), clause
110.8 (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds
110.9 the legal or beneficial title to the homestead and permanently resides there, the exclusion
110.10 shall carry over to the benefit of the veteran's spouse for the current taxes payable year and
110.11 for eight additional taxes payable years or until such time as the spouse remarries, or sells,
110.12 transfers, or otherwise disposes of the property, whichever comes first, except as otherwise
110.13 provided in paragraph (n). Qualification under this paragraph requires an application under
110.14 paragraph (h), and a spouse must notify the assessor if there is a change in the spouse's
110.15 marital status, ownership of the property, or use of the property as a permanent residence.

110.16 (d) If the spouse of a member of any branch or unit of the United States armed forces
110.17 who dies due to a service-connected cause while serving honorably in active service, as
110.18 indicated on United States Government Form DD1300 or DD2064, holds the legal or
110.19 beneficial title to a homestead and permanently resides there, the spouse is entitled to the
110.20 benefit described in paragraph (b), clause (2), for eight taxes payable years, or until such
110.21 time as the spouse remarries or sells, transfers, or otherwise disposes of the property,
110.22 whichever comes first, except as otherwise provided in paragraph (n).

110.23 (e) If a veteran meets the disability criteria of paragraph (a) but does not own property
110.24 classified as homestead in the state of Minnesota, then the homestead of the veteran's primary
110.25 family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify
110.26 for under paragraph (b).

110.27 (f) In the case of an agricultural homestead, only the portion of the property consisting
110.28 of the house and garage and immediately surrounding one acre of land qualifies for the
110.29 valuation exclusion under this subdivision.

110.30 (g) A property qualifying for a valuation exclusion under this subdivision is not eligible
110.31 for the market value exclusion under subdivision 35, or classification under subdivision 22,
110.32 paragraph (b).

(h) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by ~~July 1~~ December 15 of the first assessment year for which the exclusion is sought. For an application received after ~~July 1~~ December 15, the exclusion shall become effective for the following assessment year. Except as provided in paragraph (c), the owner of a property that has been accepted for a valuation exclusion must notify the assessor if there is a change in ownership of the property or in the use of the property as a homestead. When a property qualifying for a market value exclusion under this subdivision is sold or transferred, the exclusion must be removed for the current assessment year, provided that the new owner may file a claim for an exclusion if eligible.

(i) A first-time application by a qualifying spouse for the market value exclusion under paragraph (d) must be made any time within two years of the death of the service member.

(j) For purposes of this subdivision:

(1) "active service" has the meaning given in section 190.05;

(2) "own" means that the person's name is present as an owner on the property deed;

(3) "primary family caregiver" means a person who is approved by the secretary of the United States Department of Veterans Affairs for assistance as the primary provider of personal care services for an eligible veteran under the Program of Comprehensive Assistance for Family Caregivers, codified as United States Code, title 38, section 1720G; and

(4) "veteran" has the meaning given the term in section 197.447.

(k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit under paragraph (b), clause (2), for eight tax payable years or until the spouse remarries or sells, transfers, or otherwise disposes of the property, except as otherwise provided in paragraph (n), if:

(1) the spouse files a first-time application within two years of the death of the service member or by June 1, 2019, whichever is later;

(2) upon the death of the veteran, the spouse holds the legal or beneficial title to the homestead and permanently resides there;

(3) the veteran met the honorable discharge requirements of paragraph (a); and

(4) the United States Department of Veterans Affairs certifies that:

(i) the veteran met the total (100 percent) and permanent disability requirement under paragraph (b), clause (2); or

(ii) the spouse has been awarded dependency and indemnity compensation.

(l) The purpose of this provision of law providing a level of homestead property tax relief for gravely disabled veterans, their primary family caregivers, and their surviving spouses is to help ease the burdens of war for those among our state's citizens who bear those burdens most heavily.

(m) By July 1, the county veterans service officer must certify the disability rating and permanent address of each veteran receiving the benefit under paragraph (b) to the assessor.

(n) A spouse who received the benefit in paragraph (c), (d), or (k) but no longer holds the legal or beneficial title to the property may continue to receive the exclusion for a property other than the property for which the exclusion was initially granted until the spouse remarries or sells, transfers, or otherwise disposes of the property, provided that:

(1) the spouse applies under paragraph (h) for the continuation of the exclusion allowed under this paragraph;

(2) the spouse holds the legal or beneficial title to the property for which the continuation of the exclusion is sought under this paragraph, and permanently resides there;

(3) the estimated market value of the property for which the exclusion is sought under this paragraph is less than or equal to the estimated market value of the property that first received the exclusion, based on the value of each property on the date of the sale of the property that first received the exclusion; and

(4) the spouse has not previously received the benefit under this paragraph for a property other than the property for which the exclusion is sought.

The exclusion for a spouse under this paragraph and paragraph (c), (d), or (k) may not exceed a total of eight taxes payable years.

EFFECTIVE DATE. This section is effective beginning with assessments in 2018, for taxes payable in 2019.

Sec. 14. Minnesota Statutes 2016, section 273.13, subdivision 35, is amended to read:

Subd. 35. **Homestead market value exclusion.** (a) Prior to determining a property's net tax capacity under this section, property classified as class 1a or 1b under subdivision 22, and the portion of property classified as class 2a under subdivision 23 consisting of the house, garage, and surrounding one acre of land, shall be eligible for a market value exclusion as determined under paragraph (b).

113.1 (b) For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market
 113.2 value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400
 113.3 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or
 113.4 more, there is no valuation exclusion. The valuation exclusion shall be rounded to the nearest
 113.5 whole dollar, and may not be less than zero.

113.6 (c) Any valuation exclusions or adjustments under section 273.11 shall be applied prior
 113.7 to determining the amount of the valuation exclusion under this subdivision.

113.8 (d) In the case of a property that is classified as part homestead and part nonhomestead,
 113.9 (i) the exclusion shall apply only to the homestead portion of the property, but (ii) if a portion
 113.10 of a property is classified as nonhomestead solely because not all the owners occupy the
 113.11 property, not all the owners have qualifying relatives occupying the property, or solely
 113.12 because not all the spouses of owners occupy the property, the exclusion amount shall be
 113.13 initially computed as if that nonhomestead portion were also in the homestead class and
 113.14 then prorated to the owner-occupant's percentage of ownership, as determined by section
 113.15 273.124, subdivision 23. For the purpose of this section, when an owner-occupant's spouse
 113.16 does not occupy the property, the percentage of ownership for the owner-occupant spouse
 113.17 is one-half of the couple's ownership percentage.

113.18 **EFFECTIVE DATE.** This section is effective for taxes payable in 2019 and thereafter.

113.19 Sec. 15. Minnesota Statutes 2017 Supplement, section 273.1384, subdivision 2, is amended
 113.20 to read:

113.21 Subd. 2. **Agricultural homestead market value credit.** Property classified as agricultural
 113.22 homestead under section 273.13, subdivision 23, paragraph (a), is eligible for an agricultural
 113.23 credit. The credit is computed using the property's agricultural credit market value, defined
 113.24 for this purpose as the property's market value excluding the market value of the house,
 113.25 garage, and immediately surrounding one acre of land. The credit is equal to 0.3 percent of
 113.26 the first \$115,000 of the property's agricultural credit market value plus 0.1 percent of the
 113.27 property's agricultural credit market value in excess of \$115,000, subject to a maximum
 113.28 credit of \$490 for a full agricultural homestead. In the case of property that is classified as
 113.29 part homestead and part nonhomestead solely because not all the owners occupy or farm
 113.30 the property, not all the owners have qualifying relatives occupying or farming the property,
 113.31 or solely because not all the spouses of owners occupy the property, the credit is computed
 113.32 on the amount of agricultural credit market value corresponding to the owner-occupant's
 113.33 percentage of homestead. the percentage of homestead is equal to 100 divided by the number
 113.34 of owners of the property, or, in the case of a trust, the number of grantors of the trust that

114.1 ~~owns the property.~~ ownership, as determined by section 273.124, subdivision 23, and the
114.2 maximum credit equals \$490 multiplied by the percentage of ownership.

114.3 **EFFECTIVE DATE.** This section is effective for taxes payable in 2019 and thereafter.

114.4 Sec. 16. Minnesota Statutes 2016, section 275.025, is amended by adding a subdivision
114.5 to read:

114.6 **Subd. 6. Natural gas pipeline.** (a) The county must abate the state general levy on
114.7 personal property that is part of an intrastate natural gas transportation or distribution pipeline
114.8 system if:

114.9 (1) construction of the pipeline system commenced after January 1, 2018; and

114.10 (2) the pipeline system provides service to an area:

114.11 (i) outside the seven-county metropolitan area, as defined in section 473.121, subdivision
114.12 3; and

114.13 (ii) in which the majority of households or businesses lacked access to natural gas
114.14 distribution systems as of January 1, 2018.

114.15 (b) In the first year that a taxpayer seeks an abatement under this subdivision, the taxpayer
114.16 must file an application with the commissioner of revenue by March 1 of the assessment
114.17 year on a form prescribed by the commissioner.

114.18 (c) The commissioner of revenue must notify any affected county in the first year that
114.19 a pipeline system becomes eligible for an abatement under this subdivision.

114.20 (d) The abatement under this subdivision applies for a period not to exceed 12 years,
114.21 provided that once a property no longer qualifies, it may not subsequently qualify for an
114.22 abatement under this subdivision.

114.23 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2020.

114.24 Sec. 17. Minnesota Statutes 2016, section 275.025, is amended by adding a subdivision
114.25 to read:

114.26 **Subd. 7. Medical facility in underserved area.** The state general levy for any property
114.27 qualifying under section 469.1817 is abated. The net tax capacity of the property must be
114.28 included in the definition of commercial-industrial tax capacity for the purposes of
114.29 determining the state general levy tax rate under subdivision 4.

114.30 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

115.1 Sec. 18. Minnesota Statutes 2016, section 282.01, subdivision 6, is amended to read:

115.2 Subd. 6. **Duties of commissioner after sale.** (a) When any sale has been made by the
115.3 county auditor under sections 282.01 to 282.13, the auditor shall immediately certify to the
115.4 commissioner of revenue such information relating to such sale, on such forms as the
115.5 commissioner of revenue may prescribe as will enable the commissioner of revenue to
115.6 prepare an appropriate deed if the sale is for cash, or keep necessary records if the sale is
115.7 on terms; and not later than October 31 of each year the county auditor shall submit to the
115.8 commissioner of revenue a statement of all instances wherein any payment of principal,
115.9 interest, or current taxes on lands held under certificate, due or to be paid during the preceding
115.10 calendar years, are still outstanding at the time such certificate is made. When such statement
115.11 shows that a purchaser or the purchaser's assignee is in default, the commissioner of revenue
115.12 may instruct the county board of the county in which the land is located to cancel said
115.13 certificate of sale in the manner provided by subdivision 5, provided that upon
115.14 recommendation of the county board, and where the circumstances are such that the
115.15 commissioner of revenue after investigation is satisfied that the purchaser has made every
115.16 effort reasonable to make payment of both the annual installment and said taxes, and that
115.17 there has been no willful neglect on the part of the purchaser in meeting these obligations,
115.18 then the commissioner of revenue may extend the time for the payment for such period as
115.19 the commissioner may deem warranted, not to exceed one year. On payment in full of the
115.20 purchase price, appropriate conveyance in fee, in such form as may be prescribed by the
115.21 attorney general, shall be issued by the commissioner of revenue, which conveyance must
115.22 be recorded by the county and shall have the force and effect of a patent from the state
115.23 subject to easements and restrictions of record at the date of the tax judgment sale, including,
115.24 but without limitation, permits for telephone and electric power lines either by underground
115.25 cable or conduit or otherwise, sewer and water lines, highways, railroads, and pipe lines for
115.26 gas, liquids, or solids in suspension.

115.27 (b) The commissioner of revenue shall issue an appropriate conveyance in fee when
115.28 approval from the county auditor is given based upon written confirmation from a licensed
115.29 closing agent, title insurer, or title insurance agent as specified in section 82.641. For purposes
115.30 of this paragraph, "written confirmation" means a written commitment or approval that the
115.31 funding for the conveyance is held in an escrow account available for disbursement upon
115.32 delivery of a conveyance. The conveyance issued by the commissioner of revenue shall not
115.33 be effective as a conveyance until it is recorded. The conveyance shall be issued to the
115.34 county auditor where the land is located. Upon receipt of the conveyance, the county auditor
115.35 shall hold the conveyance until the conveyance is requested from a licensed closing agent,

116.1 title insurer, or title insurance agent to settle and close on the conveyance. If a request for
116.2 the conveyance is not made within 30 days of the date the conveyance is issued by the
116.3 commissioner of revenue, the county auditor shall return the conveyance to the commissioner.
116.4 If the conveyance is delivered to the licensed closing agent, title insurer, or title insurance
116.5 agent and the closing does not occur within ten days of the request, the licensed closing
116.6 agent, title insurer, or title insurance agent shall immediately return the conveyance to the
116.7 county auditor and, upon receipt, the county auditor shall return the conveyance to the
116.8 commissioner of revenue. The commissioner of revenue shall cancel and destroy all
116.9 conveyances returned by the county auditor pursuant to this subdivision. The licensed closing
116.10 agent, title insurer, or title insurance agent must promptly record the conveyance after the
116.11 closing and must deliver an attested or certified copy to the county auditor and to the grantee
116.12 or grantees named on the conveyance.

116.13 **EFFECTIVE DATE.** This section is effective for conveyances issued by the
116.14 commissioner of revenue after December 31, 2018.

116.15 Sec. 19. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 13, is amended
116.16 to read:

116.17 Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax
116.18 exclusive of special assessments, penalties, and interest payable on a claimant's homestead
116.19 after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2,
116.20 and any other state paid property tax credits in any calendar year, and after any refund
116.21 claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the
116.22 year that the property tax is payable. In the case of a claimant who makes ground lease
116.23 payments, "property taxes payable" includes the amount of the payments directly attributable
116.24 to the property taxes assessed against the parcel on which the house is located. Regardless
116.25 of the limitations in section 280A(c)(5) of the Internal Revenue Code, "property taxes
116.26 payable" must be apportioned or reduced for the use of a portion of the claimant's homestead
116.27 for a business purpose if the claimant deducts any business depreciation expenses for the
116.28 use of a portion of the homestead or deducts expenses under section 280A of the Internal
116.29 Revenue Code for a business operated in the claimant's homestead. For homesteads which
116.30 are manufactured homes as defined in section 273.125, subdivision 8, ~~and for homesteads~~
116.31 ~~which are~~ including manufactured homes located in a manufactured home community owned
116.32 by a cooperative organized under chapter 308A or 308B, and park trailers taxed as
116.33 manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall
116.34 also include 17 percent of the gross rent paid in the preceding year for the site on which the
116.35 homestead is located. When a homestead is owned by two or more persons as joint tenants

117.1 or tenants in common, such tenants shall determine between them which tenant may claim
117.2 the property taxes payable on the homestead. If they are unable to agree, the matter shall
117.3 be referred to the commissioner of revenue whose decision shall be final. Property taxes
117.4 are considered payable in the year prescribed by law for payment of the taxes.

117.5 In the case of a claim relating to "property taxes payable," the claimant must have owned
117.6 and occupied the homestead on January 2 of the year in which the tax is payable and (i) the
117.7 property must have been classified as homestead property pursuant to section 273.124, on
117.8 or before December 15 of the assessment year to which the "property taxes payable" relate;
117.9 or (ii) the claimant must provide documentation from the local assessor that application for
117.10 homestead classification has been made on or before December 15 of the year in which the
117.11 "property taxes payable" were payable and that the assessor has approved the application.

117.12 **EFFECTIVE DATE.** This section is effective beginning with claims for taxes payable
117.13 in 2019.

117.14 Sec. 20. Minnesota Statutes 2016, section 290B.04, subdivision 1, is amended to read:

117.15 Subdivision 1. **Initial application.** (a) A taxpayer meeting the program qualifications
117.16 under section 290B.03 may apply to the commissioner of revenue for the deferral of taxes.
117.17 Applications are due on or before ~~July~~ November 1 for deferral of any of the following
117.18 year's property taxes. A taxpayer may request an early notification of approval or denial at
117.19 any time. The commissioner must notify a taxpayer in writing of the reasons for an
117.20 application denial and that the application may be amended and resubmitted by the due date
117.21 specified in this subdivision. A taxpayer may apply in the year in which the taxpayer becomes
117.22 65 years old, provided that no deferral of property taxes will be made until the calendar
117.23 year after the taxpayer becomes 65 years old. The application, which shall be prescribed
117.24 by the commissioner of revenue, shall include the following items and any other information
117.25 which the commissioner deems necessary:

117.26 (1) the name, address, and Social Security number of the owner or owners;

117.27 (2) a copy of the property tax statement for the current payable year for the homesteaded
117.28 property;

117.29 (3) the initial year of ownership and occupancy as a homestead;

117.30 (4) the owner's household income for the previous calendar year; and

117.31 (5) information on any mortgage loans or other amounts secured by mortgages or other
117.32 liens against the property, for which purpose the commissioner may require the applicant
117.33 to provide a copy of the mortgage note, the mortgage, or a statement of the balance owing

118.1 on the mortgage loan provided by the mortgage holder. The commissioner may require the
118.2 appropriate documents in connection with obtaining and confirming information on unpaid
118.3 amounts secured by other liens.

118.4 The application must state that program participation is voluntary. The application must
118.5 also state that the deferred amount depends directly on the applicant's household income,
118.6 and that program participation includes authorization for the annual deferred amount, the
118.7 cumulative deferral and interest that appear on each year's notice prepared by the county
118.8 under subdivision 6, is public data.

118.9 The application must state that program participants may claim the property tax refund
118.10 based on the full amount of property taxes eligible for the refund, including any deferred
118.11 amounts. The application must also state that property tax refunds will be used to offset any
118.12 deferral and interest under this program, and that any other amounts subject to revenue
118.13 recapture under section 270A.03, subdivision 7, will also be used to offset any deferral and
118.14 interest under this program.

118.15 (b) As part of the initial application process, the commissioner may require the applicant
118.16 to obtain at the applicant's own cost and submit:

118.17 (1) if the property is registered property under chapter 508 or 508A, a copy of the original
118.18 certificate of title in the possession of the county registrar of titles (sometimes referred to
118.19 as "condition of register"); or

118.20 (2) if the property is abstract property, a report prepared by a licensed abstracter showing
118.21 the last deed and any unsatisfied mortgages, liens, judgments, and state and federal tax lien
118.22 notices which were recorded on or after the date of that last deed with respect to the property
118.23 or to the applicant.

118.24 The certificate or report under clauses (1) and (2) need not include references to any
118.25 documents filed or recorded more than 40 years prior to the date of the certification or report.
118.26 The certification or report must be as of a date not more than 30 days prior to submission
118.27 of the application.

118.28 The commissioner may also require the county recorder or county registrar of the county
118.29 where the property is located to provide copies of recorded documents related to the applicant
118.30 or the property, for which the recorder or registrar shall not charge a fee. The commissioner
118.31 may use any information available to determine or verify eligibility under this section. The
118.32 household income from the application is private data on individuals as defined in section
118.33 13.02, subdivision 12.

119.1 **EFFECTIVE DATE.** This section is effective for applications for deferral of taxes
119.2 payable in 2019 and thereafter.

119.3 Sec. 21. Minnesota Statutes 2016, section 469.171, subdivision 4, is amended to read:

119.4 Subd. 4. **Restriction.** The tax reductions provided by this section shall not apply to (1)
119.5 a facility the primary purpose of which is one of the following: ~~retail food and beverage~~
119.6 ~~services, automobile sales or service, or~~ the provision of recreation or entertainment, or a
119.7 private or commercial golf course, country club, massage parlor, tennis club, skating facility
119.8 including roller skating, skateboard, and ice skating, racquet sports facility, including any
119.9 handball or racquetball court, hot tub facility, suntan facility, or racetrack; (2) property of
119.10 a public utility; (3) property used in the operation of a financial institution; (4) property
119.11 owned by a fraternal or veterans' organization; or (5) ~~property of a business operating under~~
119.12 ~~a franchise agreement that requires the business to be located in the state; except that tax~~
119.13 ~~reductions may be provided to a retail food or beverage facility or an automobile sales or~~
119.14 ~~service facility, or a business~~ a retail food or beverage facility operating under a franchise
119.15 agreement that requires the business to be located in this state ~~except for such a franchised~~
119.16 ~~retail food or beverage facility.~~

119.17 **EFFECTIVE DATE.** This section is effective the day following final enactment and
119.18 confirms the legislative intent of the amendment made by Laws 2012, chapter 294, article
119.19 2, section 25.

119.20 Sec. 22. Minnesota Statutes 2016, section 469.1812, subdivision 1, is amended to read:

119.21 Subdivision 1. **Scope.** For purposes of sections 469.1812 to ~~469.1815~~ 469.1817, the
119.22 following terms have the meanings given.

119.23 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

119.24 Sec. 23. Minnesota Statutes 2016, section 469.1812, is amended by adding a subdivision
119.25 to read:

119.26 Subd. 2a. **Medical facility.** "Medical facility" means:

119.27 (1) an office, clinic, building, or portion of a building, the primary use of which is the
119.28 provision of primary or specialty health care services to patients on an outpatient basis, by
119.29 one or more state-licensed or registered health care providers;

119.30 (2) a birth center licensed under section 144.615;

119.31 (3) a hospital licensed under sections 144.50 to 144.56;

120.1 (4) an urgent care clinic which provides treatment for medical conditions that are not
120.2 life-threatening or potentially permanently disabling and do not require critical or emergency
120.3 interventions; or

120.4 (5) an outpatient surgical center licensed under section 144.55.

120.5 **EFFECTIVE DATE.** This section is effective the day following final enactment for
120.6 taxes payable beginning in 2019 and for sales and purchases made after June 30, 2018.

120.7 Sec. 24. Minnesota Statutes 2016, section 469.1812, is amended by adding a subdivision
120.8 to read:

120.9 Subd. 2b. **Medically underserved county.** "Medically underserved county" means a
120.10 county, any portion of which is designated by the federal secretary of health and human
120.11 services as a medically underserved area or medically underserved population, as defined
120.12 under Code of Federal Regulations, title 42, section 51C.102. By December 15 of each year,
120.13 the commissioner of health must certify to the commissioner of revenue the counties that
120.14 are medically underserved. By December 31 of each year, the commissioner of revenue
120.15 must certify the list of medically underserved counties to county assessors, for assessments
120.16 in the following year.

120.17 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2018
120.18 for taxes payable in 2019. For assessment year 2018, the certification required to be made
120.19 by the commissioner of health must be made by June 1, 2018, and the certification required
120.20 to be made by the commissioner of revenue must be made by June 15, 2018.

120.21 Sec. 25. **[469.1817] MEDICALLY UNDERSERVED TAX ABATEMENT AREAS.**

120.22 Subdivision 1. **Qualification.** The state general tax under section 275.025 must be abated
120.23 by the county for any property or portion thereof containing a medical facility that has been
120.24 granted an abatement under section 469.1813, provided that:

120.25 (1) the facility is located in a medically underserved county at the time the abatement
120.26 resolution is adopted;

120.27 (2) the facility is not located in a metropolitan county as defined under section 473.121,
120.28 subdivision 4;

120.29 (3) the resolution of one or more governing bodies granting the abatement specifies that
120.30 the facility addresses an underserved need for medical services in the area; and

121.1 (4) both the county and the city or town have abated all taxes on the property containing
121.2 the facility for at least 15 years under section 469.1813, subdivision 2.

121.3 Subd. 2. **Application.** A taxpayer seeking an abatement under this section must file an
121.4 application with the county assessor by March 1 of the first assessment year for which the
121.5 abatement is sought, on a form prescribed by the commissioner of revenue.

121.6 Subd. 3. **Duration.** The state general tax is abated for 15 years.

121.7 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

121.8 Sec. 26. Minnesota Statutes 2016, section 473H.08, subdivision 1, is amended to read:

121.9 Subdivision 1. **Till expiration started.** Agricultural preserves shall continue until ~~either~~
121.10 the landowner or the authority, or a state agency or governmental unit initiates expiration
121.11 as provided in this section.

121.12 **EFFECTIVE DATE.** This section is effective the day following final enactment and
121.13 applies to any agricultural preserve where the previously required eight-year termination
121.14 period under Minnesota Statutes, section 473H.08, has not yet expired.

121.15 Sec. 27. Minnesota Statutes 2016, section 473H.08, is amended by adding a subdivision
121.16 to read:

121.17 Subd. 3a. **Expiration for park and trail purposes.** (a) An agricultural preserve expires
121.18 immediately when a state agency or other governmental unit purchases the property or
121.19 obtains an easement over the property for the purpose of creating or expanding a public
121.20 trail or public park. This subdivision applies only to the portion of the agricultural preserve
121.21 acquired for trail or park purposes, and any portion of the property not acquired for trail or
121.22 park purposes shall remain an agricultural preserve, regardless if the remaining total acreage
121.23 is less than 40 acres.

121.24 (b) The acquiring state agency or governmental unit shall give notice of the expiration
121.25 under paragraph (a) to the authority. The notice must specify the portion of the property
121.26 being removed from the agricultural preserve and the date on which that portion expires.

121.27 **EFFECTIVE DATE.** This section is effective the day following final enactment and
121.28 applies to any agricultural preserve where the previously required eight-year termination
121.29 period under Minnesota Statutes, section 473H.08, has not yet expired.

122.1 Sec. 28. Minnesota Statutes 2016, section 473H.08, subdivision 4, is amended to read:

122.2 Subd. 4. **Notice to others.** Upon receipt of the notice provided in subdivision 2 or 3a,
122.3 or upon notice served by the authority as provided in subdivision 3, the authority shall
122.4 forward the original notice to the county recorder for recording, or to the registrar of titles
122.5 if the land is registered, and shall notify the county auditor, county assessor, the Metropolitan
122.6 Council, and the county soil and water conservation district of the date of expiration.

122.7 Designation as an agricultural preserve and all benefits and limitations accruing through
122.8 sections 473H.02 to 473H.17 for the preserve shall cease on the date of expiration. The
122.9 restrictive covenant contained in the application shall terminate on the date of expiration.

122.10 **EFFECTIVE DATE.** This section is effective the day following final enactment and
122.11 applies to any agricultural preserve where the previously required eight-year termination
122.12 period under Minnesota Statutes, section 473H.08, has not yet expired.

122.13 Sec. 29. Minnesota Statutes 2016, section 477A.013, subdivision 13, is amended to read:

122.14 Subd. 13. **Certified aid adjustments.** ~~(a) A city that received an aid base increase under~~
122.15 ~~Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (e), shall have its~~
122.16 ~~total aid under subdivision 9 increased by an amount equal to \$150,000 for aids payable in~~
122.17 ~~2014 through 2018.~~

122.18 ~~(b)~~ (a) A city that received an aid base increase under Minnesota Statutes 2012, section
122.19 477A.011, subdivision 36, paragraph (r), shall have its total aid under subdivision 9 increased
122.20 by an amount equal to \$160,000 for aids payable in 2014 and thereafter.

122.21 ~~(c) A city that received a temporary aid increase under Minnesota Statutes 2012, section~~
122.22 ~~477A.011, subdivision 36, paragraph (e), shall have its total aid under subdivision 9 increased~~
122.23 ~~by an amount equal to \$1,000,000 for aids payable in 2014 only.~~

122.24 (b) For aids payable in 2019 only, a city shall have its total aid under subdivision 9
122.25 increased by an amount equal to its aid decrease between aids payable in 2016 and 2017 if:

122.26 (1) the city's aid decreased by more than \$50,000 between aids payable in 2016 and
122.27 2017 under this section; and

122.28 (2) the city's unmet need amount calculated for aids payable in 2017 exceeded its aids
122.29 payable in 2016.

122.30 (c) The city of Lilydale shall have its total aid under subdivision 9 increased by \$150,000
122.31 for aids payable in 2019 only.

122.32 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2019.

123.1 Sec. 30. Laws 2008, chapter 366, article 5, section 33, the effective date, as amended by
123.2 Laws 2013, chapter 143, article 4, section 35, is amended to read:

123.3 **EFFECTIVE DATE.** This section is effective for taxes levied in 2008, payable in 2009,
123.4 and is repealed effective for taxes levied in ~~2018~~ 2023, payable in ~~2019~~ 2024, and thereafter.

123.5 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

123.6 Sec. 31. Laws 2009, chapter 88, article 2, section 46, subdivision 1, as amended by Laws
123.7 2013, chapter 143, article 4, section 36, is amended to read:

123.8 Subdivision 1. **Agreement.** The city of Cloquet and Perch Lake Township, by resolution
123.9 of each of their governing bodies, may establish the Cloquet Area Fire and Ambulance
123.10 Special Taxing District for the purpose of providing fire or ambulance services, or both,
123.11 throughout the district. In this section, "municipality" means home rule charter and statutory
123.12 cities, towns, and Indian tribes. The district may exercise all the powers relating to fire and
123.13 ambulance services of the municipalities that receive fire or ambulance services, or both,
123.14 from the district. Upon application, any other municipality may join the district with the
123.15 agreement of the municipalities that comprise the district at the time of its application to
123.16 join.

123.17 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area
123.18 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,
123.19 subdivision 3.

123.20 Sec. 32. Laws 2009, chapter 88, article 2, section 46, subdivision 2, is amended to read:

123.21 Subd. 2. **Board.** The Cloquet Area Fire and Ambulance Special Taxing District Board
123.22 is governed by a board made up initially of one or more elected officials of the governing
123.23 body of each participating municipality in the proportions set out in the establishing
123.24 resolution, subject to change as provided in the district's charter, if any, or in the district's
123.25 bylaws. Each municipality's representatives serve at the pleasure of that municipality's
123.26 governing body.

123.27 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area
123.28 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,
123.29 subdivision 3.

124.1 Sec. 33. Laws 2009, chapter 88, article 2, section 46, subdivision 3, as amended by Laws
124.2 2013, chapter 143, article 4, section 37, is amended to read:

124.3 Subd. 3. **Tax.** The district board may impose a property tax on taxable property as
124.4 provided in this subdivision to pay the costs of providing fire or ambulance services, or
124.5 both, throughout the district. The board shall annually determine the total amount of the
124.6 levy that is attributable to the cost of providing fire services and the cost of providing
124.7 ambulance services within the primary service area. For those municipalities that only
124.8 receive ambulance services, the costs for the provision of ambulance services shall be levied
124.9 against taxable property within those municipalities at a rate necessary not to exceed 0.019
124.10 percent of the estimated market value. For those municipalities that receive both fire and
124.11 ambulance services, the tax shall be imposed at a rate that does not exceed 0.2835 percent
124.12 of estimated market value.

124.13 When a member municipality opts to receive fire service from the district or an additional
124.14 municipality becomes a member of the district, the cost of providing fire services to that
124.15 community shall be determined by the board and added to the maximum levy amount.

124.16 Each county auditor of a county that contains a municipality subject to the tax under
124.17 this section must collect the tax and pay it to the Fire and Ambulance Special Taxing District.
124.18 The district may also impose other fees or charges as allowed by law for the provision of
124.19 fire and ambulance services.

124.20 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area
124.21 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,
124.22 subdivision 3.

124.23 Sec. 34. Laws 2009, chapter 88, article 2, section 46, subdivision 4, is amended to read:

124.24 Subd. 4. **Public indebtedness.** The district may incur debt in the manner provided for
124.25 in Minnesota Statutes, chapter 475, and the district shall be considered a municipality by
124.26 Minnesota Statutes, chapter 475, when necessary to accomplish its duties., as defined in
124.27 Minnesota Statutes, sections 475.51, subdivision 2, and 475.521, subdivision 1, paragraph
124.28 (c), and may issue certificates of indebtedness or capital notes in the manner provided for
124.29 a city under Minnesota Statutes, section 412.301, when necessary to accomplish its duties.
124.30 Any tax levied to pay debt of the district shall be levied in the amounts required and in
124.31 accordance with Minnesota Statutes, section 475.61. The debt service for debt, the proceeds
124.32 of which financed capital costs for ambulance service, shall be levied against taxable property
124.33 within those municipalities in the primary service area. The debt service for debt, the proceeds

125.1 of which financed capital costs for fire service, shall be levied against taxable property
125.2 within those municipalities receiving fire services.

125.3 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area
125.4 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,
125.5 subdivision 3.

125.6 Sec. 35. Laws 2009, chapter 88, article 2, section 46, subdivision 5, is amended to read:

125.7 Subd. 5. **Withdrawal.** Notice of intent to withdraw from participation in the district
125.8 may be given only in the month of January, with a minimum of twelve months notice of
125.9 intent to withdraw. Withdrawal becomes effective for taxes levied pursuant to subdivision
125.10 3 in the year when the notice is given. A property tax levied by the district on taxable
125.11 property located in a withdrawing municipality to make debt service payments for obligations
125.12 issued by the district pursuant to subdivision 4 shall remain in effect until the obligations
125.13 outstanding on the date of withdrawal are satisfied, including any property tax levied in
125.14 connection with a refunding of such obligations. The district and its members may develop
125.15 and agree upon other continuing obligations after withdrawal of a municipality.

125.16 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area
125.17 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,
125.18 subdivision 3.

125.19 Sec. 36. Laws 2017, First Special Session chapter 1, article 10, section 4, the effective
125.20 date, is amended to read:

125.21 **EFFECTIVE DATE; APPLICATION.** This section is effective for applications and
125.22 certifications made in 2018 and thereafter, except the repeal of the exclusion of land under
125.23 item (iii) is effective retroactively for payments due under Minnesota Statutes, section
125.24 290C.08, beginning for payments due to be made in 2014. In order to qualify for retroactive
125.25 payments, the following requirements must be met: (1) the owner of land exceeding 60,000
125.26 acres that is subject to a single conservation easement funded under Minnesota Statutes,
125.27 section 97A.056 or a comparable permanent easement conveyed to a governmental or
125.28 nonprofit entity, must submit an application to the commissioner of revenue, in a form and
125.29 manner and at a time acceptable to the commissioner, establishing that the affected property
125.30 and its use met the requirement of Minnesota Statutes, chapter 290C, as amended by this
125.31 section; (2) the owner and each county in which the land is located must certify to the
125.32 commissioner that no petitions challenging the market value of the property are pending
125.33 under Minnesota Statutes, chapter 278; and (3) the requirements of clauses (1) and (2) must

126.1 be satisfied by October 1, 2017. No interest accrues on payment under this section for
126.2 periods before November 1, 2017.

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

126.4 Sec. 37. **SCHOOL PROPERTY TAX REFORM.**

126.5 (a) A school property tax working group is established as provided in this section. The
126.6 goals of the working group are to develop one or more legislative proposals for reform of
126.7 Minnesota's property tax system that would:

126.8 (1) evaluate the farmland tax burden from the costs of school capital investments;

126.9 (2) simplify the tax system used for school district levies;

126.10 (3) coordinate interactions with the state general levy; and

126.11 (4) accomplish the objectives of this paragraph with optimal levels of state aid and local
126.12 property tax.

126.13 (b) The 16-member working group shall consist of the following members:

126.14 (1) two state representatives, both appointed by the chair of the house of representatives
126.15 Taxes Committee, one from the majority party and one from the largest minority party;

126.16 (2) two state representatives, both appointed by the chair of the house of representatives
126.17 Education Finance Committee, one from the majority party and one from the largest minority
126.18 party;

126.19 (3) four senators appointed by the Subcommittee on Committees of the Senate Rules
126.20 and Administration Committee, two from the majority party and two from the largest
126.21 minority party;

126.22 (4) one person appointed by the Minnesota School Boards Association;

126.23 (5) one person appointed by the Minnesota Rural Education Association;

126.24 (6) one person appointed by the Association of Metropolitan School Districts;

126.25 (7) one person appointed by Schools for Equity in Education;

126.26 (8) one person appointed by the Minnesota Farm Bureau;

126.27 (9) one person appointed by the Minnesota Farmers Union;

126.28 (10) one person appointed by the Minnesota Chamber of Commerce; and

126.29 (11) one person appointed by Minnesota Lakes and Rivers Advocates.

127.1 (c) The commissioner of revenue and the commissioner of education, or their designees,
127.2 shall serve as ex-officio members of the working group.

127.3 (d) All appointments must be made before July 1, 2018. The majority party appointee
127.4 of the house of representatives Taxes Committee chair shall chair the initial meeting, and
127.5 the working group shall elect a chair at that initial meeting. The working group will meet
127.6 at the call of the chair. Members of the working group shall serve without compensation.
127.7 The commissioner of revenue must provide administrative support to the working group.
127.8 Minnesota Statutes, chapter 13D, does not apply to meetings of the working group. Meetings
127.9 of the working group must be open to the public and the working group must provide notice
127.10 of a meeting to potentially interested persons at least five days before the meeting. A meeting
127.11 of the working group occurs when a quorum is present.

127.12 (e) The working group shall make its advisory recommendations to the chairs of the
127.13 house of representatives and senate Taxes and Education Finance Committees on or before
127.14 January 1, 2019, at which time the working group shall be finished and this section expires.

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

127.16 **ARTICLE 5**

127.17 **PUBLIC FINANCE**

127.18 Section 1. Minnesota Statutes 2016, section 103E.611, subdivision 2, is amended to read:

127.19 Subd. 2. **Interest.** (a) Interest is an additional drainage lien on all property until paid.
127.20 The interest rate on the drainage lien principal from the date the drainage lien statement is
127.21 recorded must be set by the board but may not exceed the rate determined by the state court
127.22 administrator for judgments under section 549.09, or six percent, whichever is greater.

127.23 (b) Before the tax lists for the year are given to the county treasurer, the auditor shall
127.24 compute the interest on the unpaid balance of the drainage lien at the rate set by the board.
127.25 The amount of interest must be computed on the entire unpaid principal from the date the
127.26 drainage lien was recorded to August 15 of the next calendar year, and afterwards from
127.27 August 15 to August 15 of each year.

127.28 (c) Interest is due and payable after November 1 of each year the drainage lien principal
127.29 or interest is due and unpaid.

127.30 Sec. 2. Minnesota Statutes 2016, section 471.831, is amended to read:

127.31 **471.831 MUNICIPALITY MAY FILE BANKRUPTCY PETITION.**

128.1 Subdivision 1. **Any relief under bankruptcy code.** A municipality, as defined in
128.2 subdivision 2, may file a petition and seek any relief available to it under United States
128.3 Code, title 11, as amended ~~through December 31, 1996.~~

128.4 Subd. 2. **Municipality defined.** In this section, "municipality" means a municipality as
128.5 defined in United States Code, title 11, section 101, as amended ~~through December 31,~~
128.6 ~~1996,~~ but limited to a county, statutory or home rule charter city, or town; or a housing and
128.7 redevelopment authority, economic development authority, or rural development financing
128.8 authority established under chapter 469, a home rule charter, or special law.

128.9 Sec. 3. Minnesota Statutes 2016, section 474A.02, subdivision 22b, is amended to read:

128.10 Subd. 22b. **Public facilities project.** "Public facilities project" means any publicly owned
128.11 facility, or a facility owned by a nonprofit organization that is used for district heating or
128.12 cooling, whether publicly or privately owned, that is eligible to be financed with the proceeds
128.13 of public facilities bonds as defined under section 474A.02, subdivision 23a.

128.14 Sec. 4. Minnesota Statutes 2016, section 475.521, subdivision 1, is amended to read:

128.15 Subdivision 1. **Definitions.** For purposes of this section, the following terms have the
128.16 meanings given.

128.17 (a) "Bonds" mean an obligation defined under section 475.51.

128.18 (b) "Capital improvement" means acquisition or betterment of public lands, buildings
128.19 or other improvements for the purpose of a city hall, town hall, library, public safety facility,
128.20 and public works facility. An improvement must have an expected useful life of five years
128.21 or more to qualify. Capital improvement does not include light rail transit or any activity
128.22 related to it, or a park, road, bridge, administrative building other than a city or town hall,
128.23 or land for any of those facilities. For purposes of this section, "capital improvement"
128.24 includes expenditures for purposes described in this paragraph that have been incurred by
128.25 a municipality before approval of a capital improvement plan, if such expenditures are
128.26 included in a capital improvement plan approved on or before the date of the public hearing
128.27 under subdivision 2 regarding issuance of bonds for such expenditures.

128.28 (c) "Municipality" means a home rule charter or statutory city or a town ~~described in~~
128.29 ~~section 368.01, subdivision 1 or 1a.~~

129.1 **ARTICLE 6**

129.2 **MISCELLANEOUS**

129.3 Section 1. Minnesota Statutes 2017 Supplement, section 298.17, is amended to read:

129.4 **298.17 OCCUPATION TAXES TO BE APPORTIONED; REFUND.**

129.5 (a) All occupation taxes paid by persons, copartnerships, companies, joint stock
129.6 companies, corporations, and associations, however or for whatever purpose organized,
129.7 engaged in the business of mining or producing iron ore or other ores, when collected shall
129.8 be apportioned and distributed in accordance with the Constitution of the state of Minnesota,
129.9 article X, section 3, in the manner following: 90 percent shall be deposited in the state
129.10 treasury and credited to the general fund of which four-ninths shall be used for the support
129.11 of elementary and secondary schools; and ten percent of the proceeds of the tax imposed
129.12 by this section shall be deposited in the state treasury and credited to the general fund for
129.13 the general support of the university.

129.14 (b) Of the money apportioned to the general fund by this section, the following allocations
129.15 must be made:

129.16 (1) there is annually appropriated and credited to the mining environmental and regulatory
129.17 account in the special revenue fund an amount equal to that which would have been generated
129.18 by a 2-1/2 cent tax imposed by section 298.24 on each taxable ton produced in the preceding
129.19 calendar year. Money in the mining environmental and regulatory account is appropriated
129.20 annually to the commissioner of natural resources to fund agency staff to work on
129.21 environmental issues and provide regulatory services for ferrous and nonferrous mining
129.22 operations in this state. Payment to the mining environmental and regulatory account shall
129.23 be made by July 1 annually. The commissioner of natural resources shall execute an
129.24 interagency agreement with the Pollution Control Agency to assist with the provision of
129.25 environmental regulatory services such as monitoring and permitting required for ferrous
129.26 and nonferrous mining operations;

129.27 (2) there is annually appropriated and credited to the Iron Range resources and
129.28 rehabilitation account in the special revenue fund an amount equal to that which would have
129.29 been generated by a 1.5 cent tax imposed by section 298.24 on each taxable ton produced
129.30 in the preceding calendar year, to be expended for the purposes of section 298.22. The
129.31 money appropriated shall be used (i) to provide environmental development grants to local
129.32 governments located within any county in region 3 as defined in governor's executive order
129.33 number 60, issued on June 12, 1970, that does not contain a municipality qualifying pursuant
129.34 to section 273.134, paragraph (b), or (ii) to provide economic development loans or grants

130.1 to businesses located within any such county, provided that the county board or an advisory
130.2 group appointed by the county board to provide recommendations on economic development
130.3 shall make recommendations to the commissioner of Iron Range resources and rehabilitation
130.4 regarding the loans. Of the money allocated to Koochiching County, one-third must be paid
130.5 to the Koochiching County Economic Development Commission. Payment to the Iron
130.6 Range resources and rehabilitation account shall be made by May 15 annually; and

130.7 (3) there is annually appropriated and credited to the Iron Range resources and
130.8 rehabilitation account in the special revenue fund for transfer to the Iron Range school
130.9 consolidation and cooperatively operated school account under section 298.28, subdivision
130.10 7a, an amount equal to that which would have been generated by a six cent tax imposed by
130.11 section 298.24 on each taxable ton produced in the preceding calendar year. Payment to the
130.12 Iron Range resources and rehabilitation account shall be made by May 15 annually.

130.13 ~~(c) The money appropriated pursuant to paragraph (b), clause (2), shall be used (i) to~~
130.14 ~~provide environmental development grants to local governments located within any county~~
130.15 ~~in region 3 as defined in governor's executive order number 60, issued on June 12, 1970,~~
130.16 ~~which does not contain a municipality qualifying pursuant to section 273.134, paragraph~~
130.17 ~~(b), or (ii) to provide economic development loans or grants to businesses located within~~
130.18 ~~any such county, provided that the county board or an advisory group appointed by the~~
130.19 ~~county board to provide recommendations on economic development shall make~~
130.20 ~~recommendations to the commissioner of Iron Range resources and rehabilitation regarding~~
130.21 ~~the loans. Payment to the Iron Range resources and rehabilitation account shall be made by~~
130.22 ~~May 15 annually. After the allocations are made under paragraph (b), any amount remaining~~
130.23 ~~in the general fund, of the money apportioned to the general fund under this section in the~~
130.24 ~~current year, shall be refunded by the commissioner of revenue as provided. By May 15~~
130.25 ~~annually, the commissioner shall issue a refund to each producer equal to the amount of tax~~
130.26 ~~paid by that producer in the current year under section 298.01, as compared to the total~~
130.27 ~~amount of tax paid in the current year under section 298.01 by all producers, provided that~~
130.28 ~~a producer shall not be eligible for a refund under this section in an amount greater than the~~
130.29 ~~amount of tax paid by that producer in the current year. The total amount of refunds issued~~
130.30 ~~under this paragraph in any year shall not exceed \$5,000,000.~~

130.31 ~~(d) Of the money allocated to Koochiching County, one-third must be paid to the~~
130.32 ~~Koochiching County Economic Development Commission.~~

130.33 **EFFECTIVE DATE.** This section is effective beginning with distributions made in
130.34 2020 and thereafter.

131.1 Sec. 2. Minnesota Statutes 2016, section 298.225, subdivision 1, is amended to read:

131.2 Subdivision 1. **Guaranteed distribution.** (a) Except as provided under paragraph (c),
131.3 the distribution of the taconite production tax as provided in section 298.28, subdivisions
131.4 3 to 5, 6, paragraph (b), 7, and 8, shall equal the lesser of the following amounts:

131.5 (1) the amount distributed pursuant to this section and section 298.28, with respect to
131.6 1983 production if the production for the year prior to the distribution year is no less than
131.7 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the amount
131.8 of the distributions shall be reduced proportionately at the rate of two percent for each
131.9 1,000,000 tons, or part of 1,000,000 tons by which the production is less than 42,000,000
131.10 tons; or

131.11 (2)(i) for the distributions made pursuant to section 298.28, subdivisions 4, paragraphs
131.12 (b) and (c), and 6, paragraph (c), 31.2 percent of the amount distributed pursuant to this
131.13 section and section 298.28, with respect to 1983 production;

131.14 (ii) for the distributions made pursuant to section 298.28, subdivision 5, paragraphs (b)
131.15 and (d), 75 percent of the amount distributed pursuant to this section and section 298.28,
131.16 with respect to 1983 production provided that the aid guarantee for distributions under
131.17 section 298.28, subdivision 5, paragraph (b), shall be reduced by five cents per taxable ton
131.18 for production years 2014 and thereafter.

131.19 (b) The distribution of the taconite production tax as provided in section 298.28,
131.20 subdivision 2, shall equal the following amount:

131.21 (1) if the production for the year prior to the distribution year is at least 42,000,000
131.22 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect
131.23 to 1999 production; or

131.24 (2) if the production for the year prior to the distribution year is less than 42,000,000
131.25 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect
131.26 to 1999 production, reduced proportionately at the rate of two percent for each 1,000,000
131.27 tons or part of 1,000,000 tons by which the production is less than 42,000,000 tons.

131.28 (c) The distribution of the taconite production tax under section 298.28, subdivision 3,
131.29 paragraph (a), guaranteed under this section is equal to the amount distributed under section
131.30 298.28, with respect to 1983 production.

131.31 **EFFECTIVE DATE.** This section is effective for distributions in 2020 and thereafter.

Sec. 3. Minnesota Statutes 2017 Supplement, section 298.227, is amended to read:

298.227 TACONITE ECONOMIC DEVELOPMENT FUND.

An amount equal to that distributed pursuant to each taconite producer's taxable production and qualifying sales under section 298.28, subdivision 9a, shall be held by the commissioner of Iron Range resources and rehabilitation in a separate taconite economic development fund for each taconite and direct reduced ore producer. Money from the fund for each producer shall be released by the commissioner after review by a joint committee consisting of an equal number of representatives of the salaried employees and the nonsalaried production and maintenance employees of that producer. The District 11 director of the United States Steelworkers of America, on advice of each local employee president, shall select the employee members. In nonorganized operations, the employee committee shall be elected by the nonsalaried production and maintenance employees. The review must be completed no later than six months after the producer presents a proposal for expenditure of the funds to the committee. The funds held pursuant to this section may be released only for workforce development and associated public facility improvement, concurrent reclamation, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure equal to the amount of the distribution to be used for the same purpose beginning with distributions in 2014. Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by the commissioner, after consultation with the advisory board, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225. If a taconite production facility is sold after operations at the facility had ceased, any money remaining in the fund for the former producer may be released to the purchaser of the facility on the terms otherwise applicable to the former producer under this section. If a producer fails to provide matching funds for a proposed expenditure within six months after the commissioner approves release of the funds, the funds are available for release to another producer in proportion to the distribution provided and under the conditions of this section may be released by the commissioner for deposit in the taconite area environmental protection fund created in section 298.223. Any portion of the fund which is not released by the commissioner within one year of its deposit in the fund shall be ~~divided between~~ distributed to the taconite environmental protection fund ~~created in section 298.223 and the Douglas J. Johnson economic protection trust fund created in section 298.292~~ for placement in their respective

133.1 ~~special accounts. Two-thirds of the unreleased funds shall be distributed to the taconite~~
133.2 ~~environmental protection fund and one-third to the Douglas J. Johnson economic protection~~
133.3 ~~trust fund.~~

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

133.5 Sec. 4. Minnesota Statutes 2016, section 298.28, subdivision 9a, is amended to read:

133.6 Subd. 9a. **Taconite economic development fund.** (a) 25.1 cents per ton for distributions
133.7 in 2002 and thereafter must be paid to the taconite economic development fund. No
133.8 distribution shall be made under this paragraph in 2004 or any subsequent year in which
133.9 total industry production falls below 30 million tons. Distribution shall only be made to a
133.10 Minnesota taconite pellet producer's fund under section 298.227 if the producer timely pays
133.11 its tax under section 298.24 by the dates provided under section 298.27, or pursuant to the
133.12 due dates provided by an administrative agreement with the commissioner.

133.13 (b) An amount equal to 50 percent of the tax under section 298.24 for concentrate sold
133.14 in the form of pellet chips and fines not exceeding 5/16 inch in size and not including crushed
133.15 pellets shall be paid to the taconite economic development fund. The amount paid shall not
133.16 exceed \$700,000 annually for all ~~companies~~ Minnesota taconite pellet producers. If the
133.17 initial amount to be paid to the fund exceeds this amount, each ~~company's~~ Minnesota taconite
133.18 pellet producer's payment shall be prorated so the total does not exceed \$700,000.

133.19 **EFFECTIVE DATE.** This section is effective retroactively from December 31, 2016.

133.20 Sec. 5. Laws 1986, chapter 379, section 1, subdivision 1, is amended to read:

133.21 Subdivision 1. **Liquor and food tax authorized.** (a) Notwithstanding Minnesota Statutes,
133.22 section 477A.016, or any ordinance, city charter, or other provision of law, the city of St.
133.23 Cloud may, by ordinance, impose a sales tax supplemental to the general sales tax imposed
133.24 in Minnesota Statutes, chapter 297A, the proceeds of which shall be used in accordance
133.25 with subdivision 2. The tax imposed by the city may be not more than one percent on the
133.26 gross receipts from all retail on-sales of intoxicating liquor and fermented malt beverages
133.27 sold at licensed on-sale liquor establishments located within its geographic boundaries, or
133.28 not more than one percent on the gross receipts from the retail sale of food and beverages
133.29 not subject to the liquor tax by a restaurant or place of refreshment located within its
133.30 geographic boundaries, or both. For purposes of this act, the city shall define the terms
133.31 "restaurant" and "place of refreshment" by resolution. The governing body of the city may
133.32 adopt an ordinance establishing a convention center taxing district. The ordinance shall
133.33 describe with particularity the area within the city to be included in the district. If the city

establishes a convention center taxing district, the sales taxes authorized under this subdivision may be imposed only upon the sales occurring at on-sale liquor establishments, restaurants, or other places of refreshment located within the district.

(b) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any ordinance, city charter, or other provision of law, the city of St. Cloud may, if approved by the voters at a general election, increase by ordinance the tax allowed under paragraph (a) by up to one-half of one percent. The election must be held before the governing body of the city considers the ordinance. The proceeds of the increased tax must be used for remodeling, improvements, and expansion of the Municipal Athletic Center, including making payments on any associated bonds.

EFFECTIVE DATE. This section is effective the day after the city of St. Cloud and its chief clerical officer timely comply with Minnesota Statutes, section 645.021.

Sec. 6. Laws 1986, chapter 379, section 1, subdivision 3, is amended to read:

Subd. 3. **Expiration of taxing authority.** (a) The authority granted by subdivision 1, paragraph (a), to the city to impose a liquor and food tax shall expire when the principal and interest on any bonds or other obligations issued to finance construction of a convention center facility or related facilities have been paid or at an earlier time as the city shall, by ordinance, determine.

(b) The authority granted by subdivision 1, paragraph (b), to increase the tax authorized under subdivision 1, paragraph (a), shall expire at the earlier of:

(1) 25 years; or

(2) when principal and interest on any bonds or other obligations issued to finance the remodeling, improvements, and expansion of the Municipal Athletic Center have been paid.

(c) The authority granted by subdivision 1, paragraph (b), may also terminate by city ordinance.

EFFECTIVE DATE. This section is effective the day after the city of St. Cloud and its chief clerical officer comply with Minnesota Statutes, section 645.021.

Sec. 7. Laws 1986, chapter 379, section 2, subdivision 1, is amended to read:

Subdivision 1. **Additional tax authorized.** (a) Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the city of St. Cloud may, by ordinance, impose a tax at a rate not to exceed two percent in addition to

135.1 the tax authorized under Laws 1979, chapter 197, on the gross receipts from the furnishing
135.2 for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort other
135.3 than the renting or leasing of it for a continuous period of 30 days or more.

135.4 (b) Notwithstanding Minnesota Statutes, section 477A.016, the city of St. Cloud may,
135.5 if approved by the voters at a general election, increase by ordinance the tax allowed under
135.6 paragraph (a) by up to one percent. The election must be held before the governing body
135.7 of the city considers the ordinance. The proceeds of the increased tax must be used
135.8 exclusively for the marketing and promotion of the Municipal Athletic Center.

135.9 **EFFECTIVE DATE.** This section is effective the day after the city of St. Cloud and
135.10 its chief clerical officer timely comply with Minnesota Statutes, section 645.021.

135.11 Sec. 8. Laws 1986, chapter 462, section 31, as amended by Laws 1991, chapter 291, article
135.12 8, section 24, and Laws 2011, chapter 112, article 4, section 6, is amended to read:

135.13 Sec. 31. **AUTHORITY FOR TAXATION.**

135.14 Notwithstanding Minnesota Statutes, section 477A.016, or any other law, and
135.15 supplemental to the tax imposed by Laws 1982, chapter 523, article 25, section 1, the city
135.16 of St. Paul may impose, by ordinance, a tax, at a rate not greater than ~~three~~ four percent, on
135.17 the gross receipts from the furnishing for consideration of lodging and related services at a
135.18 hotel, rooming house, tourist court, motel, or resort, other than the renting or leasing of
135.19 space for a continuous period of 30 days or more. The tax does not apply to the furnishing
135.20 of lodging and related services by a business having less than 50 lodging rooms. The tax
135.21 shall be collected by and its proceeds paid to the city. Ninety-five percent of the revenues
135.22 generated by this tax shall be used to fund a convention bureau to market and promote the
135.23 city as a tourist or convention center.

135.24 **EFFECTIVE DATE.** This section is effective the first day of the calendar quarter
135.25 beginning at least 30 days after the governing body of the city of St. Paul and its chief
135.26 clerical officer timely complete their compliance with Minnesota Statutes, section 645.021,
135.27 subdivisions 2 and 3.

135.28 Sec. 9. Laws 2008, chapter 366, article 5, section 26, as amended by Laws 2013, chapter
135.29 143, article 9, section 11, is amended to read:

135.30 Sec. 26. **BLOOMINGTON TAX INCREMENT FINANCING; FIVE-YEAR RULE.**

135.31 (a) The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that
135.32 activities must be undertaken within a five-year period from the date of certification of a

136.1 tax increment financing district, are increased to a ~~15~~ 20-year period for the Port Authority
136.2 of the City of Bloomington's Tax Increment Financing District No. 1-I, Bloomington Central
136.3 Station.

136.4 (b) Notwithstanding the provisions of Minnesota Statutes, section 469.176, or any other
136.5 law to the contrary, the city of Bloomington and its port authority may extend the duration
136.6 limits of the district for a period through December 31, 2039.

136.7 (c) Effective for taxes payable in 2014, tax increment for the district must be computed
136.8 using the current local tax rate, notwithstanding the provisions of Minnesota Statutes, section
136.9 469.177, subdivision 1a.

136.10 (d) The requirements of Minnesota Statutes, section 469.1763, subdivision 4, relating
136.11 to use of increments after the end of the time limit in Minnesota Statutes, section 469.1763,
136.12 subdivision 3, do not apply to the Port Authority of the City of Bloomington's Tax Increment
136.13 Financing District No. 1-I, Bloomington Central Station.

136.14 **EFFECTIVE DATE.** This section is effective upon timely compliance by the city of
136.15 Bloomington with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

136.16 Sec. 10. Laws 2011, First Special Session chapter 7, article 4, section 10, subdivision 3,
136.17 is amended to read:

136.18 Subd. 3. **Use of revenues.** (a) Revenues received from taxes authorized by subdivisions
136.19 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for the
136.20 following projects:

136.21 (1) \$4,500,000 for construction and completion of park improvement projects, including
136.22 St. Louis River riverfront improvements; Veteran's Park construction and improvements;
136.23 improvements to the Hilltop Park soccer complex and Braun Park baseball complex; capital
136.24 equipment and building and grounds improvements at the Pine Valley Park/Pine Valley
136.25 Hockey Arena/Cloquet Area Recreation Center; and development of pedestrian trails within
136.26 the city;

136.27 (2) \$5,800,00 for extension of utilities and the construction of all improvements associated
136.28 with the development of property adjacent to Highway 33 and Interstate Highway 35,
136.29 including payment of all debt service on bonds issued for these; and

136.30 (3) \$6,200,000 for engineering and construction of infrastructure improvements,
136.31 including, ~~but not limited to~~ roads, bridges, storm sewer, sanitary sewer, and water in areas
136.32 identified as part of the city's comprehensive land use plan.

(b) Authorized expenses include, but are not limited to, acquiring property and paying construction expenses related to these improvements, and paying debt service on bonds or other obligations issued to finance acquisition and construction of these improvements.

(c) Notwithstanding the revenue allocations in paragraph (a), clause (3), if the amount spent for the improvements under paragraph (a), clause (2), are less than the \$5,800,000 allowed under that clause, the total amount spent for the purpose listed in paragraph (a), clause (3), may be increased by the difference between \$5,800,000 and the amount actually spent under paragraph (a), clause (2). However, the total expenditures for projects under this subdivision may not exceed \$16,500,000, excluding any costs related to issuance of bonds under subdivision 4.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Cloquet and its chief clerical officer comply with the provisions of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 11. Laws 2017, First Special Session chapter 1, article 4, section 31, is amended to read:

Sec. 31. **APPROPRIATION; FIRE REMEDIATION GRANTS.**

\$1,392,258 is appropriated in fiscal year 2018 from the general fund to the commissioner of public safety for grants to remediate the effects of fires in the city of Melrose on September 8, 2016. The commissioner must allocate the grants as follows:

(1) ~~\$1,296,458~~ \$1,381,258 to the city of Melrose; and

(2) ~~\$95,800~~ \$11,000 to Stearns County.

A grant recipient must use the money appropriated under this section for remediation costs, including disaster recovery, infrastructure, reimbursement for emergency personnel costs, reimbursement for equipment costs, and reimbursements for property tax abatements, incurred by public or private entities as a result of the fires. This is a onetime appropriation and is available until June 30, ~~2018~~ 2019.

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

Sec. 12. **CITY OF EXCELSIOR; TAXES AUTHORIZED.**

Subdivision 1. Sales and use tax authorization. Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city charter, the city of Excelsior may impose, by ordinance, a sales and use tax of up to one-half

of one percent for the purposes specified in subdivision 2, as approved by the voters at the November 4, 2014, election. Any additional bonding authority for the purposes specified in subdivision 2 must be approved by the voters at a general election. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. Use of sales and use tax revenues. The revenues derived from the tax authorized under subdivision 1 must be used by the city of Excelsior to pay the costs of collecting and administering the tax and to finance the capital and administrative costs of improvements to the commons as indicated in the November 2016 findings of the commons master planning work group. Authorized expenses include, but are not limited to, improvements for walkability and accessibility, enhancement of beach area and facilities, prevention and management of shoreline erosion, redesign of the port and bandshell, improvement of playground equipment, and securing and paying debt service on bonds issued under subdivision 3 or other obligations issued to the improvements listed in this subdivision in the city of Excelsior.

Subd. 3. Bonding authority. (a) The city of Excelsior may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the projects authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed \$5,000,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Excelsior, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of Excelsior, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. Termination of taxes. The tax imposed under subdivision 1 expires at the earlier of: (1) 25 years after the tax is first imposed; or (2) when the city council determines that \$5,000,000 has been received from the tax to pay for the cost of the projects authorized under subdivision 2, plus an amount sufficient to pay the costs related to issuance of the bonds authorized under subdivision 3, including interest on the bonds. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

139.1 **EFFECTIVE DATE.** This section is effective the day after compliance by the governing
139.2 body of the city of Excelsior with Minnesota Statutes, section 645.021, subdivisions 2 and
139.3 3.

139.4 Sec. 13. **CITY OF CHAMPLIN; TAX INCREMENT FINANCING DISTRICT;**
139.5 **PROJECT REQUIREMENTS.**

139.6 Subdivision 1. **Five-year rule.** The governing body of the city of Champlin may elect
139.7 to extend the five-year rule under under Minnesota Statutes, section 469.1763, subdivision
139.8 3, to a ten-year period for the Mississippi Crossings tax increment financing district.

139.9 Subd. 2. **Revenues for decertification.** Minnesota Statutes, section 469.1763, subdivision
139.10 4, does not apply to the Mississippi Crossings tax increment financing district.

139.11 **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota Statutes,
139.12 section 645.021, subdivisions 2 and 3.

139.13 Sec. 14. **TRANSFER 2018 DISTRIBUTION ONLY.**

139.14 For the 2018 distribution, the fund established under Minnesota Statutes, section 298.28,
139.15 subdivision 7, shall receive ten cents per ton of any excess of the balance remaining after
139.16 distribution of amounts required under Minnesota Statutes, section 298.28, subdivision 6.

139.17 **EFFECTIVE DATE.** This section is effective for the 2018 distribution, and the transfer
139.18 must be made within ten days of the August 2018 payment.

139.19 Sec. 15. **APPROPRIATION.**

139.20 \$5,000 in fiscal year 2019 only is appropriated from the general fund to the commissioner
139.21 of revenue for a grant of \$2,600 to the city of Mazeppa and a grant of \$2,400 to Wabasha
139.22 County. The grants, which shall be paid by July 20, 2018, may be used for property tax
139.23 abatements and other costs incurred by public and private entities as a result of a fire in the
139.24 city of Mazeppa on March 11, 2018. This is a onetime appropriation.

139.25 **EFFECTIVE DATE.** This section is effective July 1, 2018.

139.26 **ARTICLE 7**

139.27 **DEPARTMENT OF REVENUE; PROPERTY TAX; POLICY CHANGES**

139.28 Section 1. Minnesota Statutes 2016, section 162.145, subdivision 3, is amended to read:

Subd. 3. **Administration.** (a) Subject to funds made available by law, the commissioner shall allocate all funds as provided in subdivision 4 and shall ~~notify~~, by June 1, certify to the commissioner of revenue the amounts to be paid.

(b) Following ~~notification~~ certification from the commissioner ~~of transportation~~, the commissioner of revenue shall distribute the specified funds to cities in the same manner as local government aid under chapter 477A. An appropriation to the commissioner ~~of transportation~~ under this section is available to the commissioner of revenue for the purposes specified in this paragraph.

(c) Notwithstanding other law to the contrary, in order to receive distributions under this section, a city must conform to the standards in section 477A.017, subdivision 2. A city that receives funds under this section must make and preserve records necessary to show that the funds are spent in compliance with subdivision 4.

EFFECTIVE DATE. This section is effective for aids payable in 2018 and thereafter.

Sec. 2. Minnesota Statutes 2016, section 270.41, subdivision 3, is amended to read:

Subd. 3. **Assessor sanctions; refusal to license.** (a) Following a recommendation from the commissioner of revenue, the board may (i) refuse to grant or renew, or may suspend or revoke, a license of an applicant or licensee, or (ii) censure, warn, or fine any licensed assessor, or any other person employed by an assessment jurisdiction or contracting with an assessment jurisdiction for the purpose of valuing or classifying property for property tax purposes, for any of the following causes or acts:

(1) failure to complete required training;

(2) inefficiency or neglect of duty;

(3) failure to comply with the Code of Conduct and Ethics for Licensed Minnesota Assessors adopted by the board pursuant to Laws 2005, First Special Session chapter 3, article 1, section 38;

(4) conviction of a crime involving moral turpitude;

(5) failure to faithfully and fully perform his or her duties through malfeasance, misfeasance, or nonfeasance; or

(6) any other cause or act that in the board's opinion warrants a refusal to issue a license or the imposition of a sanction provided under this subdivision.

(b) When appropriate for the level of infraction, a written warning must be given to assessors who have no prior identified infractions. The warning must identify the infraction

141.1 and, as appropriate, detail future expectations of performance and behavior. Fines must not
141.2 exceed \$1,000 for the first occurrence and must not exceed \$3,000 for each occurrence
141.3 thereafter, and suspensions must not exceed one year for each occurrence, depending in
141.4 each case upon the severity of the infraction and the level of negligence or intent. The
141.5 commissioner of revenue shall give notice to an applicant or licensee of the commissioner's
141.6 recommendation that the board impose sanctions or refuse to grant or renew a license. An
141.7 action by the board to impose a ~~sanction~~ fine, to suspend or revoke a license, or to refuse
141.8 to grant or renew a license is subject to review in a contested case hearing under chapter
141.9 14. A licensee must submit a request for a hearing to the board within 30 days of the notice
141.10 date of the commissioner's recommendation for sanctions or for refusal to grant or renew
141.11 a license.

141.12 **EFFECTIVE DATE.** This section is effective for sanctions or refusals to grant or renew
141.13 a license recommended by the commissioner of revenue after June 30, 2018.

141.14 Sec. 3. Minnesota Statutes 2017 Supplement, section 272.115, subdivision 1, is amended
141.15 to read:

141.16 Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5, 6, or 7,
141.17 whenever any real estate is sold for a consideration in excess of ~~\$1,000~~ \$3,000, whether by
141.18 warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor,
141.19 grantee or the legal agent of either shall file a certificate of value with the county auditor
141.20 in the county in which the property is located when the deed or other document is presented
141.21 for recording. Contract for deeds are subject to recording under section 507.235, subdivision
141.22 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration
141.23 thereof, paid or to be paid, including the amount of any lien or liens assumed. The items
141.24 and value of personal property transferred with the real property must be listed and deducted
141.25 from the sale price. The certificate of value shall include the classification to which the
141.26 property belongs for the purpose of determining the fair market value of the property, and
141.27 shall include any proposed change in use of the property known to the person filing the
141.28 certificate that could change the classification of the property. The certificate shall include
141.29 financing terms and conditions of the sale which are necessary to determine the actual,
141.30 present value of the sale price for purposes of the sales ratio study. If the property is being
141.31 acquired as part of a like-kind exchange under section 1031 of the Internal Revenue Code
141.32 of 1986, as amended through December 31, 2006, that must be indicated on the certificate.
141.33 The commissioner of revenue shall promulgate administrative rules specifying the financing
141.34 terms and conditions which must be included on the certificate. The certificate of value
141.35 must include the Social Security number or the federal employer identification number of

the grantors and grantees. However, a married person who is not an owner of record and who is signing a conveyance instrument along with the person's spouse solely to release and convey their marital interest, if any, in the real property being conveyed is not a grantor for the purpose of the preceding sentence. A statement in the deed that is substantially in the following form is sufficient to allow the county auditor to accept a certificate for filing without the Social Security number of the named spouse: "(Name) claims no ownership interest in the real property being conveyed and is executing this instrument solely to release and convey a marital interest, if any, in that real property." The identification numbers of the grantors and grantees are private data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or nonpublic data may be disclosed to the commissioner of revenue for purposes of tax administration. The information required to be shown on the certificate of value is limited to the information required as of the date of the acknowledgment on the deed or other document to be recorded.

EFFECTIVE DATE. This section is effective for certificates of value filed after December 31, 2018.

Sec. 4. Minnesota Statutes 2016, section 287.21, subdivision 1, is amended to read:

Subdivision 1. **Determination of tax.** (a) A tax is imposed on each deed or instrument by which any real property in this state is granted, assigned, transferred, or otherwise conveyed. The tax applies against the net consideration. For purposes of the tax, the conversion of a corporation to a limited liability company, a limited liability company to a corporation, a partnership to a limited partnership, a limited partnership to another limited partnership or other entity, or a similar conversion of one entity to another does not grant, assign, transfer, or convey real property.

(b) The tax is determined in the following manner: (1) when transfers are made by instruments pursuant to (i) consolidations or mergers, or (ii) designated transfers, the tax is \$1.65; (2) when there is no consideration or when the consideration, exclusive of the value of any lien or encumbrance remaining thereon at the time of sale, is ~~\$500~~ \$3,000 or less, the tax is \$1.65; or (3) when the consideration, exclusive of the value of any lien or encumbrance remaining at the time of sale, exceeds ~~\$500~~ \$3,000, the tax is .0033 of the net consideration.

(c) If, within six months from the date of a designated transfer, an ownership interest in the grantee entity is transferred by an initial owner to any person or entity with the result that the designated transfer would not have been a designated transfer if made to the grantee

entity with its subsequent ownership, then a tax is imposed at .0033 of the net consideration for the designated transfer. If the subsequent transfer of ownership interests was reasonably expected at the time of the designated transfer, the applicable penalty under section 287.31, subdivision 1, must be paid. The deed tax imposed under this paragraph is due within 30 days of the subsequent transfer that caused the tax to be imposed under this paragraph. Involuntary transfers of ownership shall not be considered transfers of ownership under this paragraph. The commissioner may adopt rules defining the types of transfers to be considered involuntary.

(d) The tax is due at the time a taxable deed or instrument is presented for recording, except as provided in paragraph (c). The commissioner may require the tax to be documented in a manner prescribed by the commissioner, and may require that the documentation be attached to and recorded as part of the deed or instrument. The county recorder or registrar of titles shall accept the attachment for recording as part of the deed or instrument and may not require, as a condition of recording a deed or instrument, evidence that a transfer is a designated transfer in addition to that required by the commissioner. Such an attachment shall not, however, provide actual or constructive notice of the information contained therein for purposes of determining any interest in the real property. The commissioner shall prescribe the manner in which the tax due under paragraph (c) is to be paid and may require grantees of designated transfers to file with the commissioner subsequent statements verifying that the tax provided under paragraph (c) does not apply.

EFFECTIVE DATE. This section is effective for deeds recorded after December 31, 2018.

ARTICLE 8

DEPARTMENT OF REVENUE; MISCELLANEOUS; POLICY CHANGES

Section 1. Minnesota Statutes 2016, section 270B.08, subdivision 2, is amended to read:

Subd. 2. **Revocation or cancellation.** When a taxpayer's sales tax permit has been revoked or canceled under section 270C.722 or 297A.84, the commissioner may disclose to any person data identifying the holder of the revoked or canceled permit, ~~stating~~ the basis for the revocation or cancellation, the date of the revocation or cancellation, and ~~stating~~ whether the if a revoked or canceled permit has been reinstated, the date upon which the permit was reinstated.

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

Sec. 2. Minnesota Statutes 2016, section 297A.84, is amended to read:

297A.84 PERMITS ISSUED AND NOT ISSUED; CANCELLATION.

Subdivision 1. Definitions. (a) The following definitions apply for the purposes of this section.

(b) "Applicant" means an individual, corporation, or partnership. Applicant also includes any officer of a corporation or member of a partnership.

(c) "Delinquent sales tax" means tax not paid by the date the tax was due and payable under section 289A.20, subdivision 4, or an assessment not paid if the applicant has been issued an order assessing sales and use tax under section 270C.33, subdivision 4.

Subd. 2. Permits issued. Except as provided in subdivision 3, the commissioner ~~shall~~ must issue a permit to each applicant who has complied with section 297A.83, and with section 297A.92 if security is required. A person is considered to have a permit if the person has a Minnesota tax identification number issued by the commissioner that is currently active for taxes imposed by this chapter. A permit is valid until canceled or revoked. It is not assignable and is valid only for the person in whose name it is granted and for the transaction of business at the places designated on the permit.

Subd. 3. Permits not issued. (a) Except as provided in paragraph (b), the commissioner must not issue a permit to an applicant if the applicant is liable for delinquent sales tax.

(b) The commissioner must issue a permit to an applicant if an appeal period of an order assessing sales tax under section 270C.33, subdivision 5, has not ended. The commissioner may cancel a permit issued under this paragraph in the manner provided in subdivision 4 if the applicant owes delinquent sales tax after the appeal period has ended.

Subd. 4. Nonconforming permits; cancellation; reissue. (a) If the commissioner issues a permit that does not conform with the requirements of this section or applicable rules, the commissioner may cancel the permit upon notice to the permit holder. The notice must be served by first class and certified mail at the permit holder's last known address. The cancellation is effective immediately.

(b) If a permit holder shows that a canceled permit was issued in conformance with the requirements of this section and applicable rules, the commissioner must reissue the permit.

EFFECTIVE DATE. This section is effective for permit applications filed after December 31, 2018.

145.1 Sec. 3. Minnesota Statutes 2016, section 297A.85, is amended to read:

145.2 **297A.85 CANCELLATION OF PERMITS.**

145.3 The commissioner may cancel a permit if one of the following conditions occurs:

145.4 (1) the permit holder has not filed a sales or use tax return for at least one year;

145.5 (2) the permit holder has not reported any sales or use tax liability on the permit holder's
145.6 returns for at least two years;

145.7 (3) the permit holder requests cancellation of the permit; ~~or~~

145.8 (4) the permit is subject to cancellation ~~pursuant to~~ under section 270C.722, subdivision
145.9 2, paragraph (a); or

145.10 (5) the permit is subject to cancellation under section 297A.84.

145.11 **EFFECTIVE DATE.** This section is effective for permit applications filed after
145.12 December 31, 2018.

145.13 **ARTICLE 9**

145.14 **DEPARTMENT OF REVENUE ASSESSMENT AUTHORITY**

145.15 Section 1. **[289A.381] DEFINITIONS; FEDERAL ADJUSTMENTS.**

145.16 Subdivision 1. **Definitions relating to federal adjustments.** Unless otherwise specified,
145.17 the definitions in this section apply for the purposes of sections 289A.381 to 289A.385.

145.18 Subd. 2. **Federal adjustment.** "Federal adjustment" means any change in an amount
145.19 calculated under the Internal Revenue Code, whether to income, gross estate, a credit, an
145.20 item of preference, or any other item that is used by a taxpayer to compute a tax administered
145.21 under this chapter for the reviewed year whether that change results from action by the
145.22 Internal Revenue Service or other competent authority, including a partnership-level audit,
145.23 or the filing of an amended federal return, federal refund claim, or an administrative
145.24 adjustment request by the taxpayer.

145.25 Subd. 3. **Federal adjustments report.** "Federal adjustments report" includes a method
145.26 or form prescribed by the commissioner for use by a taxpayer to report federal adjustments,
145.27 including an amended Minnesota tax return or a uniform multistate report.

145.28 Subd. 4. **Final determination date.** (a) "Final determination date" means:

145.29 (1) for a federal adjustment arising from an audit by the Internal Revenue Service or
145.30 other competent authority, the first day on which no federal adjustment arising from that

146.1 audit remains to be finally determined, whether by agreement, or, if appealed or contested,
146.2 by a final decision with respect to which all rights of appeal have been waived or exhausted;

146.3 (2) for a federal adjustment arising from the filing of an amended federal return, a federal
146.4 refund claim, or the filing by a partnership of an administrative adjustment request, the day
146.5 which the amended return, refund claim, or administrative adjustment request was filed; or

146.6 (3) for agreements required to be signed by the Internal Revenue Service and the taxpayer,
146.7 the date on which the last party signed the agreement.

146.8 Subd. 5. **Final federal adjustment.** "Final federal adjustment" means a federal adjustment
146.9 for which the final determination date for that federal adjustment has passed.

146.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
146.11 31, 2017.

146.12 Sec. 2. **[289A.382] REPORTING FEDERAL ADJUSTMENTS; GENERAL RULE.**

146.13 (a) Within 180 days of a final determination date, a taxpayer must file a federal adjustment
146.14 report with the commissioner reporting all final federal adjustments by the Internal Revenue
146.15 Service or other competent authority.

146.16 (b) Within 180 days of a final determination date, a taxpayer must file a federal adjustment
146.17 report with the commissioner reporting any federal adjustments reported by the taxpayer
146.18 to the Internal Revenue Service, including but not limited to:

146.19 (1) federal refund claims;

146.20 (2) a change reported on a timely filed amended federal income tax return; and

146.21 (3) a change reported on an amended return filed pursuant to section 6225(c) of the
146.22 Internal Revenue Code.

146.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
146.24 31, 2017.

146.25 Sec. 3. **[289A.384] ASSESSMENT OF TAX, INTEREST, PENALTIES, AND**
146.26 **ADDITIONAL AMOUNTS.**

146.27 Subdivision 1. **Assessment of additional tax, interest, and penalties.** The commissioner
146.28 may assess, in accordance with subdivisions 2 and 3, additional tax, interest, and penalties
146.29 following a final federal adjustment:

147.1 (1) arising from an audit by the Internal Revenue Service, including a partnership-level
147.2 audit;

147.3 (2) reported by the taxpayer on an amended federal tax return; or

147.4 (3) as part of an administrative adjustment request on or before the dates provided in
147.5 this section.

147.6 Subd. 2. **Timely and untimely reported federal adjustments.** If a taxpayer files a
147.7 federal adjustment report, within or after the periods prescribed in section 289A.382, the
147.8 commissioner may assess additional Minnesota amounts related to the federal adjustments
147.9 including in-lieu-of amounts, taxes, interest, and penalties at the later of:

147.10 (1) the expiration of the period of limitations in section 289A.38; or

147.11 (2) the expiration of the one-year period following the date of the filing with the
147.12 commissioner of the federal adjustments report.

147.13 Subd. 3. **Unreported reported federal adjustments.** If the taxpayer fails to file a federal
147.14 adjustments report, the commissioner may assess additional amounts related to the federal
147.15 adjustments including in-lieu-of amounts, taxes, penalties, and interest, at the later of:

147.16 (1) the expiration of the period of limitations in section 289A.38; or

147.17 (2) the expiration of the six-year period following the final determination date.

147.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
147.19 31, 2017.

147.20 Sec. 4. **[289A.385] CLAIMS FOR REFUND OR CREDITS OF STATE TAX**
147.21 **ARISING FROM FINAL FEDERAL ADJUSTMENTS MADE BY THE INTERNAL**
147.22 **REVENUE SERVICE.**

147.23 Notwithstanding the general period of limitations on claims for refund in section 289A.40,
147.24 taxpayers subject to the reporting requirements of section 289A.382 may file claims for
147.25 refund related to federal adjustments made by the Internal Revenue Service on or before
147.26 the last day for the assessment of tax under section 289A.384.

147.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
147.28 31, 2017.

147.29 Sec. 5. Minnesota Statutes 2016, section 289A.42, is amended to read:

147.30 **289A.42 CONSENT TO EXTEND STATUTE.**

Subdivision 1. **Extension agreement.** If before the expiration of time prescribed in sections 289A.38 to 289A.384 and 289A.40 for the assessment of tax or the filing of a claim for refund, both the commissioner and the taxpayer have consented in writing to the assessment or filing of a claim for refund after that time, the tax may be assessed or the claim for refund filed at any time before the expiration of the agreed-upon period. The period may be extended by later agreements in writing before the expiration of the period previously agreed upon. The taxpayer and the commissioner may also agree to extend the period for collection of the tax.

Subd. 2. **Federal extensions.** When a taxpayer consents to an extension of time for the assessment of federal withholding or income taxes, the period in which the commissioner may recompute the tax is also extended, notwithstanding any period of limitations to the contrary, as follows:

(1) for the periods provided in section 289A.38, subdivisions 8 and 9; 289A.384, subdivisions 2 and 3.

~~(2) for six months following the expiration of the extended federal period of limitations when no change is made by the federal authority. If no change is made by the federal authority, and, but for this subdivision, the commissioner's time period to adjust the tax has expired, and if the commissioner has completed a field audit of the taxpayer, no additional changes resulting in additional tax due or a refund may be made. For purposes of this subdivision, "field audit" has the meaning given it in section 289A.38, subdivision 9.~~

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 6. **REPEALER.**

Minnesota Statutes 2016, section 289A.38, subdivisions 7, 8, and 9, are repealed.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

ARTICLE 10

**DEPARTMENT OF REVENUE; INDIVIDUAL INCOME AND CORPORATE
FRANCHISE TAXES; TECHNICAL CHANGES**

Section 1. Minnesota Statutes 2016, section 289A.38, subdivision 7, is amended to read:

Subd. 7. **Federal tax changes.** (a) If the amount of income, items of tax preference, deductions, or credits for any year of a taxpayer, or the wages paid by a taxpayer for any

period, as reported to the Internal Revenue Service is changed or corrected by the commissioner of Internal Revenue or other officer of the United States or other competent authority, or where a renegotiation of a contract or subcontract with the United States results in a change in income, items of tax preference, deductions, credits, or withholding tax, or, in the case of estate tax, where there are adjustments to the taxable estate, the taxpayer shall report the change or correction or renegotiation results in writing to the commissioner. The report must be submitted within 180 days after the final determination and must be in the form of either an amended Minnesota estate, withholding tax, corporate franchise tax, or income tax return conceding the accuracy of the federal determination or a letter detailing how the federal determination is incorrect or does not change the Minnesota tax. An amended Minnesota income tax return must be accompanied by an amended property tax refund return, if necessary. A taxpayer filing an amended federal tax return must also file a copy of the amended return with the commissioner of revenue within 180 days after filing the amended return.

(b) For the purposes of paragraph (a), a change or correction includes any case where a taxpayer reaches a closing agreement or a compromise with the Internal Revenue Service under section 7121 or 7122 of the Internal Revenue Code.

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

Sec. 2. Minnesota Statutes 2017 Supplement, section 290.0137, is amended to read:

290.0137 ACCELERATED RECOGNITION OF CERTAIN INSTALLMENT SALE GAINS.

(a) In the case of a nonresident individual or a person who becomes a nonresident individual during the tax year, taxable net income shall include the ~~allocable~~ amount realized upon a sale of the assets of, or any interest in, an S corporation or partnership that operated in Minnesota during the year of sale, including any income or gain to be recognized in future years pursuant to an installment sale method of reporting under the Internal Revenue Code.

(1) For the purposes of this paragraph, an individual who becomes a nonresident of Minnesota in any year after an installment sale is required to recognize the full amount of any income or gain described in this paragraph on the individual's final Minnesota resident tax return to the extent that such income has not been recognized in a prior year.

(2) For the purposes of this section, "realized" has the meaning given in section 1001(b) of the Internal Revenue Code.

(3) For the purposes of this section, "installment sale" means any installment sale under section 453 of the Internal Revenue Code and any other sale that is reported utilizing a method of accounting authorized under subchapter E of the Internal Revenue Code that allows taxpayers to delay reporting or recognizing a realized gain until a future year.

~~(4) For the purposes of this section, "allocable amount" means the full amount to be apportioned to Minnesota under section 290.191 or 290.20, or the full amount to be assigned to Minnesota under section 290.17.~~

(b) Notwithstanding paragraph (a), nonresident taxpayers may elect to defer recognizing unrecognized installment sale gains by making an election under this paragraph. The election must be filed on a form to be determined or prescribed by the commissioner and must be filed by the due date of the individual income tax return, including any extension. Electing taxpayers must make an irrevocable agreement to:

(1) file Minnesota tax returns in all subsequent years when gains from the installment sales are recognized and reported to the Internal Revenue Service;

(2) allocate gains to the state of Minnesota as though the gains were realized in the year of sale under section 290.17, 290.191, or 290.20; and

(3) include all relevant federal tax documents reporting the installment sale with subsequent Minnesota tax returns.

(c) Income or gain recognized for Minnesota purposes pursuant to paragraph (a) must be excluded from taxable net income in any future year that the taxpayer files a Minnesota tax return to the extent that the income or gain has already been subject to tax pursuant to paragraph (a).

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

Sec. 3. Minnesota Statutes 2016, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code must be computed by applying to their taxable net income the following schedule of rates:

(1) On the first \$35,480, 5.35 percent;

(2) On all over \$35,480, but not over \$140,960, 7.05 percent;

(3) On all over \$140,960, but not over \$250,000, 7.85 percent;

151.1 (4) On all over \$250,000, 9.85 percent.

151.2 Married individuals filing separate returns, estates, and trusts must compute their income
151.3 tax by applying the above rates to their taxable income, except that the income brackets
151.4 will be one-half of the above amounts after the adjustment required in subdivision 2d.

151.5 (b) The income taxes imposed by this chapter upon unmarried individuals must be
151.6 computed by applying to taxable net income the following schedule of rates:

151.7 (1) On the first \$24,270, 5.35 percent;

151.8 (2) On all over \$24,270, but not over \$79,730, 7.05 percent;

151.9 (3) On all over \$79,730, but not over \$150,000, 7.85 percent;

151.10 (4) On all over \$150,000, 9.85 percent.

151.11 (c) The income taxes imposed by this chapter upon unmarried individuals qualifying as
151.12 a head of household as defined in section 2(b) of the Internal Revenue Code must be
151.13 computed by applying to taxable net income the following schedule of rates:

151.14 (1) On the first \$29,880, 5.35 percent;

151.15 (2) On all over \$29,880, but not over \$120,070, 7.05 percent;

151.16 (3) On all over \$120,070, but not over \$200,000, 7.85 percent;

151.17 (4) On all over \$200,000, 9.85 percent.

151.18 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax
151.19 of any individual taxpayer whose taxable net income for the taxable year is less than an
151.20 amount determined by the commissioner must be computed in accordance with tables
151.21 prepared and issued by the commissioner of revenue based on income brackets of not more
151.22 than \$100. The amount of tax for each bracket shall be computed at the rates set forth in
151.23 this subdivision, provided that the commissioner may disregard a fractional part of a dollar
151.24 unless it amounts to 50 cents or more, in which case it may be increased to \$1.

151.25 (e) An individual who is not a Minnesota resident for the entire year must compute the
151.26 individual's Minnesota income tax as provided in this subdivision. After the application of
151.27 the nonrefundable credits provided in this chapter, the tax liability must then be multiplied
151.28 by a fraction in which:

151.29 (1) the numerator is the individual's Minnesota source federal adjusted gross income as
151.30 defined in section 62 of the Internal Revenue Code and increased by:

152.1 (i) the additions required under ~~section~~ sections 290.0131, subdivisions 2 and 6 to 11,
 152.2 and 290.0137, paragraph (a); and reduced by

152.3 (ii) the Minnesota assignable portion of the subtraction for United States government
 152.4 interest under section 290.0132, subdivision 2, ~~and~~ the subtractions under ~~section~~ sections
 152.5 290.0132, subdivisions 9, 10, 14, 15, 17, and 18, and 290.0137, paragraph (c), after applying
 152.6 the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

152.7 (2) the denominator is the individual's federal adjusted gross income as defined in section
 152.8 62 of the Internal Revenue Code, increased by:

152.9 (i) the ~~amounts specified in section~~ additions required under sections 290.0131,
 152.10 subdivisions 2 and 6 to 11, and 290.0137, paragraph (a); and reduced by

152.11 (ii) the ~~amounts specified in section~~ subtractions under sections 290.0132, subdivisions
 152.12 2, 9, 10, 14, 15, 17, and 18, and 290.0137, paragraph (c).

152.13 **EFFECTIVE DATE.** The amendment to paragraph (a) is effective for taxable years
 152.14 beginning after December 31, 2017. The amendment to paragraph (e) is effective the day
 152.15 following final enactment.

152.16 Sec. 4. Minnesota Statutes 2016, section 290.06, subdivision 2d, is amended to read:

152.17 Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after
 152.18 December 31, 2013, the minimum and maximum dollar amounts for each rate bracket for
 152.19 which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage
 152.20 determined under paragraph (b). For the purpose of making the adjustment as provided in
 152.21 this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets
 152.22 as they existed for taxable years beginning after December 31, 2012, and before January 1,
 152.23 2014. The rate applicable to any rate bracket must not be changed. The dollar amounts
 152.24 setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate
 152.25 brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in
 152.26 \$5, it must be rounded up to the nearest \$10 amount.

152.27 (b) The commissioner shall adjust the rate brackets and by the percentage determined
 152.28 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section
 152.29 1(f)(3)(B) the word "2012" shall be substituted for the word "1992." For 2014, the
 152.30 commissioner shall then determine the percent change from the 12 months ending on August
 152.31 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from
 152.32 the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the
 152.33 year preceding the taxable year. The commissioner shall determine the rate bracket for

153.1 married filing separate returns after this adjustment is done. The rate bracket for married
153.2 filing separate must be one-half of the rate bracket for married filing joint. The determination
153.3 of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall
153.4 not be subject to the Administrative Procedure Act contained in chapter 14.

153.5 No later than December 15 of each year, the commissioner shall announce the specific
153.6 percentage that will be used to adjust the tax rate brackets.

153.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
153.8 31, 2017.

153.9 Sec. 5. Minnesota Statutes 2016, section 290.92, subdivision 28, is amended to read:

153.10 Subd. 28. **Payments to horse racing license holders.** Effective with payments made
153.11 after April 1, 1988, any holder of a license issued by the Minnesota Racing Commission
153.12 who makes a payment for personal or professional services to a holder of a class C license
153.13 issued by the commission, except an amount paid as a purse, shall deduct from the payment
153.14 and withhold 6.25 percent of the amount as Minnesota withholding tax when the amount
153.15 paid to that individual by the same person during the calendar year exceeds \$600. For
153.16 purposes of the provisions of this section, a payment to any person which is subject to
153.17 withholding under this subdivision must be treated as if the payment was a wage paid by
153.18 an employer to an employee. Every individual who is to receive a payment which is subject
153.19 to withholding under this subdivision shall furnish the license holder with a statement, made
153.20 under the penalties of perjury, containing the name, address, and Social Security account
153.21 number of the person receiving the payment. No withholding is required if the individual
153.22 presents a signed certificate from the individual's employer which states that the individual
153.23 is an employee of that employer. A nonresident individual who holds a class C license must
153.24 be treated as an athlete for purposes of applying the provisions of subdivision 4a and section
153.25 290.17, subdivision 2~~(1)(b)(i)~~(a)(2)(ii).

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

153.27 Sec. 6. Minnesota Statutes 2017 Supplement, section 462D.03, subdivision 2, is amended
153.28 to read:

153.29 Subd. 2. **Designation of qualified beneficiary.** (a) The account holder must designate
153.30 a first-time home buyer as the qualified beneficiary of the account ~~by April 15 of the year~~
153.31 in a form and manner prescribed by the commissioner following the taxable year in which
153.32 the account was established. The account holder may be the qualified beneficiary. The
153.33 account holder may change the designated qualified beneficiary at any time, but no more

than one qualified beneficiary may be designated for an account at any one time. For purposes of the one beneficiary restriction, a married couple qualifies as one beneficiary. Changing the designated qualified beneficiary of an account does not affect computation of the ten-year period under section 462D.06, subdivision 2.

(b) The commissioner shall establish a process for account holders to notify the state that permits recording of the account, the account holder or holders, any transfers under section 462D.04, subdivision 2, and the designated qualified beneficiary for each account. This may be done upon filing the account holder's income tax return or in any other way the commissioner determines to be appropriate.

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

ARTICLE 11

DEPARTMENT OF REVENUE; SALES AND USE TAXES; TECHNICAL CHANGES

Section 1. Minnesota Statutes 2016, section 297A.68, subdivision 17, is amended to read:

Subd. 17. **Ships used in interstate commerce; other vessels.** Repair, replacement, and rebuilding parts and materials, and lubricants, for the following are exempt:

(1) ships or vessels used or to be used principally in interstate or foreign commerce ~~are exempt;~~ and

(2) vessels with a gross registered tonnage of at least 3,000 tons ~~are exempt.~~

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

Sec. 2. Minnesota Statutes 2016, section 297A.68, subdivision 44, is amended to read:

Subd. 44. **Greater Minnesota business expansions.** (a) Purchases and use of tangible personal property or taxable services by a qualified business, ~~as defined in section 116J.8738,~~ are exempt if:

(1) the commissioner of employment and economic development certifies to the commissioner of revenue, in a format approved by the commissioner of revenue, that the qualified business meets the requirements under section 116J.8738;

(2) the business subsidy agreement provides that the exemption under this subdivision applies;

~~(2)~~ (3) the property or services are primarily used or consumed at the facility in greater Minnesota identified in the business subsidy agreement; and

155.1 ~~(3)~~ (4) the purchase was made and delivery received during the duration of the
155.2 ~~certification of the business as a qualified business under section 116J.8738~~ business subsidy
155.3 agreement.

155.4 (b) Purchase and use of construction materials and supplies used or consumed in, and
155.5 equipment incorporated into, the construction of improvements to real property in greater
155.6 Minnesota are exempt if the improvements after completion of construction are to be used
155.7 in the conduct of the trade or business of the qualified business, ~~as defined in section~~
155.8 ~~116J.8738~~ and the commissioner of employment and economic development certifies to
155.9 the commissioner of revenue, in a format approved by the commissioner of revenue, that
155.10 the qualified business meets the requirements under section 116J.8738. This exemption
155.11 applies regardless of whether the purchases are made by the business or a contractor.

155.12 (c) The exemptions under this subdivision apply to a local sales and use tax.

155.13 (d) The tax on purchases imposed under this subdivision must be imposed and collected
155.14 as if the rate under section 297A.62 applied, and then refunded in the manner provided in
155.15 section 297A.75. The total amount refunded for a facility over the certification period is
155.16 limited to the amount listed in the business subsidy agreement. No more than \$7,000,000
155.17 may be refunded in a fiscal year for all purchases under this subdivision. Refunds must be
155.18 allocated on a first-come, first-served basis. If more than \$7,000,000 of eligible claims are
155.19 made in a fiscal year, claims by qualified businesses carry over to the next fiscal year, and
155.20 the commissioner of revenue must first allocate refunds to qualified businesses eligible for
155.21 a refund in the preceding fiscal year. Any portion of the balance of funds allocated for
155.22 refunds under this paragraph does not cancel and shall be carried forward to and available
155.23 for refunds in subsequent fiscal years. Notwithstanding section 297A.75, subdivision 4, for
155.24 an eligible refund claim that carries over to a subsequent fiscal year, the interest on the
155.25 amount carried over must be paid on the refund no sooner than from 90 days after July 1
155.26 of the fiscal year in which funds are available for the eligible claim.

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

155.28 Sec. 3. Minnesota Statutes 2016, section 297A.71, subdivision 45, is amended to read:

155.29 Subd. 45. **Biopharmaceutical manufacturing facility.** (a) Materials and supplies used
155.30 or consumed in, capital equipment incorporated into, and privately owned infrastructure in
155.31 support of the construction, improvement, or expansion of a biopharmaceutical manufacturing
155.32 facility in the state are exempt if the commissioner of employment and economic
155.33 development certifies to the commissioner of revenue that the following criteria are met:

- 156.1 (1) the facility is used for the manufacturing of biologics;
- 156.2 (2) the total capital investment made at the facility exceeds \$50,000,000; and
- 156.3 (3) the facility creates and maintains at least 190 full-time equivalent positions at the
- 156.4 facility. These positions must be new jobs in Minnesota and not the result of relocating jobs
- 156.5 that currently exist in Minnesota.

156.6 (b) The tax must be imposed and collected as if the rate under section 297A.62 applied,

156.7 and refunded in the manner provided in section 297A.75.

156.8 (c) To be eligible for a refund, the owner of the biopharmaceutical manufacturing facility

156.9 must:

156.10 (1) initially apply to the ~~Department~~ commissioner of employment and economic

156.11 development for certification no later than one year from the final completion date of

156.12 construction, improvement, or expansion of the facility; and

156.13 (2) for each year that the owner of the biopharmaceutical manufacturing facility applies

156.14 for a refund, the ~~owner~~ commissioner must have received written certification from the

156.15 ~~Department~~ commissioner of employment and economic development that the facility has

156.16 met the criteria of paragraph (a).

156.17 (d) The refund is to be paid annually at a rate of 25 percent of the total allowable refund

156.18 payable to date, with the commissioner making annual payments of the remaining refund

156.19 until all of the refund has been paid.

156.20 (e) For purposes of this subdivision, "biopharmaceutical" and "biologics" are

156.21 interchangeable and mean medical drugs or medicinal preparations produced using

156.22 technology that uses biological systems, living organisms, or derivatives of living organisms

156.23 to make or modify products or processes for specific use. The medical drugs or medicinal

156.24 preparations include but are not limited to proteins, antibodies, nucleic acids, and vaccines.

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

156.26 Sec. 4. Minnesota Statutes 2016, section 297A.77, is amended by adding a subdivision to

156.27 read:

156.28 **Subd. 5. Records must be kept.** Every person liable for any tax imposed by this chapter,

156.29 or for the collection thereof, shall keep such records, render such statements, make such

156.30 returns, and comply with such rules, as the commissioner may from time to time prescribe.

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

ARTICLE 12

DEPARTMENT OF REVENUE; TOBACCO TAXES; TECHNICAL CHANGES

Section 1. Minnesota Statutes 2016, section 297F.01, subdivision 19, is amended to read:

Subd. 19. **Tobacco products.** (a) "Tobacco products" means any product containing, made, or derived from tobacco that is intended for human consumption, whether chewed, smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, or any component, part, or accessory of a tobacco product, including, but not limited to, cigars; cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking tobacco; snuff; snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing tobacco; shorts; refuse scraps, clippings, cuttings and sweepings of tobacco, and other kinds and forms of tobacco; but does not include cigarettes as defined in this section. Tobacco products includes vapor products. Tobacco products excludes any tobacco product that has been approved by the United States Food and Drug Administration for sale as a tobacco cessation product, as a tobacco dependence product, or for other medical purposes, and is being marketed and sold solely for such an approved purpose.

(b) Except for the imposition of tax under section 297F.05, subdivisions 3 and 4, tobacco products includes a premium cigar, as defined in subdivision 13a.

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

Sec. 2. Minnesota Statutes 2016, section 297F.01, is amended by adding a subdivision to read:

Subd. 22b. **Vapor products.** (a) "Vapor products" means any cartridge, bottle, or other package that contains nicotine made or derived from tobacco, that is in a solution that is consumed, or meant to be consumed, through the use of a heating element, power source, electronic circuit, or other electronic, chemical, or mechanical means that produces vapor from the nicotine. This paragraph expires December 31, 2018.

(b) Beginning January 1, 2019, "vapor products" means any cartridge, bottle, or other package that contains nicotine, including nicotine produced from sources other than tobacco, that is in a solution that is consumed, or meant to be consumed, through the use of a heating element, power source, electronic circuit, or other electronic, chemical, or mechanical means that produces vapor from the nicotine.

(c) Vapor products includes any electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device, and any batteries, heating elements, or other

158.1 components, parts, or accessories sold with and meant to be used in the consumption of the
158.2 nicotine solution.

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

158.4 Sec. 3. Minnesota Statutes 2016, section 297F.01, subdivision 23, is amended to read:

158.5 Subd. 23. **Wholesale sales price.** "Wholesale sales price" means the price at which a
158.6 distributor purchases a tobacco product. Wholesale sales price includes the applicable federal
158.7 excise tax, freight charges, or packaging costs, regardless of whether they were included in
158.8 the purchase price. Wholesale sales price of a vapor product does not include the cost of a
158.9 product, device, component, part, or accessory described in subdivision 22b that is sold
158.10 with a nicotine solution if the distributor sells the cartridge of nicotine solution separately
158.11 and can isolate the cost of the product, device, component, part, or accessory.

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

158.13 **ARTICLE 13**

158.14 **DEPARTMENT OF REVENUE; PROPERTY TAXES; TECHNICAL CHANGES**

158.15 Section 1. Minnesota Statutes 2016, section 270C.85, subdivision 2, is amended to read:

158.16 Subd. 2. **Powers and duties.** The commissioner shall have and exercise the following
158.17 powers and duties in administering the property tax laws:;

158.18 ~~(a)~~ (1) confer with, advise, and give the necessary instructions and directions to local
158.19 assessors and local boards of review throughout the state as to their duties under the laws
158.20 of the state;;

158.21 ~~(b)~~ (2) direct proceedings, actions, and prosecutions to be instituted to enforce the laws
158.22 relating to the liability and punishment of public officers and officers and agents of
158.23 corporations for failure or negligence to comply with the provisions of the property tax
158.24 laws, and cause complaints to be made against local assessors, members of boards of
158.25 equalization, members of boards of review, or any other assessing or taxing officer, to the
158.26 proper authority, for their removal from office for misconduct or negligence of duty;;

158.27 ~~(c)~~ (3) require county attorneys to assist in the commencement of prosecutions in actions
158.28 or proceedings for removal, forfeiture, and punishment, for violation of the property tax
158.29 laws in their respective districts or counties;;

158.30 ~~(d)~~ (4) require town, city, county, and other public officers to report and certify
158.31 information, at the parcel level or in the aggregate, as to the assessment and taxation of real

159.1 and personal property, and such other information as may be needful in the work of the
 159.2 commissioner, in such form as the commissioner may prescribe. The commissioner shall
 159.3 prescribe the content, format, manner, and time of filing of all required reports and
 159.4 certifications;

159.5 ~~(e)~~ (5) transmit to the governor, on or before the third Monday in December of each
 159.6 even-numbered year, and to each member of the legislature, on or before November 15 of
 159.7 each even-numbered year, the report of the department for the preceding years, showing all
 159.8 the taxable property subject to the property tax laws and the value of the same, in tabulated
 159.9 form;

159.10 ~~(f)~~ (6) inquire into the methods of assessment and taxation and ascertain whether the
 159.11 assessors faithfully discharge their duties; and

159.12 ~~(g)~~ (7) assist local assessors in determining the estimated market value of industrial
 159.13 special-use property. For purposes of this ~~paragraph~~ clause, "industrial special-use property"
 159.14 means property that:

159.15 ~~(1)~~ (i) is designed and equipped for a particular type of industry;

159.16 ~~(2)~~ (ii) is not easily adapted to some other use due to the unique nature of the facilities;

159.17 ~~(3)~~ (iii) has facilities totaling at least 75,000 square feet in size; and

159.18 ~~(4)~~ (iv) has a total estimated market value of \$10,000,000 or greater based on the
 159.19 assessor's preliminary determination.

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

159.21 Sec. 2. Minnesota Statutes 2017 Supplement, section 270C.89, subdivision 1, is amended
 159.22 to read:

159.23 Subdivision 1. **Initial report.** Each county assessor shall file ~~by April 1~~ with the
 159.24 commissioner a copy of ~~the abstract~~ preliminary assessment information that the
 159.25 commissioner may require under section 270C.85, subdivision 2, clause (4), that will be
 159.26 acted upon by the local and county boards of review. The abstract must list the real and
 159.27 personal property in the county itemized by assessment districts. The assessor of each county
 159.28 in the state shall file with the commissioner, within ten working days following final action
 159.29 of the local board of review or equalization and within five days following final action of
 159.30 the county board of equalization, any changes made by the local or county board. ~~The~~
 159.31 ~~information must be filed in the manner prescribed by the commissioner.~~

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

Sec. 3. Minnesota Statutes 2016, section 270C.89, subdivision 2, is amended to read:

Subd. 2. **Final report.** The final ~~abstract of assessments~~ assessment information after adjustments by the State Board of Equalization and inclusion of any omitted property shall be ~~submitted~~ reported to the commissioner ~~on or before September 1 of each calendar year~~ under section 270C.85, subdivision 2, clause (4). ~~The final abstract must separately report the captured tax capacity of tax increment financing districts under section 469.177, subdivision 2, the areawide net tax capacity contribution values determined under sections 276A.05, subdivision 1, and 473F.07, subdivision 1, and the value subject to the power line credit under section 273.42.~~

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

Sec. 4. Minnesota Statutes 2016, section 270C.91, is amended to read:

**270C.91 RECORD OF PROCEEDINGS CHANGING NET TAX CAPACITY;
DUTIES OF COUNTY AUDITOR.**

A record of all proceedings of the commissioner affecting any change in the net tax capacity of any property, as revised by the State Board of Equalization, shall be kept by the commissioner and a copy thereof, duly certified, shall be mailed each year to the auditor of each county wherein such property is situated, on or before June 30 ~~or 30 days after submission of the abstract required by section 270C.89, whichever is later.~~ This record shall specify the amounts or amount, or both, added to or deducted from the net tax capacity of the real property of each of the several towns and cities, and of the real property not in towns or cities, also the percent or amount of both, added to or deducted from the several classes of personal property in each of the towns and cities, and also the amount added to or deducted from the assessment of any person. The county auditor shall add to or deduct from such tract or lot, or portion thereof, of any real property in the county the required percent or amount, or both, on the net tax capacity thereof as it stood after equalized by the county board, adding in each case a fractional sum of 50 cents or more, and deducting in each case any fractional sum of less than 50 cents, so that no net tax capacity of any separate tract or lot shall contain any fraction of a dollar; and add to, or deduct from, the several classes of personal property in the county the required percent or amount, or both, on the net tax capacity thereof as it stood after equalized by the county board, adding or deducting in manner aforesaid any fractional sum so that no net tax capacity of any separate class of personal property shall contain a fraction of a dollar, and add to or deduct from assessment of any person, as they stood after equalization by the county board, the required amounts to agree with the assessments as returned by the commissioner.

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

161.2 Sec. 5. Minnesota Statutes 2016, section 273.061, subdivision 9, is amended to read:

161.3 Subd. 9. **Additional general duties.** Additional duties of the county assessor ~~shall be~~
161.4 are as follows:

161.5 (1) to make all assessments, based upon the appraised values reported by the local
161.6 assessors or assistants and the county assessor's own knowledge of the value of the property
161.7 assessed;

161.8 (2) to personally view and determine the value of any property ~~which~~ that because of
161.9 its type or character may be difficult for the local assessor to appraise;

161.10 (3) to make all changes ordered by the local boards of review, relative to the net tax
161.11 capacity of the property of any individual, firm or corporation after notice has been given
161.12 and hearings held as provided by law;

161.13 (4) to enter all assessments in the assessment books, furnished by the county auditor,
161.14 with each book and the tabular statements for each book in correct balance;

161.15 (5) to prepare all assessment cards, charts, maps and any other forms prescribed by the
161.16 commissioner of revenue;

161.17 (6) to attend the meeting of the county board of equalization; to investigate and report
161.18 on any assessment ordered by said board; to enter all changes made by said board in the
161.19 assessment books and prepare ~~the abstract of assessments for the commissioner of revenue~~
161.20 information reported to the commissioner under section 270C.85, subdivision 2, clause (4);
161.21 to enter all changes made by the State Board of Equalization in the assessment books; to
161.22 deduct all exemptions authorized by law from each assessment and certify to the county
161.23 auditor the taxable value of each parcel of land, as described and listed in the assessment
161.24 books by the county auditor, and the taxable value of the personal property of each person,
161.25 firm, or corporation assessed;

161.26 (7) to investigate and make recommendations relative to all applications for the abatement
161.27 of taxes or applications for the reduction of the net tax capacity of any property; and

161.28 (8) to perform all other duties relating to the assessment of property for the purpose of
161.29 taxation which may be required by the commissioner of revenue.

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

Sec. 6. Minnesota Statutes 2017 Supplement, section 273.0755, is amended to read:

273.0755 TRAINING AND EDUCATION OF PROPERTY TAX PERSONNEL.

(a) Beginning with the four-year period starting on July 1, 2000, every person licensed by the state Board of Assessors at the Accredited Minnesota Assessor level or higher, shall successfully complete a weeklong Minnesota laws course sponsored by the Department of Revenue at least once in every four-year period. An assessor need not attend the course if they successfully pass the test for the course.

(b) The commissioner of revenue may require that each county, and each city for which the city assessor performs the duties of county assessor, have ~~(i)~~ (1) a person on the assessor's staff who is certified by the Department of Revenue in sales ratio calculations, ~~(ii)~~ (2) an officer or employee who is certified by the Department of Revenue in tax calculations, and ~~(iii)~~ (3) an officer or employee who is certified by the Department of Revenue in the proper preparation of abstracts of assessment. ~~The commissioner of revenue may require that each county have an officer or employee who is certified by the Department of Revenue in the proper preparation of abstracts of tax lists~~ information reported to the commissioner under section 270C.85, subdivision 2, clause (4). Certifications under this paragraph expire after four years.

(c) Beginning with the four-year educational licensing period starting on July 1, 2004, every Minnesota assessor licensed by the State Board of Assessors must attend and participate in a seminar that focuses on ethics, professional conduct and the need for standardized assessment practices developed and presented by the commissioner of revenue. This requirement must be met at least once in every subsequent four-year period. This requirement applies to all assessors licensed for one year or more in the four-year period.

(d) When the commissioner of revenue determines that an individual or board that performs functions related to property tax administration has performed those functions in a manner that is not uniform or equitable, the commissioner may require that the individual or members of the board complete supplemental training. The commissioner may not require that an individual complete more than 32 hours of supplemental training pursuant to this paragraph. If the individual is required to complete supplemental training due to that individual's membership on a local or county board of appeal and equalization, the commissioner may not require that the individual complete more than two hours of supplemental training.

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

Sec. 7. Minnesota Statutes 2016, section 273.113, subdivision 3, is amended to read:

Subd. 3. **Reimbursement for lost revenue.** The county auditor shall certify to the commissioner of revenue, ~~as part of the abstracts of tax lists required to be filed with the commissioner~~ under section ~~275.29~~ 270C.85, subdivision 2, clause (4), the amount of tax lost to the county from the property tax credit under subdivision 2. Any prior year adjustments must also be certified ~~in the abstracts of tax lists~~. The commissioner of revenue shall review the certifications to determine their accuracy. The commissioner may make the changes in the certification that are considered necessary or return a certification to the county auditor for corrections. The commissioner shall reimburse each taxing district, other than school districts, for the taxes lost. The payments must be made at the time provided in section 473H.10 for payment to taxing jurisdictions in the same proportion that the ad valorem tax is distributed. Reimbursements to school districts must be made as provided in section 273.1392. The amount necessary to make the reimbursements under this section is annually appropriated from the general fund to the commissioner of revenue.

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

Sec. 8. Minnesota Statutes 2016, section 273.119, subdivision 2, is amended to read:

Subd. 2. **Reimbursement for lost revenue.** The county may transfer money from the county conservation account created in section 40A.152 to the county revenue fund to reimburse the fund for the cost of the property tax credit. The county auditor shall certify to the commissioner of revenue, ~~as part of the abstracts of tax lists required to be filed with the commissioner~~ under section ~~275.29~~ 270C.85, subdivision 2, clause (4), the amount of tax lost to the county from the property tax credit under subdivision 1 and the extent that the tax lost exceeds funds available in the county conservation account. Any prior year adjustments must also be certified ~~in the abstracts of tax lists~~. The commissioner of revenue shall review the certifications to determine their accuracy. The commissioner may make the changes in the certification that are considered necessary or return a certification to the county auditor for corrections. The commissioner shall reimburse each taxing district, other than school districts, from the Minnesota conservation fund under section 40A.151 for the taxes lost in excess of the county account. The payments must be made at the time provided in section 473H.10, subdivision 3, for payment to taxing jurisdictions in the same proportion that the ad valorem tax is distributed.

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

Sec. 9. Minnesota Statutes 2016, section 273.1231, subdivision 3, is amended to read:

Subd. 3. **Disaster or emergency area.** (a) "Disaster or emergency area" means a geographic area for which:

(1)(i) the president of the United States, the secretary of agriculture, or the administrator of the Small Business Administration has determined that a disaster exists pursuant to federal law, or

(ii) a local emergency has been declared pursuant to section 12.29; and

(2) an application by the local unit of government requesting property tax relief under this section has been received by the governor and approved by the executive council.

(b) The executive council must not approve an application unless:

(1) a completed disaster survey is included; and

(2) within the boundaries of the applicant, (i) the average damage for the buildings that are damaged is at least \$5,000, and (ii) either at least 25 taxable buildings were damaged, or the total dollar amount of damage to all taxable buildings equals or exceeds one percent of the total taxable market value of buildings for the applicant as reported to the commissioner of revenue under section ~~270C.89, subdivision 2~~ 270C.85, subdivision 2, clause (4), for the assessment in the year prior to the year of the damage.

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

Sec. 10. Minnesota Statutes 2016, section 273.136, subdivision 2, is amended to read:

Subd. 2. **Reduction amounts submitted to county.** The commissioner of revenue shall determine, not later than April 1 of each year, the amount of reduction resulting from section 273.135 in each county containing a tax relief area as defined by section 273.134, paragraph (b), basing determinations on a review of ~~abstracts of tax lists submitted by the county auditors pursuant to section 275.29~~ information reported to the commissioner under section 270C.85, subdivision 2, clause (4). The commissioner may make changes ~~in the abstracts of tax lists~~ as deemed necessary. The commissioner of revenue, after such review, shall submit to the St. Louis County auditor, on or before April 15, the amount of the first half payment payable hereunder and on or before September 15 the amount of the second half payment.

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

Sec. 11. Minnesota Statutes 2016, section 273.1384, subdivision 3, is amended to read:

Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions allowed under subdivision 2 within the county for each taxes payable year and shall certify that amount to the commissioner of revenue ~~as a part of the abstracts of tax lists submitted by the county auditors under section 275.29~~ under section 270C.85, subdivision 2, clause (4). Any prior year adjustments shall also be certified ~~on the abstracts of tax lists.~~ The commissioner shall review the certifications for accuracy, and may make such changes as are deemed necessary, or return the certification to the county auditor for correction. The credit under this section must be used to proportionately reduce the net tax capacity-based property tax payable to each local taxing jurisdiction as provided in section 273.1393.

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

Sec. 12. Minnesota Statutes 2017 Supplement, section 273.1387, subdivision 3, is amended to read:

Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions allowed under this section within the county for each taxes payable year and shall certify that amount to the commissioner of revenue ~~as a part of the abstracts of tax lists submitted under section 275.29~~ under section 270C.85, subdivision 2, clause (4). Any prior year adjustments shall also be certified ~~on the abstracts of tax lists.~~ The commissioner shall review the certifications for accuracy, and may make such changes as are deemed necessary, or return the certification to the county auditor for correction. The credit under this section must be used to reduce the school district net tax capacity-based property tax as provided in section 273.1393.

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

Sec. 13. Minnesota Statutes 2016, section 273.18, is amended to read:

**273.18 LISTING, VALUATION, AND ASSESSMENT OF EXEMPT PROPERTY
BY COUNTY AUDITORS.**

(a) In every sixth year after the year 2010, the county auditor shall enter the description of each tract of real property exempt by law from taxation, with the name of the owner, and the assessor shall value and assess the same in the same manner that other real property is valued and assessed, and shall designate in each case the purpose for which the property is used.

(b) ~~For purposes of the apportionment of fire state aid under section 69.021, subdivision 7,~~ The county auditor shall include ~~on the abstract of assessment of exempt real property filed under this section~~ in the exempt property information that the commissioner may require under section 270C.85, subdivision 2, clause (4), the total number of acres of all natural resources lands for which in lieu payments are made under sections 477A.11 to 477A.14. The assessor shall estimate its market value, provided that if the assessor is not able to estimate the market value of the land on a per parcel basis, the assessor shall furnish the commissioner of revenue with an estimate of the average value per acre of this land within the county.

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

Sec. 14. Minnesota Statutes 2016, section 274.14, is amended to read:

274.14 LENGTH OF SESSION; RECORD.

The board must meet after the second Friday in June on at least one meeting day and may meet for up to ten consecutive meeting days. The actual meeting dates must be contained on the valuation notices mailed to each property owner in the county as provided in section 273.121. For this purpose, "meeting days" is defined as any day of the week excluding Sunday. At the board's discretion, "meeting days" may include Saturday. No action taken by the county board of review after June 30 is valid, except for corrections permitted in sections 273.01 and 274.01. The county auditor shall keep an accurate record of the proceedings and orders of the board. The record must be published like other proceedings of county commissioners. A copy of the published record must be sent to the commissioner of revenue, ~~with the abstract of assessment required by section 274.16~~ within five days following final action of the county board of equalization.

For counties that conduct either regular board of review meetings or open book meetings, at least one of the meeting days must include a meeting that does not end before 7:00 p.m. For counties that require taxpayer appointments for the board of review, appointments must include some available times that extend until at least 7:00 p.m. The county may have a Saturday meeting in lieu of, or in addition to, the extended meeting times under this paragraph.

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

Sec. 15. Minnesota Statutes 2016, section 274.16, is amended to read:

274.16 CORRECTED LISTS, ~~ABSTRACTS.~~

The county assessor or, in Ramsey County, the official designated by the board of county commissioners shall calculate the changes of the assessment lists determined by the county board of equalization, and make corrections accordingly, in the real or personal lists, or both, and shall make ~~duplicate abstracts~~ duplicates of them. One must be filed in the assessor's office, and one must be forwarded to the commissioner of revenue as provided in section 270C.89.

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

Sec. 16. Minnesota Statutes 2017 Supplement, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **Levy amount.** The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined in this section. The state general levy for commercial-industrial property is \$784,590,000 for taxes payable in 2018 and thereafter. The state general levy for seasonal-recreational property is \$44,190,000 for taxes payable in 2018 and thereafter. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F.

The commissioner shall increase or decrease the preliminary or final rate for a year as necessary to account for errors and tax base changes that affected a preliminary or final rate for either of the two preceding years. Adjustments are allowed to the extent that the necessary information is available to the commissioner at the time the rates for a year must be certified, and for the following reasons:

(1) an erroneous report of taxable value by a local official;

(2) an erroneous calculation by the commissioner; and

(3) an increase or decrease in taxable value for commercial-industrial or seasonal residential recreational property reported ~~on the abstracts of tax lists submitted under section 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89~~ to the commissioner under section 270C.85, subdivision 2, clause (4), for the same year.

The commissioner may, but need not, make adjustments if the total difference in the tax levied for the year would be less than \$100,000.

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

Sec. 17. Minnesota Statutes 2016, section 290B.09, subdivision 1, is amended to read:

Subdivision 1. **Determination; payment.** The county auditor shall determine the total current year's deferred amount of property tax under this chapter in the county, and ~~submit~~ report those amounts ~~as part of the abstracts of tax lists submitted by the county auditors under section 275.29 to the commissioner under section 270C.85, subdivision 2, clause (4).~~ The commissioner may make changes ~~in the abstracts of tax lists~~ as deemed necessary. The commissioner of revenue, after such review, shall pay the deferred amount of property tax to each county treasurer on or before August 31.

The county treasurer shall distribute as part of the October settlement the funds received as if they had been collected as a part of the property tax.

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

Sec. 18. Minnesota Statutes 2016, section 469.177, subdivision 1, is amended to read:

Subdivision 1. **Original net tax capacity.** (a) Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original net tax capacity of the tax increment financing district and that portion of the district overlying any subdistrict as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original net tax capacity has increased or decreased as a result of a change in tax exempt status of property within the district and any subdistrict, reduction or enlargement of the district or changes pursuant to subdivision 4. The auditor shall certify the amount within 30 days after receipt of the request and sufficient information to identify the parcels included in the district. The certification relates to the taxes payable year as provided in subdivision 6.

(b) If the classification under section 273.13 of property located in a district changes to a classification that has a different assessment ratio, the original net tax capacity of that property must be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed.

(c) The amount to be added to the original net tax capacity of the district as a result of previously tax exempt real property within the district becoming taxable equals the net tax capacity of the real property as most recently assessed pursuant to ~~section 273.18~~ information reported to the commissioner under section 270C.85, subdivision 2, clause (4), or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If improvements are made to tax exempt property after the municipality approves the district

and before the parcel becomes taxable, the assessor shall, at the request of the authority, separately assess the estimated market value of the improvements. If the property becomes taxable, the county auditor shall add to original net tax capacity, the net tax capacity of the parcel, excluding the separately assessed improvements. If substantial taxable improvements were made to a parcel after certification of the district and if the property later becomes tax exempt, in whole or part, as a result of the authority acquiring the property through foreclosure or exercise of remedies under a lease or other revenue agreement or as a result of tax forfeiture, the amount to be added to the original net tax capacity of the district as a result of the property again becoming taxable is the amount of the parcel's value that was included in original net tax capacity when the parcel was first certified. The amount to be added to the original net tax capacity of the district as a result of enlargements equals the net tax capacity of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4.

(d) If the net tax capacity of a property increases because the property no longer qualifies under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act, chapter 473H, the Rural Preserve Property Tax Program under section 273.114, or because platted, unimproved property is improved or market value is increased after approval of the plat under section 273.11, subdivision 14a or 14b, the increase in net tax capacity must be added to the original net tax capacity. If the net tax capacity of a property increases because the property no longer qualifies for the homestead market value exclusion under section 273.13, subdivision 35, the increase in net tax capacity must be added to original net tax capacity if the original construction of the affected home was completed before the date the assessor certified the original net tax capacity of the district.

(e) The amount to be subtracted from the original net tax capacity of the district as a result of previously taxable real property within the district becoming tax exempt or qualifying in whole or part for an exclusion from taxable market value, or a reduction in the geographic area of the district, shall be the amount of original net tax capacity initially attributed to the property becoming tax exempt, being excluded from taxable market value, or being removed from the district. If the net tax capacity of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original net tax capacity of the district when the property upon which the abatement is made has not been improved

since the date of certification of the district and to the captured net tax capacity of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

(f) If a parcel of property contained a substandard building or improvements described in section 469.174, subdivision 10, paragraph (e), that were demolished or removed and if the authority elects to treat the parcel as occupied by a substandard building under section 469.174, subdivision 10, paragraph (b), or by improvements under section 469.174, subdivision 10, paragraph (e), the auditor shall certify the original net tax capacity of the parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated market value of the parcel for the year in which the building or other improvements were demolished or removed, but applying the classification rates for the current year.

(g) For a redevelopment district qualifying under section 469.174, subdivision 10, paragraph (a), clause (4), as a qualified disaster area, the auditor shall certify the value of the land as the original tax capacity for any parcel in the district that contains a building that suffered substantial damage as a result of the disaster or emergency.

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

Sec. 19. **REPEALER.**

Minnesota Statutes 2016, section 275.29, is repealed.

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

ARTICLE 14

DEPARTMENT OF REVENUE; MISCELLANEOUS; TECHNICAL CHANGES

Section 1. Minnesota Statutes 2016, section 272.02, subdivision 27, is amended to read:

Subd. 27. **Superior National Forest; recreational property for use by ~~disabled~~ veterans with a disability.** Real and personal property is exempt if it is located in the Superior National Forest, and owned or leased and operated by a nonprofit organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code and primarily used to provide recreational opportunities for ~~disabled~~ veterans with a disability and their families.

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

171.1 Sec. 2. Minnesota Statutes 2016, section 272.02, subdivision 81, is amended to read:

171.2 Subd. 81. **Certain recreational property for ~~disabled~~ veterans with a disability.** Real
171.3 and personal property is exempt if it is located in a county in the metropolitan area with a
171.4 population of less than 500,000 according to the 2000 federal census, and owned or leased
171.5 and operated by a nonprofit organization, and primarily used to provide recreational
171.6 opportunities for ~~disabled~~ veterans with a disability and their families.

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

171.8 Sec. 3. Minnesota Statutes 2016, section 273.032, is amended to read:

171.9 **273.032 MARKET VALUE DEFINITION.**

171.10 (a) Unless otherwise provided, for the purpose of determining any property tax levy
171.11 limitation based on market value or any limit on net debt, the issuance of bonds, certificates
171.12 of indebtedness, or capital notes based on market value, any qualification to receive state
171.13 aid based on market value, or any state aid amount based on market value, the terms "market
171.14 value," "estimated market value," and "market valuation," whether equalized or unequalized,
171.15 mean the estimated market value of taxable property within the local unit of government
171.16 before any of the following or similar adjustments for:

171.17 (1) the market value exclusions under:

171.18 (i) section 273.11, subdivisions 14a and 14c (vacant platted land);

171.19 (ii) section 273.11, subdivision 16 (certain improvements to homestead property);

171.20 (iii) section 273.11, subdivisions 19 and 20 (certain improvements to business properties);

171.21 (iv) section 273.11, subdivision 21 (homestead property damaged by mold);

171.22 (v) section 273.13, subdivision 34 (homestead of a ~~disabled~~ veteran with a disability or
171.23 family caregiver); or

171.24 (vi) section 273.13, subdivision 35 (homestead market value exclusion); or

171.25 (2) the deferment of value under:

171.26 (i) the Minnesota Agricultural Property Tax Law, section 273.111;

171.27 (ii) the Aggregate Resource Preservation Law, section 273.1115;

171.28 (iii) the Minnesota Open Space Property Tax Law, section 273.112;

171.29 (iv) the rural preserves property tax program, section 273.114; or

171.30 (v) the Metropolitan Agricultural Preserves Act, section 473H.10; or

172.1 (3) the adjustments to tax capacity for:

172.2 (i) tax increment financing under sections 469.174 to 469.1794;

172.3 (ii) fiscal disparities under chapter 276A or 473F; or

172.4 (iii) powerline credit under section 273.425.

172.5 (b) Estimated market value under paragraph (a) also includes the market value of
172.6 tax-exempt property if the applicable law specifically provides that the limitation,
172.7 qualification, or aid calculation includes tax-exempt property.

172.8 (c) Unless otherwise provided, "market value," "estimated market value," and "market
172.9 valuation" for purposes of property tax levy limitations and calculation of state aid, refer
172.10 to the estimated market value for the previous assessment year and for purposes of limits
172.11 on net debt, the issuance of bonds, certificates of indebtedness, or capital notes refer to the
172.12 estimated market value as last finally equalized.

172.13 (d) For purposes of a provision of a home rule charter or of any special law that is not
172.14 codified in the statutes and that imposes a levy limitation based on market value or any limit
172.15 on debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market
172.16 value, the terms "market value," "taxable market value," and "market valuation," whether
172.17 equalized or unequalized, mean "estimated market value" as defined in paragraph (a).

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

172.19 Sec. 4. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 22, is amended
172.20 to read:

172.21 Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and
172.22 (c), real estate which is residential and used for homestead purposes is class 1a. In the case
172.23 of a duplex or triplex in which one of the units is used for homestead purposes, the entire
172.24 property is deemed to be used for homestead purposes. The market value of class 1a property
172.25 must be determined based upon the value of the house, garage, and land.

172.26 The first \$500,000 of market value of class 1a property has a net classification rate of
172.27 one percent of its market value; and the market value of class 1a property that exceeds
172.28 \$500,000 has a classification rate of 1.25 percent of its market value.

172.29 (b) Class 1b property includes homestead real estate or homestead manufactured homes
172.30 used for the purposes of a homestead by:

172.31 (1) any person who is blind as defined in section 256D.35, or the ~~blind~~ person who is
172.32 blind and the ~~blind person's~~ spouse of the person who is blind;

173.1 (2) any person who is permanently and totally disabled or by the ~~disabled~~ person with
173.2 a disability and the ~~disabled person's~~ spouse of the person with a disability; or

173.3 (3) the surviving spouse of a veteran who was permanently and totally disabled ~~veteran~~
173.4 homesteading a property classified under this paragraph for taxes payable in 2008.

173.5 Property is classified and assessed under clause (2) only if the government agency or
173.6 income-providing source certifies, upon the request of the homestead occupant, that the
173.7 homestead occupant satisfies the disability requirements of this paragraph, and that the
173.8 property is not eligible for the valuation exclusion under subdivision 34.

173.9 Property is classified and assessed under paragraph (b) only if the commissioner of
173.10 revenue or the county assessor certifies that the homestead occupant satisfies the requirements
173.11 of this paragraph.

173.12 Permanently and totally disabled for the purpose of this subdivision means a condition
173.13 which is permanent in nature and totally incapacitates the person from working at an
173.14 occupation which brings the person an income. The first \$50,000 market value of class 1b
173.15 property has a net classification rate of .45 percent of its market value. The remaining market
173.16 value of class 1b property is classified as class 1a or class 2a property, whichever is
173.17 appropriate.

173.18 (c) Class 1c property is commercial use real and personal property that abuts public
173.19 water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by
173.20 the Department of Natural Resources, and is devoted to temporary and seasonal residential
173.21 occupancy for recreational purposes but not devoted to commercial purposes for more than
173.22 250 days in the year preceding the year of assessment, and that includes a portion used as
173.23 a homestead by the owner, which includes a dwelling occupied as a homestead by a
173.24 shareholder of a corporation that owns the resort, a partner in a partnership that owns the
173.25 resort, or a member of a limited liability company that owns the resort even if the title to
173.26 the homestead is held by the corporation, partnership, or limited liability company. For
173.27 purposes of this paragraph, property is devoted to a commercial purpose on a specific day
173.28 if any portion of the property, excluding the portion used exclusively as a homestead, is
173.29 used for residential occupancy and a fee is charged for residential occupancy. Class 1c
173.30 property must contain three or more rental units. A "rental unit" is defined as a cabin,
173.31 condominium, townhouse, sleeping room, or individual camping site equipped with water
173.32 and electrical hookups for recreational vehicles. Class 1c property must provide recreational
173.33 activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill
173.34 or cross-country ski equipment; provide marina services, launch services, or guide services;

or sell bait and fishing tackle. Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may remain available for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. If the same owner owns two separate parcels that are located in the same township, and one of those properties is classified as a class 1c property and the other would be eligible to be classified as a class 1c property if it was used as the homestead of the owner, both properties will be assessed as a single class 1c property; for purposes of this sentence, properties are deemed to be owned by the same owner if each of them is owned by a limited liability company, and both limited liability companies have the same membership. The portion of the property used as a homestead is class 1a property under paragraph (a). The remainder of the property is classified as follows: the first \$600,000 of market value is tier I, the next \$1,700,000 of market value is tier II, and any remaining market value is tier III. The classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes in which all or a portion of the property was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated as class 1c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located must be designated as class 3a commercial. The owner of property desiring designation as class 1c property must provide guest registers or other records demonstrating that the units for which class 1c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

(d) Class 1d property includes structures that meet all of the following criteria:

(1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;

(2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying

175.1 the property, provided that use of the structure for storage of farm equipment and produce
175.2 does not disqualify the property from classification under this paragraph;

175.3 (3) the structure meets all applicable health and safety requirements for the appropriate
175.4 season; and

175.5 (4) the structure is not salable as residential property because it does not comply with
175.6 local ordinances relating to location in relation to streets or roads.

175.7 The market value of class 1d property has the same classification rates as class 1a property
175.8 under paragraph (a).

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

175.10 Sec. 5. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 34, is amended
175.11 to read:

175.12 Subd. 34. **Homestead of ~~disabled~~ veteran with a disability or family caregiver.** (a)

175.13 All or a portion of the market value of property owned by a veteran and serving as the
175.14 veteran's homestead under this section is excluded in determining the property's taxable
175.15 market value if the veteran has a service-connected disability of 70 percent or more as
175.16 certified by the United States Department of Veterans Affairs. To qualify for exclusion
175.17 under this subdivision, the veteran must have been honorably discharged from the United
175.18 States armed forces, as indicated by United States Government Form DD214 or other official
175.19 military discharge papers.

175.20 (b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded,
175.21 except as provided in clause (2); and

175.22 (2) for a total (100 percent) and permanent disability, \$300,000 of market value is
175.23 excluded.

175.24 (c) If a ~~disabled~~ veteran with a disability qualifying for a valuation exclusion under
175.25 paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the
175.26 veteran the spouse holds the legal or beneficial title to the homestead and permanently
175.27 resides there, the exclusion shall carry over to the benefit of the veteran's spouse for the
175.28 current taxes payable year and for eight additional taxes payable years or until such time
175.29 as the spouse remarries, or sells, transfers, or otherwise disposes of the property, whichever
175.30 comes first. Qualification under this paragraph requires an application under paragraph (h),
175.31 and a spouse must notify the assessor if there is a change in the spouse's marital status,
175.32 ownership of the property, or use of the property as a permanent residence.

(d) If the spouse of a member of any branch or unit of the United States armed forces who dies due to a service-connected cause while serving honorably in active service, as indicated on United States Government Form DD1300 or DD2064, holds the legal or beneficial title to a homestead and permanently resides there, the spouse is entitled to the benefit described in paragraph (b), clause (2), for eight taxes payable years, or until such time as the spouse remarries or sells, transfers, or otherwise disposes of the property, whichever comes first.

(e) If a veteran meets the disability criteria of paragraph (a) but does not own property classified as homestead in the state of Minnesota, then the homestead of the veteran's primary family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify for under paragraph (b).

(f) In the case of an agricultural homestead, only the portion of the property consisting of the house and garage and immediately surrounding one acre of land qualifies for the valuation exclusion under this subdivision.

(g) A property qualifying for a valuation exclusion under this subdivision is not eligible for the market value exclusion under subdivision 35, or classification under subdivision 22, paragraph (b).

(h) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by July 1 of the first assessment year for which the exclusion is sought. For an application received after July 1, the exclusion shall become effective for the following assessment year. Except as provided in paragraph (c), the owner of a property that has been accepted for a valuation exclusion must notify the assessor if there is a change in ownership of the property or in the use of the property as a homestead.

(i) A first-time application by a qualifying spouse for the market value exclusion under paragraph (d) must be made any time within two years of the death of the service member.

(j) For purposes of this subdivision:

(1) "active service" has the meaning given in section 190.05;

(2) "own" means that the person's name is present as an owner on the property deed;

(3) "primary family caregiver" means a person who is approved by the secretary of the United States Department of Veterans Affairs for assistance as the primary provider of personal care services for an eligible veteran under the Program of Comprehensive Assistance for Family Caregivers, codified as United States Code, title 38, section 1720G; and

(4) "veteran" has the meaning given the term in section 197.447.

177.1 (k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion
177.2 under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit
177.3 under paragraph (b), clause (2), for eight taxes payable years or until the spouse remarries
177.4 or sells, transfers, or otherwise disposes of the property if:

177.5 (1) the spouse files a first-time application within two years of the death of the service
177.6 member or by June 1, 2019, whichever is later;

177.7 (2) upon the death of the veteran, the spouse holds the legal or beneficial title to the
177.8 homestead and permanently resides there;

177.9 (3) the veteran met the honorable discharge requirements of paragraph (a); and

177.10 (4) the United States Department of Veterans Affairs certifies that:

177.11 (i) the veteran met the total (100 percent) and permanent disability requirement under
177.12 paragraph (b), clause (2); or

177.13 (ii) the spouse has been awarded dependency and indemnity compensation.

177.14 (l) The purpose of this provision of law providing a level of homestead property tax
177.15 relief for ~~gravely disabled~~ veterans with a disability, their primary family caregivers, and
177.16 their surviving spouses is to help ease the burdens of war for those among our state's citizens
177.17 who bear those burdens most heavily.

177.18 (m) By July 1, the county veterans service officer must certify the disability rating and
177.19 permanent address of each veteran receiving the benefit under paragraph (b) to the assessor.

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

177.21 Sec. 6. Minnesota Statutes 2016, section 289A.08, subdivision 6, is amended to read:

177.22 Subd. 6. **Returns of married persons.** ~~A husband and wife~~ Individuals who are married
177.23 to each other must file a joint Minnesota income tax return if they filed a joint federal income
177.24 tax return. If the ~~husband and wife~~ spouses have elected to file separate federal income tax
177.25 returns, they must file separate Minnesota income tax returns. This election to file a joint
177.26 or separate return must be changed if they change their election for federal purposes. In the
177.27 event taxpayers desire to change their election, the change must be done in the manner and
177.28 on the form prescribed by the commissioner.

177.29 The determination of whether an individual is married shall be made under the provisions
177.30 of section 7703 of the Internal Revenue Code.

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

178.1 Sec. 7. Minnesota Statutes 2016, section 289A.25, subdivision 1, is amended to read:

178.2 Subdivision 1. **Requirements to pay.** An individual, trust, S corporation, or partnership
178.3 must, when prescribed in subdivision 3, paragraph (b), make payments of estimated tax.
178.4 For individuals, the term "estimated tax" means the amount the taxpayer estimates is the
178.5 sum of the taxes imposed by chapter 290 for the taxable year. For trusts, S corporations,
178.6 and partnerships, the term estimated tax means the amount the taxpayer estimates is the
178.7 sum of the taxes for the taxable year imposed by chapter 290 and the composite income tax
178.8 imposed by section 289A.08, subdivision 7. If the individual is an infant or incompetent
178.9 person, the payments must be made by the individual's guardian. If joint payments on
178.10 estimated tax are made but a joint return is not made for the taxable year, the estimated tax
178.11 for that year may be treated as the estimated tax of either ~~the husband or the wife~~ spouse or
178.12 may be divided between them.

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

178.14 Sec. 8. Minnesota Statutes 2016, section 289A.31, subdivision 2, is amended to read:

178.15 Subd. 2. **Joint income tax returns.** (a) If a joint income tax return is made by ~~a husband~~
178.16 ~~and wife~~ spouses, the liability for the tax is joint and several. A spouse who qualifies for
178.17 relief from a liability attributable to an underpayment under section 6015(b) of the Internal
178.18 Revenue Code is relieved of the state income tax liability on the underpayment.

178.19 (b) In the case of individuals who were ~~a husband and wife~~ married as determined in
178.20 section 7703 of the Internal Revenue Code prior to the dissolution of their marriage or their
178.21 legal separation, or prior to the death of one of the individuals, for tax liabilities reported
178.22 on a joint or combined return, the liability of each person is limited to the proportion of the
178.23 tax due on the return that equals that person's proportion of the total tax due if ~~the husband~~
178.24 ~~and wife~~ each spouse filed separate returns for the taxable year. This provision is effective
178.25 only when the commissioner receives written notice of the marriage dissolution, legal
178.26 separation, or death of a spouse from the ~~husband or wife~~ surviving spouse. No refund may
178.27 be claimed by an ex-spouse, legally separated or widowed spouse for any taxes paid more
178.28 than 60 days before receipt by the commissioner of the written notice.

178.29 (c) A request for calculation of separate liability pursuant to paragraph (b) for taxes
178.30 reported on a return must be made within six years after the due date of the return. For
178.31 calculation of separate liability for taxes assessed by the commissioner under section 289A.35
178.32 or 289A.37, the request must be made within six years after the date of assessment. The
178.33 commissioner is not required to calculate separate liability if the remaining unpaid liability
178.34 for which recalculation is requested is \$100 or less.

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

179.2 Sec. 9. Minnesota Statutes 2016, section 289A.37, subdivision 6, is amended to read:

179.3 Subd. 6. **Order of assessment if joint income tax return.** If a joint income tax return
179.4 is filed by a ~~husband and wife~~ spouses, an order of assessment may be a single joint notice.
179.5 If the commissioner has been notified by either spouse that that spouse's address has changed
179.6 and if that spouse requests it, then, instead of the single joint notice mailed to the last known
179.7 address of the ~~husband and wife~~ spouses, a duplicate or original of the joint notice must be
179.8 sent to the requesting spouse at the address designated by the requesting spouse. The other
179.9 joint notice must be mailed to the other spouse at that spouse's last known address. An
179.10 assessment is not invalid for failure to send it to a spouse if the spouse actually receives the
179.11 notice in the same period as if it had been mailed to that spouse at the correct address or if
179.12 the spouse has failed to provide an address to the commissioner other than the last known
179.13 address.

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

179.15 Sec. 10. Minnesota Statutes 2016, section 290.0802, subdivision 2, is amended to read:

179.16 Subd. 2. **Subtraction.** (a) A qualified individual is allowed a subtraction from federal
179.17 taxable income of the individual's subtraction base amount. The excess of the subtraction
179.18 base amount over the taxable net income computed without regard to the subtraction for
179.19 the elderly or ~~disabled~~ a person with a disability under section 290.0132, subdivision 5,
179.20 may be used to reduce the amount of a lump sum distribution subject to tax under section
179.21 290.032.

179.22 (b)(1) The initial subtraction base amount equals

179.23 (i) \$12,000 for a married taxpayer filing a joint return if a spouse is a qualified individual,

179.24 (ii) \$9,600 for a single taxpayer, and

179.25 (iii) \$6,000 for a married taxpayer filing a separate federal return.

179.26 (2) The qualified individual's initial subtraction base amount, then, must be reduced by
179.27 the sum of nontaxable retirement and disability benefits and one-half of the amount of
179.28 adjusted gross income in excess of the following thresholds:

179.29 (i) \$18,000 for a married taxpayer filing a joint return if both spouses are qualified
179.30 individuals,

180.1 (ii) \$14,500 for a single taxpayer or for a married couple filing a joint return if only one
180.2 spouse is a qualified individual, and

180.3 (iii) \$9,000 for a married taxpayer filing a separate federal return.

180.4 (3) In the case of a qualified individual who is under the age of 65, the maximum amount
180.5 of the subtraction base may not exceed the taxpayer's disability income.

180.6 (4) The resulting amount is the subtraction base amount.

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

180.8 Sec. 11. Minnesota Statutes 2016, section 290.0802, subdivision 3, is amended to read:

180.9 Subd. 3. **Restrictions; married couples.** Except in the case of a ~~husband and wife~~
180.10 spouses who live apart at all times during the taxable year, if the taxpayer is married at the
180.11 close of the taxable year, the subtraction under subdivision 2 is allowable only if the taxpayers
180.12 file joint federal and state income tax returns for the taxable year.

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

180.14 Sec. 12. Minnesota Statutes 2017 Supplement, section 290.091, subdivision 2, is amended
180.15 to read:

180.16 Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following
180.17 terms have the meanings given.

180.18 (a) "Alternative minimum taxable income" means the sum of the following for the taxable
180.19 year:

180.20 (1) the taxpayer's federal alternative minimum taxable income as defined in section
180.21 55(b)(2) of the Internal Revenue Code;

180.22 (2) the taxpayer's itemized deductions allowed in computing federal alternative minimum
180.23 taxable income, but excluding:

180.24 (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;

180.25 (ii) the medical expense deduction;

180.26 (iii) the casualty, theft, and disaster loss deduction; and

180.27 (iv) the impairment-related work expenses of a ~~disabled~~ person with a disability;

180.28 (3) for depletion allowances computed under section 613A(c) of the Internal Revenue
180.29 Code, with respect to each property (as defined in section 614 of the Internal Revenue Code),

181.1 to the extent not included in federal alternative minimum taxable income, the excess of the
181.2 deduction for depletion allowable under section 611 of the Internal Revenue Code for the
181.3 taxable year over the adjusted basis of the property at the end of the taxable year (determined
181.4 without regard to the depletion deduction for the taxable year);

181.5 (4) to the extent not included in federal alternative minimum taxable income, the amount
181.6 of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue
181.7 Code determined without regard to subparagraph (E);

181.8 (5) to the extent not included in federal alternative minimum taxable income, the amount
181.9 of interest income as provided by section 290.0131, subdivision 2; and

181.10 (6) the amount of addition required by section 290.0131, subdivisions 9 to 11;

181.11 less the sum of the amounts determined under the following:

181.12 (i) interest income as defined in section 290.0132, subdivision 2;

181.13 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision
181.14 3, to the extent included in federal alternative minimum taxable income;

181.15 (iii) the amount of investment interest paid or accrued within the taxable year on
181.16 indebtedness to the extent that the amount does not exceed net investment income, as defined
181.17 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted
181.18 in computing federal adjusted gross income;

181.19 (iv) amounts subtracted from federal taxable income as provided by section 290.0132,
181.20 subdivisions 7, 9 to 15, 17, 21, 24, and 26; and

181.21 (v) the amount of the net operating loss allowed under section 290.095, subdivision 11,
181.22 paragraph (c).

181.23 In the case of an estate or trust, alternative minimum taxable income must be computed
181.24 as provided in section 59(c) of the Internal Revenue Code.

181.25 (b) "Investment interest" means investment interest as defined in section 163(d)(3) of
181.26 the Internal Revenue Code.

181.27 (c) "Net minimum tax" means the minimum tax imposed by this section.

181.28 (d) "Regular tax" means the tax that would be imposed under this chapter (without regard
181.29 to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed
181.30 under this chapter.

182.1 (e) "Tentative minimum tax" equals 6.75 percent of alternative minimum taxable income
182.2 after subtracting the exemption amount determined under subdivision 3.

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

182.4 Sec. 13. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 3, is amended
182.5 to read:

182.6 Subd. 3. **Income.** (a) "Income" means the sum of the following:

182.7 (1) federal adjusted gross income as defined in the Internal Revenue Code; and

182.8 (2) the sum of the following amounts to the extent not included in clause (1):

182.9 (i) all nontaxable income;

182.10 (ii) the amount of a passive activity loss that is not disallowed as a result of section 469,
182.11 paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss
182.12 carryover allowed under section 469(b) of the Internal Revenue Code;

182.13 (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a
182.14 solvent individual excluded from gross income under section 108(g) of the Internal Revenue
182.15 Code;

182.16 (iv) cash public assistance and relief;

182.17 (v) any pension or annuity (including railroad retirement benefits, all payments received
182.18 under the federal Social Security Act, Supplemental Security Income, and veterans benefits),
182.19 which was not exclusively funded by the claimant or spouse, or which was funded exclusively
182.20 by the claimant or spouse and which funding payments were excluded from federal adjusted
182.21 gross income in the years when the payments were made;

182.22 (vi) interest received from the federal or a state government or any instrumentality or
182.23 political subdivision thereof;

182.24 (vii) workers' compensation;

182.25 (viii) nontaxable strike benefits;

182.26 (ix) the gross amounts of payments received in the nature of disability income or sick
182.27 pay as a result of accident, sickness, or other disability, whether funded through insurance
182.28 or otherwise;

182.29 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of
182.30 1986, as amended through December 31, 1995;

183.1 (xi) contributions made by the claimant to an individual retirement account, including
183.2 a qualified voluntary employee contribution; simplified employee pension plan;
183.3 self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of
183.4 the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal
183.5 Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for
183.6 the claimant and spouse;

183.7 (xii) to the extent not included in federal adjusted gross income, distributions received
183.8 by the claimant or spouse from a traditional or Roth style retirement account or plan;

183.9 (xiii) nontaxable scholarship or fellowship grants;

183.10 (xiv) the amount of deduction allowed under section 199 of the Internal Revenue Code;

183.11 (xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue
183.12 Code;

183.13 (xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue
183.14 Code; and

183.15 (xvii) the amount deducted for certain expenses of elementary and secondary school
183.16 teachers under section 62(a)(2)(D) of the Internal Revenue Code.

183.17 In the case of an individual who files an income tax return on a fiscal year basis, the
183.18 term "federal adjusted gross income" shall mean federal adjusted gross income reflected in
183.19 the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced
183.20 by the amount of a net operating loss carryback or carryforward or a capital loss carryback
183.21 or carryforward allowed for the year.

183.22 (b) "Income" does not include:

183.23 (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

183.24 (2) amounts of any pension or annuity which was exclusively funded by the claimant
183.25 or spouse and which funding payments were not excluded from federal adjusted gross
183.26 income in the years when the payments were made;

183.27 (3) to the extent included in federal adjusted gross income, amounts contributed by the
183.28 claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed
183.29 the retirement base amount reduced by the amount of contributions excluded from federal
183.30 adjusted gross income, but not less than zero;

183.31 (4) surplus food or other relief in kind supplied by a governmental agency;

183.32 (5) relief granted under this chapter;

184.1 (6) child support payments received under a temporary or final decree of dissolution or
184.2 legal separation; or

184.3 (7) restitution payments received by eligible individuals and excludable interest as
184.4 defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001,
184.5 Public Law 107-16.

184.6 (c) The sum of the following amounts may be subtracted from income:

184.7 (1) for the claimant's first dependent, the exemption amount multiplied by 1.4;

184.8 (2) for the claimant's second dependent, the exemption amount multiplied by 1.3;

184.9 (3) for the claimant's third dependent, the exemption amount multiplied by 1.2;

184.10 (4) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

184.11 (5) for the claimant's fifth dependent, the exemption amount; and

184.12 (6) if the claimant or claimant's spouse ~~was disabled~~ had a disability or attained the age
184.13 of 65 on or before December 31 of the year for which the taxes were levied or rent paid,
184.14 the exemption amount.

184.15 (d) For purposes of this subdivision, the "exemption amount" means the exemption
184.16 amount under section 151(d) of the Internal Revenue Code for the taxable year for which
184.17 the income is reported; "retirement base amount" means the deductible amount for the
184.18 taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue
184.19 Code, adjusted for inflation as provided in section 219(b)(5)(C) of the Internal Revenue
184.20 Code, without regard to whether the claimant or spouse claimed a deduction; and "traditional
184.21 or Roth style retirement account or plan" means retirement plans under sections 401, 403,
184.22 408, 408A, and 457 of the Internal Revenue Code.

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

184.24 Sec. 14. Minnesota Statutes 2016, section 290A.03, subdivision 4, is amended to read:

184.25 Subd. 4. **Household.** "Household" means a claimant and an individual related to the
184.26 claimant as ~~husband or wife~~ the claimant's spouse who are domiciled in the same homestead.

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

185.1 Sec. 15. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 8, is amended
185.2 to read:

185.3 Subd. 8. **Claimant.** (a) "Claimant" means a person, other than a dependent, as defined
185.4 under sections 151 and 152 of the Internal Revenue Code disregarding section 152(b)(3)
185.5 of the Internal Revenue Code, who filed a claim authorized by this chapter and who was a
185.6 resident of this state as provided in chapter 290 during the calendar year for which the claim
185.7 for relief was filed.

185.8 (b) In the case of a claim relating to rent constituting property taxes, the claimant shall
185.9 have resided in a rented or leased unit on which ad valorem taxes or payments made in lieu
185.10 of ad valorem taxes, including payments of special assessments imposed in lieu of ad valorem
185.11 taxes, are payable at some time during the calendar year covered by the claim.

185.12 (c) "Claimant" shall not include a resident of a nursing home, intermediate care facility,
185.13 long-term residential facility, or a facility that accepts housing support payments whose
185.14 rent constituting property taxes is paid pursuant to the Supplemental Security Income
185.15 program under title XVI of the Social Security Act, the Minnesota supplemental aid program
185.16 under sections 256D.35 to 256D.54, the medical assistance program pursuant to title XIX
185.17 of the Social Security Act, or the housing support program under chapter 256I.

185.18 If only a portion of the rent constituting property taxes is paid by these programs, the
185.19 resident shall be a claimant for purposes of this chapter, but the refund calculated pursuant
185.20 to section 290A.04 shall be multiplied by a fraction, the numerator of which is income as
185.21 defined in subdivision 3, paragraphs (a) and (b), reduced by the total amount of income
185.22 from the above sources other than vendor payments under the medical assistance program
185.23 and the denominator of which is income as defined in subdivision 3, paragraphs (a) and (b),
185.24 plus vendor payments under the medical assistance program, to determine the allowable
185.25 refund pursuant to this chapter.

185.26 (d) Notwithstanding paragraph (c), if the claimant was a resident of the nursing home,
185.27 intermediate care facility, long-term residential facility, or facility for which the rent was
185.28 paid for the claimant by the housing support program for only a portion of the calendar year
185.29 covered by the claim, the claimant may compute rent constituting property taxes by
185.30 disregarding the rent constituting property taxes from the nursing home or facility and use
185.31 only that amount of rent constituting property taxes or property taxes payable relating to
185.32 that portion of the year when the claimant was not in the facility. The claimant's household
185.33 income is the income for the entire calendar year covered by the claim.

(e) In the case of a claim for rent constituting property taxes of a part-year Minnesota resident, the income and rental reflected in this computation shall be for the period of Minnesota residency only. Any rental expenses paid which may be reflected in arriving at federal adjusted gross income cannot be utilized for this computation. When two individuals of a household are able to meet the qualifications for a claimant, they may determine among them as to who the claimant shall be. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. If a homestead property owner was a part-year Minnesota resident, the income reflected in the computation made pursuant to section 290A.04 shall be for the entire calendar year, including income not assignable to Minnesota.

(f) If a homestead is occupied by two or more renters, who are not ~~husband and wife married to each other~~, the rent shall be deemed to be paid equally by each, and separate claims shall be filed by each. The income of each shall be each renter's household income for purposes of computing the amount of credit to be allowed.

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

Sec. 16. Minnesota Statutes 2016, section 290A.05, is amended to read:

290A.05 COMBINED HOUSEHOLD INCOME.

If a person occupies a homestead with another person ~~or persons~~ not related to the person as ~~husband and wife~~ the person's spouse, excluding dependents, roomers or boarders on contract, and has property tax payable with respect to the homestead, the household income of the claimant or claimants for the purpose of computing the refund allowed by section 290A.04 shall include the total income received by the other persons residing in the homestead. For purposes of this section, "dependent" includes a parent of the claimant or spouse who lives in the claimant's homestead and does not have an ownership interest in the homestead. If a person occupies a homestead with another person or persons not related to the person as ~~husband and wife~~ the person's spouse or as dependents, the property tax payable or rent constituting property tax shall be reduced as follows.

If the other person or persons are residing at the homestead under rental or lease agreement, the amount of property tax payable or rent constituting property tax shall be that portion not covered by the rental agreement.

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

187.1 Sec. 17. Minnesota Statutes 2016, section 290A.08, is amended to read:

187.2 **290A.08 ONE CLAIMANT PER HOUSEHOLD.**

187.3 Only one claimant per household per year is entitled to relief under this chapter. Payment
187.4 of the claim for relief may be made payable to the ~~husband and wife~~ spouses as one claimant.
187.5 The commissioner, upon written request, may issue separate checks, to the ~~husband and~~
187.6 ~~wife~~ spouses for one-half of the relief provided the original check has not been issued or
187.7 has been returned. Individuals related as ~~husband and wife~~ spouses who were married during
187.8 the year may elect to file a joint claim which shall include each spouse's income, rent
187.9 constituting property taxes, and property taxes payable. ~~Husbands and wives~~ Spouses who
187.10 were married for the entire year and were domiciled in the same household for the entire
187.11 year must file a joint claim. The maximum dollar amount allowable for a joint claim shall
187.12 not exceed the amount that one person could receive.

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

187.14 Sec. 18. Minnesota Statutes 2016, section 290A.09, is amended to read:

187.15 **290A.09 PROOF OF CLAIM.**

187.16 Every claimant shall supply to the commissioner of revenue, in support of the claim,
187.17 proof of eligibility under this chapter, including but not limited to amount of rent paid or
187.18 property taxes accrued, name and address of owner or managing agent of property rented,
187.19 changes in homestead, household membership, household income, size and nature of property
187.20 claimed as a homestead.

187.21 ~~Disabled~~ Persons with a disability filing claims shall submit proof of disability in the
187.22 form and manner as the commissioner may prescribe. The department may require
187.23 examination and certification by the claimant's physician or by a physician designated by
187.24 the commissioner. The cost of any examination shall be borne by the claimant, unless the
187.25 examination proves the disability, in which case the cost of the examination shall be borne
187.26 by the commissioner.

187.27 A determination of disability of a claimant by the Social Security Administration under
187.28 Title II or Title XVI of the Social Security Act shall constitute presumptive proof of disability.

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

188.1 Sec. 19. Minnesota Statutes 2016, section 297A.61, subdivision 18, is amended to read:

188.2 Subd. 18. **Disabled Person with a disability.** "~~Disabled~~ Person with a disability" means
188.3 an individual who has a permanent and total disability as defined in section 273.13,
188.4 subdivision 22.

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

188.6 Sec. 20. Minnesota Statutes 2017 Supplement, section 297A.67, subdivision 6, is amended
188.7 to read:

188.8 Subd. 6. **Other exempt meals.** (a) Prepared food, candy, and soft drinks purchased for
188.9 and served exclusively to individuals who are 60 years of age or over and their spouses or
188.10 ~~disabled~~ persons with a disability and their spouses by governmental agencies, nonprofit
188.11 organizations, or churches, or pursuant to any program funded in whole or in part through
188.12 United States Code, title 42, sections 3001 through 3045, wherever delivered, prepared, or
188.13 served, are exempt. Taxable food sold through vending machines is not exempt.

188.14 (b) Prepared food, candy, and soft drinks purchased for and served exclusively to children
188.15 who are less than 14 years of age or ~~disabled~~ children with a disability who are less than
188.16 16 years of age and who are attending a child care or early childhood education program,
188.17 are exempt if they are:

188.18 (1) purchased by a nonprofit child care facility that is exempt under section 297A.70,
188.19 subdivision 4, and that primarily serves families with income of 250 percent or less of
188.20 federal poverty guidelines; and

188.21 (2) prepared at the site of the child care facility.

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

188.23 Sec. 21. Minnesota Statutes 2016, section 297A.67, subdivision 12, is amended to read:

188.24 Subd. 12. **Parts and accessories used to make a motor vehicle ~~disabled~~ accessible**
188.25 **to a person with a disability.** Parts, accessories, and labor charges that are used solely to
188.26 modify a motor vehicle to make it ~~disabled~~ accessible to persons with a disability are exempt.

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

188.28 Sec. 22. Minnesota Statutes 2016, section 297A.70, subdivision 3, is amended to read:

188.29 Subd. 3. **Sales of certain goods and services to government.** (a) The following sales
188.30 to or use by the specified governments and political subdivisions of the state are exempt:

- 189.1 (1) repair and replacement parts for emergency rescue vehicles, fire trucks, and fire
189.2 apparatus to a political subdivision;
- 189.3 (2) machinery and equipment, except for motor vehicles, used directly for mixed
189.4 municipal solid waste management services at a solid waste disposal facility as defined in
189.5 section 115A.03, subdivision 10;
- 189.6 (3) chore and homemaking services to a political subdivision of the state to be provided
189.7 to elderly individuals or ~~disabled individuals~~ persons with a disability;
- 189.8 (4) telephone services to the Office of MN.IT Services that are used to provide
189.9 telecommunications services through the MN.IT services revolving fund;
- 189.10 (5) firefighter personal protective equipment as defined in paragraph (b), if purchased
189.11 or authorized by and for the use of an organized fire department, fire protection district, or
189.12 fire company regularly charged with the responsibility of providing fire protection to the
189.13 state or a political subdivision;
- 189.14 (6) bullet-resistant body armor that provides the wearer with ballistic and trauma
189.15 protection, if purchased by a law enforcement agency of the state or a political subdivision
189.16 of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;
- 189.17 (7) motor vehicles purchased or leased by political subdivisions of the state if the vehicles
189.18 are exempt from registration under section 168.012, subdivision 1, paragraph (b), exempt
189.19 from taxation under section 473.448, or exempt from the motor vehicle sales tax under
189.20 section 297B.03, clause (12);
- 189.21 (8) equipment designed to process, dewater, and recycle biosolids for wastewater
189.22 treatment facilities of political subdivisions, and materials incidental to installation of that
189.23 equipment;
- 189.24 (9) the removal of trees, bushes, or shrubs for the construction and maintenance of roads,
189.25 trails, or firebreaks when purchased by an agency of the state or a political subdivision of
189.26 the state;
- 189.27 (10) purchases by the Metropolitan Council or the Department of Transportation of
189.28 vehicles and repair parts to equip operations provided for in section 174.90, including, but
189.29 not limited to, the Northstar Corridor Rail project; and
- 189.30 (11) purchases of water used directly in providing public safety services by an organized
189.31 fire department, fire protection district, or fire company regularly charged with the
189.32 responsibility of providing fire protection to the state or a political subdivision.

(b) For purposes of this subdivision, "firefighters personal protective equipment" means helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls; goggles; self-contained breathing apparatus; canister filter masks; personal alert safety systems; spanner belts; optical or thermal imaging search devices; and all safety equipment required by the Occupational Safety and Health Administration.

(c) For purchases of items listed in paragraph (a), clause (10), the tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

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

Sec. 23. Minnesota Statutes 2017 Supplement, section 297A.70, subdivision 4, is amended to read:

Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph (b), to the following "nonprofit organizations" are exempt:

(1) a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes if the item purchased is used in the performance of charitable, religious, or educational functions;

(2) any senior citizen group or association of groups that:

(i) in general limits membership to persons who are either age 55 or older, or ~~physically disabled~~ persons with a physical disability;

(ii) is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, not including housing, no part of the net earnings of which inures to the benefit of any private shareholders; and

(iii) is an exempt organization under section 501(c) of the Internal Revenue Code; and

(3) an organization that qualifies for an exemption for memberships under subdivision 12 if the item is purchased and used in the performance of the organization's mission.

For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery owned by a religious organization.

(b) This exemption does not apply to the following sales:

(1) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed

191.1 maximum price covering both labor and materials for use in the construction, alteration, or
191.2 repair of a building or facility;

191.3 (2) construction materials purchased by tax-exempt entities or their contractors to be
191.4 used in constructing buildings or facilities that will not be used principally by the tax-exempt
191.5 entities;

191.6 (3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2),
191.7 and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67,
191.8 subdivision 2, except wine purchased by an established religious organization for sacramental
191.9 purposes or as allowed under subdivision 9a; and

191.10 (4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except as
191.11 provided in paragraph (c).

191.12 (c) This exemption applies to the leasing of a motor vehicle as defined in section 297B.01,
191.13 subdivision 11, only if the vehicle is:

191.14 (1) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a
191.15 passenger automobile, as defined in section 168.002, if the automobile is designed and used
191.16 for carrying more than nine persons including the driver; and

191.17 (2) intended to be used primarily to transport tangible personal property or individuals,
191.18 other than employees, to whom the organization provides service in performing its charitable,
191.19 religious, or educational purpose.

191.20 (d) A limited liability company also qualifies for exemption under this subdivision if
191.21 (1) it consists of a sole member that would qualify for the exemption, and (2) the items
191.22 purchased qualify for the exemption.

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

191.24 Sec. 24. Minnesota Statutes 2016, section 297A.70, subdivision 16, is amended to read:

191.25 Subd. 16. **Camp fees.** Fees to camps or other recreation facilities are exempt for:

191.26 (1) services primarily for children, adults accompanying children, or persons with
191.27 ~~disabilities~~ a disability; or

191.28 (2) educational or religious activities;

191.29 ~~and if~~ the camp or facilities are owned and operated by an exempt organization under section
191.30 501(c)(3) of the Internal Revenue Code.

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

192.1 Sec. 25. Minnesota Statutes 2016, section 297A.71, subdivision 22, is amended to read:

192.2 Subd. 22. **Materials used to make residential property ~~disabled~~ accessible to persons**
192.3 **with a disability**. Building materials and equipment sold to, or stored, used, or consumed
192.4 by, a nonprofit organization are exempt if:

192.5 (1) the materials and equipment are used or incorporated into modifying an existing
192.6 residential structure to make it ~~disabled~~ accessible to persons with a disability; and

192.7 (2) the materials and equipment used in the modification would qualify for an exemption
192.8 under either subdivision 11 or 12 if made by the current owner of the residence.

192.9 For purposes of this subdivision, "nonprofit organization" means any nonprofit
192.10 corporation, society, association, foundation, or institution organized and operated exclusively
192.11 for charitable, religious, educational, or civic purposes; or a veterans' group exempt from
192.12 federal taxation under section 501(c), clause (19), of the Internal Revenue Code.

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

192.14 Sec. 26. Minnesota Statutes 2017 Supplement, section 297A.75, subdivision 1, is amended
192.15 to read:

192.16 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following
192.17 exempt items must be imposed and collected as if the sale were taxable and the rate under
192.18 section 297A.62, subdivision 1, applied. The exempt items include:

192.19 (1) building materials for an agricultural processing facility exempt under section
192.20 297A.71, subdivision 13;

192.21 (2) building materials for mineral production facilities exempt under section 297A.71,
192.22 subdivision 14;

192.23 (3) building materials for correctional facilities under section 297A.71, subdivision 3;

192.24 (4) building materials used in a residence for ~~disabled~~ veterans with a disability exempt
192.25 under section 297A.71, subdivision 11;

192.26 (5) elevators and building materials exempt under section 297A.71, subdivision 12;

192.27 (6) materials and supplies for qualified low-income housing under section 297A.71,
192.28 subdivision 23;

192.29 (7) materials, supplies, and equipment for municipal electric utility facilities under
192.30 section 297A.71, subdivision 35;

193.1 (8) equipment and materials used for the generation, transmission, and distribution of
193.2 electrical energy and an aerial camera package exempt under section 297A.68, subdivision
193.3 37;

193.4 (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph
193.5 (a), clause (10);

193.6 (10) materials, supplies, and equipment for construction or improvement of projects and
193.7 facilities under section 297A.71, subdivision 40;

193.8 (11) materials, supplies, and equipment for construction, improvement, or expansion
193.9 of:

193.10 (i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014,
193.11 section 297A.71, subdivision 42;

193.12 (ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision
193.13 45;

193.14 (iii) a research and development facility exempt under Minnesota Statutes 2014, section
193.15 297A.71, subdivision 46; and

193.16 (iv) an industrial measurement manufacturing and controls facility exempt under
193.17 Minnesota Statutes 2014, section 297A.71, subdivision 47;

193.18 (12) enterprise information technology equipment and computer software for use in a
193.19 qualified data center exempt under section 297A.68, subdivision 42;

193.20 (13) materials, supplies, and equipment for qualifying capital projects under section
193.21 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);

193.22 (14) items purchased for use in providing critical access dental services exempt under
193.23 section 297A.70, subdivision 7, paragraph (c);

193.24 (15) items and services purchased under a business subsidy agreement for use or
193.25 consumption primarily in greater Minnesota exempt under section 297A.68, subdivision
193.26 44;

193.27 (16) building materials, equipment, and supplies for constructing or replacing real
193.28 property exempt under section 297A.71, subdivision 49; and

193.29 (17) building materials, equipment, and supplies for constructing or replacing real
193.30 property exempt under section 297A.71, subdivision 50, paragraph (b).

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

194.1 Sec. 27. Minnesota Statutes 2016, section 297B.01, subdivision 14, is amended to read:

194.2 Subd. 14. **Purchase price.** (a) "Purchase price" means the total consideration valued
194.3 in money for a sale, whether paid in money or otherwise. The purchase price excludes the
194.4 amount of a manufacturer's rebate paid or payable to the purchaser. If a motor vehicle is
194.5 taken in trade as a credit or as part payment on a motor vehicle taxable under this chapter,
194.6 the credit or trade-in value allowed by the person selling the motor vehicle shall be deducted
194.7 from the total selling price to establish the purchase price of the vehicle being sold and the
194.8 trade-in allowance allowed by the seller shall constitute the purchase price of the motor
194.9 vehicle accepted as a trade-in. The purchase price in those instances where the motor vehicle
194.10 is acquired by gift or by any other transfer for a nominal or no monetary consideration shall
194.11 also include the average value of similar motor vehicles, established by standards and guides
194.12 as determined by the motor vehicle registrar. The purchase price in those instances where
194.13 a motor vehicle is manufactured by a person who registers it under the laws of this state
194.14 shall mean the manufactured cost of such motor vehicle and manufactured cost shall mean
194.15 the amount expended for materials, labor, and other properly allocable costs of manufacture,
194.16 except that in the absence of actual expenditures for the manufacture of a part or all of the
194.17 motor vehicle, manufactured costs shall mean the reasonable value of the completed motor
194.18 vehicle.

194.19 (b) The term "purchase price" shall not include the portion of the value of a motor vehicle
194.20 due solely to modifications necessary to make the motor vehicle ~~disability~~ accessible to
194.21 persons with a disability.

194.22 (c) The term "purchase price" shall not include the transfer of a motor vehicle by way
194.23 of gift between a ~~husband and wife~~ spouses or parent and child, or to a nonprofit organization
194.24 as provided under subdivision 16, paragraph (c), clause (6), nor shall it include the transfer
194.25 of a motor vehicle by a guardian to a ward when there is no monetary consideration and the
194.26 title to such vehicle was registered in the name of the guardian, as guardian, only because
194.27 the ward was a minor.

194.28 (d) The term "purchase price" shall not include the transfer of a motor vehicle as a gift
194.29 between a foster parent and foster child. For purposes of this subdivision, a foster relationship
194.30 exists, regardless of the age of the child, if (1) a foster parent's home is or was licensed as
194.31 a foster family home under Minnesota Rules, parts 2960.3000 to 2960.3340, and (2) the
194.32 county verifies that the child was a state ward or in permanent foster care.

195.1 (e) There shall not be included in "purchase price" the amount of any tax imposed by
195.2 the United States upon or with respect to retail sales whether imposed upon the retailer or
195.3 the consumer.

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

195.5 Sec. 28. Minnesota Statutes 2017 Supplement, section 297B.01, subdivision 16, is amended
195.6 to read:

195.7 Subd. 16. **Sale, sells, selling, purchase, purchased, or acquired.** (a) "Sale," "sells,"
195.8 "selling," "purchase," "purchased," or "acquired" means any transfer of title of any motor
195.9 vehicle, whether absolutely or conditionally, for a consideration in money or by exchange
195.10 or barter for any purpose other than resale in the regular course of business.

195.11 (b) Any motor vehicle utilized by the owner only by leasing such vehicle to others or
195.12 by holding it in an effort to so lease it, and which is put to no other use by the owner other
195.13 than resale after such lease or effort to lease, shall be considered property purchased for
195.14 resale.

195.15 (c) The terms also shall include any transfer of title or ownership of a motor vehicle by
195.16 other means, for or without consideration, except that these terms shall not include:

195.17 (1) the acquisition of a motor vehicle by inheritance from or by bequest of, or
195.18 transfer-on-death of title by, a decedent who owned it;

195.19 (2) the transfer of a motor vehicle which was previously licensed in the names of two
195.20 or more joint tenants and subsequently transferred without monetary consideration to one
195.21 or more of the joint tenants;

195.22 (3) the transfer of a motor vehicle by way of gift from a limited used vehicle dealer
195.23 licensed under section 168.27, subdivision 4a, to an individual, when the transfer is with
195.24 no monetary or other consideration or expectation of consideration and the parties to the
195.25 transfer submit an affidavit to that effect at the time the title transfer is recorded;

195.26 (4) the transfer of a motor vehicle by gift between:

195.27 (i) spouses;

195.28 (ii) parents and a child; or

195.29 (iii) grandparents and a grandchild;

195.30 (5) the voluntary or involuntary transfer of a motor vehicle between ~~a husband and wife~~
195.31 spouses in a divorce proceeding; or

196.1 (6) the transfer of a motor vehicle by way of a gift to an organization that is exempt from
196.2 federal income taxation under section 501(c)(3) of the Internal Revenue Code when the
196.3 motor vehicle will be used exclusively for religious, charitable, or educational purposes.

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

196.5 Sec. 29. Laws 2017, First Special Session chapter 1, article 8, section 3, the effective date,
196.6 is amended to read:

196.7 **EFFECTIVE DATE.** This section is effective for (1) petitions and appeals filed after
196.8 June 30, 2017, for which notices of entry of order are mailed before July 1, 2018, and (2)
196.9 notices of entry of order mailed after June 30, 2018.

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

196.11 Amend the title accordingly