MN HOUSE RESEARCH

Bill Summary

# H.F. 991

As amended by A21-0146

Subject 2021 House omnibus tax bill

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## Article 1: Federal Conformity

This article conforms the state taxes that reference either FAGI or FTI to the federal Internal Revenue Code (IRC) as amended through December 31, 2020. This update encompasses the following five federal acts:

- The Further Consolidated Appropriations Act, 2020 (Public Law 116-94), enacted on December 20, 2019.
- The Families First Coronavirus Response Act (Public Law 116-127), enacted on March 18, 2020.
- The Coronavirus Aid, Relief, and Economic Security (CARES) Act (Public Law 116-136), enacted on March 27, 2020.
- The Paycheck Protection Program and Health Care Enhancement Act (Public Law 116-139), enacted on April 24, 2020.
- The Consolidated Appropriations Act, 2021 (Public Law 116-260), enacted on December 27, 2020.

The bill provides nonconformity to some federal provisions, including:

- For loans forgiven through the federal Paycheck Protection Program (PPP), the bill requires an addition for the amount of associated expenses in excess of $350,000 per loan.
- The federal provision allowing a temporary 100 percent deduction for business meals is not allowed (but the current 50 percent deduction may still be taken).
- Federal changes resulting from three federal credits: the employee retention credit, the payroll credit for sick leave, and the payroll credit for family leave.
- Federal provisions temporarily allowing charitable contributions in excess of 60 percent of the federal contribution base.

The bill also adopts two additional federal changes that are not directly incorporated by reference to federal law:

- For taxpayers with gross income of less than $150,000, a subtraction for up to $10,200 in unemployment compensation. The subtraction is effective for TY 2020, and matches a federal provision enacted in the American Rescue Plan Act (Public Law 117-2).
- For tax year 2020 only, taxpayers may elect to use their 2019 earned income to claim the Minnesota working family credit.

Some federal changes that would otherwise be retroactive are only allowed prospectively. For instance, the carryback provisions for net operating losses allowed under the CARES Act are only allowed as additional delayed state subtractions (as are any NOL deductions allowed in 2018 – 2020 that exceed 80 percent of taxable income). The more generous business interest limits under the CARES Act are also not allowed retroactively, but similarly may be taken as an additional state delayed subtraction.

The tables below describe the provisions which the bill adopts by reference to the updated Internal Revenue Code.

### Individual Income Tax Extenders

| Act(s) | Effective dates | Changes |
|---|---|---|
| FCAA 2020, CAA 2021 | TY 20 and later | **Volunteer firefighter benefits:** Provides for exclusion from gross income for up to $50/month in benefits paid to volunteer firefighters and EMTs. Had previously expired in TY 11. |
| FCAA 2020 | TY 18 – TY 2020 | **Tuition deduction:** Allows above-the-line deduction for up to $4,000 of tuition. Phased down beginning at $130,000 of AGI (MJ). |
| CARES, CAA 2021 | TY 20 – TY 25 | **Exclusion for employer student loan payments:** Extends exclusion for employer student loan payments through TY 2025. Exclusion limited to $5,250 per individual. |
| FCAA 2020, CAA 2021 | TY 18 – TY 25 | **Exclusion from gross income for discharged mortgages on a principal residence:** Provides exclusion from gross income for loan forgiveness on discharged mortgages. This commonly happens in a foreclosure on an underwater mortgage. |

### Charitable Contribution Rules

| Act(s) | Effective dates | Changes |
|---|---|---|
| CARES, CAA 2021 | TY 20, TY 21 | **Charitable contributions of non-itemizers:** Allows above-the-line deduction for cash charitable contributions of non-itemizers. For married taxpayers filing jointly, deduction is $300 in TY 20 and $600 in TY 21. ($150/$300 for others) |
| CARES, CAA 2021 | TY 20, TY 21 | **Charitable contribution limit; corporations:** Increases individual charitable contribution limitation from |

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| | | 10% to 25% of taxable income for TY 20/21. |
| CARES, CAA 2021 | TY 20, TY 21 | **Business food inventory donation limit:** Increases limitation on donations of food inventory from 15% to 25% of either a taxpayer's aggregate net income from all trades and businesses (for individuals) or taxable income (for corporations). |

## Miscellaneous Individual Provisions

| Act(s) | Effective dates | Changes |
|---|---|---|
| FCAA 2020 | TY 19 and later | **Expansion of 529 plans:** Allows qualified distributions from 529 plans to pay for apprenticeship expenses or for student loan payments for the qualified beneficiary or their sibling. |
| CAA 2021 | Grants paid 3/27/2020 or later | **Emergency financial aid grants:** Provides exclusion from gross income for emergency financial aid grants provided to students under CARES. |
| CARES | Distributions during calendar year 2020 | **Special rules for use of retirement funds:** Allows coronavirus-related distributions from retirement accounts of up to $100,000. Income is included in gross income in the 3 years beginning with the year of the distribution. |

## Disaster Relief Provisions

| Act(s) | Effective dates | Changes |
|---|---|---|
| FCAA 2020, CAA 2021 | FCAA 2020: Disasters declared 1/1/2018 to 2/18/20<br>CAA 2021:<br>Disasters declared 1/1/2020 to 2/25/2021 and with incident period after 12/28/2019. | **Special rules for use of retirement funds:** Allows coronavirus-related distributions from retirement accounts of up to $100,000. Income is included in gross income in the 3 years beginning with the year of the distribution. |

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| | | **Disaster-related casualty losses:** Allows deduction for the full amount of disaster-related casualty losses—current Minnesota law limits the casualty loss itemized deduction to losses greater than $100 in excess of 10% of AGI. |

### Paycheck Protection Program

| Act(s) | Effective dates | Changes |
|---|---|---|
| CARES | TY 20, TY 21 | **Exclusion from gross income for forgiven loans:** Provides an exclusion from gross income for loans forgiven through the federal Paycheck Protection Program (PPP). |
| CAA 2021 | TY 20, TY 21 | **Deductibility of PPP business expenses:** Prevents a denial of the business expense deduction for loans forgiven through original PPP program and the second round of PPP authorized in CAA 2021. This overrules federal Department of Treasury guidance from April 2020 which disallowed the business expense deduction for forgiven loans. |
| CAA 2021 | TY 20, TY 21 | **Other loan forgiveness and business financial assistance under CARES:** Provides exclusion from gross income and prevents deduction denial for loan forgiveness through the following programs in the CARES Act:<br>—Treasury Program Management Authority authorized under CARES.<br>—Emergency EIDL Grants and Targeted EIDL Advances under CARES.<br>—Loan subsidies for regular 7(a) SBA loans under section 1112(c) of CARES. |

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| | | —Grants for Shuttered Venue Operators (Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act) under CAA 2021. |

**Business Extenders**

| Act(s) | Effective dates | Changes |
|---|---|---|
| FCAA 2020, CAA 2021 | TY 20 and later | **Interest deduction for aging of liquor.** Creates an exception from the capitalization rules for interest paid during the aging period for beer, wine, and spirits, allowing a deduction in the year the costs are incurred. |
| FCAA 2020, CAA 2021 | TY 18 – 25 | **Expensing for certain productions.** Allows up to $15 million of production costs to be expensed in the year incurred under IRC section 181. |
| FCAA 2020, CAA 2021 | TY 18 – 25 | **Recovery period for motorsports complexes**. Extends the 7-year recovery period provision for motorsports complexes through tax year 2020. |
| FCAA 2020, CAA 2021 | TY 18 – 21 | **Recovery period for racehorses.** Extends the treatment of racehorses as 3 year property (otherwise 7 years). |
| FCAA 2020, CAA 2021 | TY 18 – 21 | **Depreciation on Indian reservations.** Extends through 2021 the shorter recovery periods for businesses on an Indian reservation. |
| FCAA 2020, CAA 2021 | TY 18 – 21 | **Biofuel plant deduction.** Extends the additional deduction that may be taken in the year that certain biofuel plant property is placed in service through 2021. |
| FCAA 2020, CAA 2021 | TY 18 and later | **Energy efficient commercial buildings deduction.** Makes the deduction for energy efficient commercial building property permanent and adds an inflator |

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| | | to the maximum deduction amount. |
| FCAA 2019 | TY 18 – 20 | **Special rule for sales or dispositions to implement FERC or state electric restructuring policy for qualified electric utilities.** Extends through 2021 the rules for recognizing certain qualified gains (either in the taxable year of the transaction or over an 8-year period) from qualified electric transmission transactions. |

**Miscellaneous Business**

| Act(s) | Effective dates | Changes |
|---|---|---|
| CAA 2021 | After March 12, 2020 | **Education expense deduction**. Clarifies that PPE, disinfectant, and other COVID-19 supplies qualify for the educator expense deduction. |
| CAA 2021 | 2018 and later | **Depreciation of certain rental property.** For businesses opting out of the business interest limits, allows the TCJA's 30 year ADS recovery period to apply to property that was placed in service prior to January 1, 2018. |
| CARES 2020 | TY 2018 and later | **Qualified improvement property.** Fixes the so-called "retail glitch" in the TCJA that disallowed certain improvements to real property from qualifying for 100 percent bonus depreciation. |

**Section** **Description – Article 1: Federal Conformity**

1 **Internal Revenue Code.**

Updates chapter 289A for federal changes through December 31, 2020.

Effective date: When effective for federal purposes.

| Section | Description – Article 1: Federal Conformity |
|---|---|
| 2 | **Net income.**<br>Updates the definition of "net income" in chapter 290 for federal changes through December 31, 2020.<br><br>Effective date: When effective for federal purposes. |
| 3 | **Internal Revenue Code.**<br>Updates the definition of "Internal Revenue Code" for federal changes through December 31, 2020.<br><br>Effective date: When effective for federal purposes. |
| 4 | **Charitable contributions.**<br>Limits the Minnesota charitable contribution deduction to 60 percent of the taxpayer's contribution base (which is adjusted gross income for most taxpayers).<br><br>Effective date: Tax year 2020 and later. |
| 5 | **Business interest.**<br>Requires an addition for the excess of business interest deducted under the updated IRC date in this article (the 2020 IRC) over the amount allowed to be deducted under the IRC as of December 2018 (the 2018 IRC). The excess amount is allowed as a delayed business interest subtraction under section 8.<br><br>Effective date: Tax years 2019 and 2020. |
| 6 | **Excess business losses.**<br>Requires an addition for excess business losses allowed to be deducted under the 2020 IRC.<br><br>Effective date: Tax years 2018 through 2020. |
| 7 | **Net operating loss.**<br>Requires an addition for the excess of net operating losses deducted under the 2020 IRC over the amount allowed to be deducted under the 2018 IRC. The excess amount is allowed as a delayed net operating loss subtraction under section 9. |
| 8 | **Delayed business interest.**<br>Allows a subtraction for delayed business interest added back under section 5. The amount of the subtraction plus current year business interest may not exceed the federal limits for this deduction. |

| Section | Description – Article 1: Federal Conformity |
|---|---|
| | Effective date: 2020 and thereafter. |
| 9 | **Delayed net operating loss.**<br>Allows a subtraction for delayed net operating losses added back under section 7. The amount of the subtraction plus current year net operating losses may not exceed the federal limits for this deductions.<br><br>Effective date: 2019 and thereafter. |
| 10 | **Business interest.**<br>Creates an addition for corporate business interest in the same manner as for individuals in section 5.<br><br>Effective date: Tax years 2019 and 2020. |
| 11 | **Delayed business interest.**<br>Creates a corporate delayed business interest subtraction in the same manner as for individuals in section 8.<br><br>Effective date: Tax years 2020 and thereafter. |
| 12 | **Special limited adjustment.**<br>Clarifies that the changes in the bill are to be calculated after the “special limited adjustment for tax year 2018” enacted in the 2019 omnibus tax bill. This has the effect of retroactively changing taxpayers’ liability in tax year 2018 for provisions adopted under the bill. |
| 13 | **Internal Revenue Code.**<br>Updates the definition of “Internal Revenue Code” for federal changes through December 31, 2020, for the property tax refund.<br><br>Effective date: The day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time they became effective for federal purposes. |
| 14 | **Scope.**<br>Updates the definition of “Internal Revenue Code” for federal changes through December 31, 2020, for the estate tax.<br><br>Effective date: The day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time they became effective for federal purposes. |

| Section | Description – Article 1: Federal Conformity |
|---|---|
| 15 | **Individual income tax collection action prohibited.**<br>Prohibits the commissioner from increasing the amount due from individual income taxpayers for tax years 2018, 2019, and 2020 as a result of changes enacted in this law, if the taxpayer filed a 2018, 2019, or 2020 return based on state law before enactment of this law. |
| 16 | **Temporary nonconformity additions and subtractions.**<br>**Subd. 1. Definitions.** Defines "addition" and "subtraction," and applies the rules for subtractions from sections 290.0131, 290.0132, 290.0133, and 290.0134 to the uncodified section in the bill.<br>**Subds. 2 and 3. Temporary subtraction; federal credits for sick and family leave.** Provides a subtraction for amounts included in gross income as a result of federal payroll credit for paid sick leave and payroll credit for paid family leave.<br>Effective for the same taxable years as the federal credits.<br>**Subds. 4 and 5. Temporary subtraction wages used to claim Employee Retention Credit.** Provides a subtraction for wages used to claim the federal Employee Retention Credit. The federal credit disallows a deduction for wages used to claim the credit.<br>Effective for the same taxable years as the federal credit.<br>**Subd. 6. Temporary addition; business meals; individuals, estates, and trusts.** Requires an addition for 50 percent of the amount of business costs allowed to be deducted under the IRC.<br>Effective date: Tax years 2021 and 2022.<br>**Subd. 7. Temporary addition; business meals; C corporations.** Requires an addition for 50 percent of the costs of business meals allowed to be deducted under the IRC.<br>Effective date: Tax years 2021 and 2022.<br>**Subds. 8 and 9. Temporary addition; PPP expenses.** Requires an addition for expenses in excess of $350,000 that were used to qualify for a forgiven Paycheck Protection Program (PPP) loan. The $350,000 limit would apply to each loan, meaning a business that received multiple PPP loans would be allowed a deduction for $350,000 in expenses associated with each loan.<br>Effective date: For tax years in which businesses had deductions for PPP expenses. |

| Section | Description – Article 1: Federal Conformity |
|---|---|
| | **Subd. 10. Nonresident apportionment; alternative minimum tax.** Directs the Department of Revenue (DOR) to adjust a taxpayer's residency percentage and alternative minimum tax to account for the temporary additions and subtractions in the article. |
| 17 | **Working family credit; special earned income rules for tax year 2020.**<br>Allows taxpayers to claim the working family credit in tax year 2020 using the taxpayer's 2019 earned income.<br><br>Effective date: Tax year 2020. |
| 18 | **Temporary individual income tax subtraction; unemployment insurance benefits.**<br>Allows taxpayers with AGI of less than $150,000 a subtraction for up to $10,200 of unemployment insurance benefits received in tax year. For married couples filing joint returns, the subtraction is for $10,200 of unemployment compensation received by each spouse. This provision matches the exclusion from gross income in the American Rescue Plan Act (Public Law 117-2).<br><br>Effective for tax year 2020. |

## Article 2: Individual Income and Corporate Franchise Taxes

This article makes a number of changes related to the individual income tax, international corporate taxes, tax credits, pass-through entity taxes, subtractions and additions, and clarifying changes.

This article establishes a fifth tier at 11.15 percent for the individual income tax.

Regarding international corporate taxation, this article includes provisions that would require certain foreign corporations to apportion their income to Minnesota and would require that certain actual cash repatriations of income are included in a Minnesota taxpayer's income.

The article extends, modifies, or establishes the following credits:

- The agricultural asset credit for beginning farmers
- The film production credit
- The credit for parents of stillborn children
- The historic structure credit
- The angel credit
- The working family credit

In addition, this article establishes an elective pass-through entity tax that allows individuals to claim a larger federal SALT deduction for the tax paid on their pass-through business income.

This article also includes provisions related to the treatment of federal section 179 carryovers, the domestic production activities tax, and the definition of resident trusts.

| Section | Description – Article 2: Individual Income and Corporate Franchise Taxes |
|---|---|
| 1 | **Tax credit for owners of agricultural assets.**<br>Allows sales of agricultural assets to family members (or spouses of family members) that are beginning farmers to qualify for the beginning farmer agricultural asset credit.<br><br>In the case of sales of agricultural assets sold to a family member, to qualify for the credit the sale price must equal or exceed the assessed market value of the asset. If there is no assessed value of the asset, the sale price must equal or exceed 80 percent of the fair market value of the asset.<br><br>Under current law, the credit for the sale of an agricultural asset equals five percent of the sale price, or the fair market value of the asset—whichever is lower. The bill increases the credit percentage to ten percent for a “socially disadvantaged farmer or rancher.” A socially disadvantaged farmer or rancher is defined by reference to federal law—a farmer or rancher who is a member of a group “whose members have been subjected to racial or ethnic prejudice because of their identity as members of a group without regard to their individual qualities.” |
| 2 | **Authority duties.**<br>Reduces the amount of credit allocations available per year by five percent, and appropriates the same amount to the Rural Finance Authority to develop an online application system and administer the credit. The reduction first applies to tax year 2021.<br><br>The allocations for tax years 2021-2023 are $6 million per taxable year, meaning the appropriation would be $300,000 per year in fiscal years 2022-2024. |
| 3 | **Credit allowed; angel credit.**<br>Allows $10 million to be allocated for the small business investment credit (I.e. “angel credit”) for tax year 2022.<br><br>Effective date: Day following final enactment. |
| 4 | **Sunset; angel credit.**<br>Extends the sunset date for the angel credit by one year. |

| Section | Description – Article 2: Individual Income and Corporate Franchise Taxes |
|---|---|
| | Effective date: Day following final enactment. |

5 **Film production credit.**

Establishes a nonrefundable tax credit equal to 25 percent of eligible film production costs in Minnesota.

**Subd. 1. Definitions.** Defines “allocation certificate,” “application,” “commissioner,” “credit certificate,” “eligible production costs,” “film,” “project,” and “promotion of Minnesota” for purposes of establishing the credit.

**Subd. 2. Credit allowed.** Allows an income and corporate franchise tax credit equal to 25 percent of “eligible production costs.” A taxpayer may only claim a credit if a credit certificate is issued.

**Subd. 3. Credit assignable.** Allows a taxpayer to sell or assign the credit in whole or in part. The sale or assignment must be for 75 percent of the credit amount. The assignee must notify DEED within 30 days of the assignment.

**Subd. 4. Application; allocations.** Requires taxpayers to apply to DEED prior to claiming the credit. Requires DEED to issue allocation certificates that verify eligibility for the credit, state the amount of credit anticipated, and state the taxable year in which the credit is allocated. Limits credit amounts to $10 million per taxable year. No credits may be allocated after 2024.

Requires that credits be allocated on a first-come, first-served basis.

Requires an independent audit report detailing production costs to be submitted to DEED once the project is completed and the final credit amount must be based on the verified costs.

Permits DOR to use its audit and examination powers to verify the taxpayer is eligible for the credit.

**Subd. 5. Report required.** Requires DEED to submit a report on the credit to the tax and economic development committees of the legislature by March 15, 2024. The report must detail the amount of credits claimed in each taxable year, the number of applications received and approved, the types of projects eligible for the credit, the total economic impact of the credit including jobs, and any other information DEED deems necessary.

**Subd. 6. Expiration.** Sunsets the credit after 2024.

Effective date: Tax years 2021 through 2024.

| Section | Description – Article 2: Individual Income and Corporate Franchise Taxes |
|---|---|

6 **Composite income tax returns for nonresident partners, shareholders, and beneficiaries.**

Conforming changes made to the composite return statute due to the changes in sections 11 (previously taxed deferred foreign income) and 12 (domestic production activities deduction).

Effective date: Tax year 2021 and thereafter.

7 **Pass-through entity tax.**

Establishes a fully refundable pass-through entity tax that allows electing pass-through businesses to pay state income tax at the entity level and deduct this tax for federal income tax purposes. Under federal law, taxes on pass-through income are subject to the SALT cap of $10,000.

**Paragraph (a)** establishes definitions for “income,” “qualifying entity,” and “qualifying owner” for purposes of the pass-through entity (PTE) tax.

**Paragraph (b)** allows a qualifying entity to file and pay the PTE tax if the owners holding more than a 50 percent ownership in the entity elect to do so.

**Paragraph (c)** imposes the PTE tax on a qualifying entity. The amount of tax is equal to the amount of tax liability of each owner.

**Paragraph (d)** requires the tax liability of each owner to be calculated by applying the rates and brackets for married filing separate filers, estates, and trusts under the individual income tax to each owner’s share of the qualifying entity’s income. As is the case for the composite return filing rules, no nonbusiness deductions would be allowed. In addition, only those deductions and credits allowed to an individual owner are allowed in calculating the owner’s tax liability.

**Paragraph (e)** requires that the same deductions used to calculate an owner’s tax liability for the PTE tax must also be used to calculate the owner’s liability under the individual income tax.

**Paragraph (f)** imposes the estimated tax requirements on owners paying the PTE tax, in the same manner as required for composite return filers.

**Paragraph (g)** clarifies that an owner’s adjusted basis in the partnership is determined as if the election to pay the PTE tax was not made.

**Paragraph (h)** treats a PTE return and a qualifying entity like a composite return and composite filer for administrative purposes.

| Section | Description – Article 2: Individual Income and Corporate Franchise Taxes |
|---|---|

**Paragraph (i)** allows the commissioner of revenue to prescribe the content, format, and manner of PTE returns and other documents.

**Paragraph (j)** allows PTE filers to also pay the composite tax.

**Paragraph (i)** allows the PTE tax to satisfy the tax liability for nonresidents, in the manner allowed for nonresidents electing composite return filing.

Effective date: Tax year 2021 and thereafter.

8 **Information included in income tax return.**

Allows taxpayers claiming the working family credit using an individual taxpayer identification number (ITIN) to include the ITIN in place of a Social Security number.

9 **Resident trust.**

Modifies the resident trust definition to trigger resident status if sufficient relevant connections to Minnesota exist based on a non-exclusive seven-factor list. These changes are intended to conform the state's resident trust definition to the constitutional requirements established in the Fielding and Kaestner cases.

Effective date: Tax year 2021 and thereafter.

10 **Losses.**

Clarifies the state itemized deduction for losses to allow losses on transactions entered into for profit, but not associated with a trade or business, are deductible as an itemized deduction.

11 **Previously taxed deferred foreign income.**

Requires an addition for repatriated income that is first taxed federally as GILTI or deemed repatriation income. Minnesota allows a subtraction for this initial manner of taxing this income.

Effective date: Tax year 2021 and thereafter.

12 **Income attributable to domestic production activities of cooperatives.**

Requires an addition for the federal domestic production activities deductions for certain agricultural and horticultural cooperatives.

Effective date: Tax year 2021 and thereafter.

13 **Deferred foreign income.**

Makes a clarifying change to the subtraction for deemed repatriation income.

| Section | Description – Article 2: Individual Income and Corporate Franchise Taxes |
|---|---|
| | Effective date: When effective for federal purposes. |
| 14 | **Special deductions.**<br>Makes a clarifying change related to the treatment of deemed repatriation income.<br><br>Effective date: When effective for federal purposes. |
| 15 | **Previously taxed deferred foreign income.**<br>For corporations, requires an addition for repatriated income that is first taxed federally as GILTI or deemed repatriation income. Minnesota allows a subtraction for this initial manner of taxing this income.<br><br>Effective date: Tax year 2021 and thereafter. |
| 16 | **Income attributable to domestic production activities of cooperatives.**<br>For corporations, requires an addition for the federal domestic production activities deductions for certain agricultural and horticultural cooperatives.<br><br>Effective date: Tax year 2021 and thereafter. |
| 17 | **Deferred foreign income.**<br>For corporations, Makes a clarifying change related to the treatment of deemed repatriation income.<br><br>Effective date: When effective for federal purposes. |
| 18 | **Schedules of rates for individuals, estates, and trusts.**<br>Establishes a fifth tier for Minnesota's individual income tax. The new rate would be 11.15 percent, and would apply to Minnesota taxable income in excess of:<br><br>▪ $1,000,000 for married taxpayers filing joint returns and surviving spouses<br>▪ $500,000 for single taxpayers and married taxpayers filing separate returns<br>▪ $750,000 for head of household taxpayers<br><br>The bill additionally adjusts the nonresident apportionment rules to account for additions and subtractions established in the bill.<br><br>Effective date: Tax years in 2021 and thereafter. |

| Section | Description – Article 2: Individual Income and Corporate Franchise Taxes |
|---|---|

19 **Inflation adjustment of brackets.**

Changes the statutory year for Minnesota's individual income tax bracket inflation adjustment to be tax year 2021.

Effective date: Tax years in 2022 and thereafter.

20 **Credit for taxes paid to another state.**

Clarifies that the state's credit for taxes paid to other states by partnerships at the entity level also applies to LLCs and their members.

Effective date: Tax year 2021 and thereafter.

21 **Film production credit.**

Allows a tax credit for the film credit certified in section 5. Unused credits may be carried over for five years. Allows the Department of Revenue to audit the credit.

Effective date: Tax years 2021 through 2024.

22 **Pass-through entity tax credit.**

Allows a refundable credit in the amount of a partner's tax liability as determined for the calculation of the pass-through entity tax.

Effective date: Tax year 2021 and thereafter.

23 **Credit allowed.**

Allows taxpayers to claim the working family credit using an individual taxpayer identification number if they are currently ineligible due to the lack of a Social Security number. To qualify, a taxpayer must be otherwise eligible for the federal Earned Income Tax Credit (EITC). Allows qualifying children without Social Security numbers to be considered qualifying children for the purpose of the credit.

For taxpayers without children, increases the working family credit rate and earned income eligible for the credit.

| | Current law | Proposed |
|---|---|---|
| Credit rate | 3.9% | 5.0% |
| Earned income counted toward the credit | $7,340 | $8,000 |
| Maximum credit | $286 | $400 |

24 **Definitions.**

Updates the definition of "qualifying child" for the credit to include qualifying children who do not qualify because they do not have a Social Security number.

| Section | Description – Article 2: Individual Income and Corporate Franchise Taxes |
|---|---|

Effective date: Tax years in 2021 and thereafter.

25 **Inflation adjustment.**

Changes the statutory year for the working family credit inflation adjustment to tax year 2021.

26 **Income.**

Makes a conforming change to the education credit in response to the domestic production activities deduction addition in section 12.

Effective date: Tax years in 2021 and thereafter.

27 **Sunset.**

Extends the sunset date on the historic structure credit for eight years.

Effective date: Day following final enactment.

28 **Student loan credit.**

**Subd. 1. Definitions.** Amends the definition of "earned income" for the purposes of the student loan credit to reference the definition of "earned income" in the marriage penalty credit. Under current law, "earned income" includes wages, salaries, tips, and self-employment income. The bill adds Social Security benefits and some retirement income to the definition. This change has two effects:

1) Subdivision 2 allocates the couple's adjusted gross income to each spouse based on their pro rata share of the couple's earned income. Social Security and some retirement income would be used for the purposes of that calculation.
2) A small number of taxpayers were previously not allowed a student loan credit due to the earned income limitation may become newly eligible for the credit. This would only happen for taxpayers who had Social Security or retirement income but did not earn significant wages or self-employment income.

**Subd. 2. Credit allowed.** Requires the Department of Revenue to allocate the couple's combined adjusted gross income to each individual spouse based on the spouse's percentage share of the couple's earned income. This has the effect of reducing the marriage penalty in the credit.

**Subd. 3. Credit refundable; appropriation.** Makes the credit refundable, meaning a taxpayer who is eligible for a credit in excess of the taxpayer's liability would receive the excess amount as a refund.

| Section | Description – Article 2: Individual Income and Corporate Franchise Taxes |
|---|---|
| 29 | **Credit allowed; parents of stillborn children.**<br>Modifies the credit for parents of stillborn children to provide that it is allowed to an "eligible individual"(defined in section 2) and to eliminate the test that allows the credit based on who would have qualified to claim the stillborn child as a tax dependent. In addition, apportionment of the credit for nonresidents is eliminated. A nonresident who is an eligible individual (e.g., the nonresident spouse of a Minnesota resident member of the military) would be allowed the full credit. Apportionment would continue for part-year residents—that is, individuals who move into or out of the state during the tax year based on the percentage of their income that is derived from Minnesota sources.<br><br>Effective date: Retroactive to tax year 2016 (original effective date of the credit). |
| 30 | **Definitions.**<br>Establishes new definitions for the credit in section 29 for "certificate of birth," "eligible individual," and "stillbirth." These definitions clarify the documentation and eligibility requirements for the credit, including for situations where the individual who gave birth is not listed as a parent on the birth certificate.<br><br>Effective date: Retroactive to tax year 2016 (original effective date of the credit). |
| 31 | **Definitions; individual AMT.**<br>Modifies the definition of alternative minimum taxable income to reflect the additions and subtractions established in the bill.<br><br>Effective date: Tax years in 2021 and thereafter. |
| 32 | **Controlled foreign corporations.**<br>For purposes of applying the unitary taxation rules, a controlled foreign corporation (CFC) is deemed to be a domestic corporation if the domestic shareholder of a CFC is required to include GILTI in their gross income and the CFC is a member of the unitary group. Establishes administrative provisions relating to accounting and currency conversions.<br><br>Effective date: Tax years in 2021 and thereafter. |
| 33 | **Worldwide election.**<br>Allows members of a combined group that includes a CFC deemed to be a domestic corporation under section 1 to elect worldwide combined reporting (i.e. use the worldwide income and apportionment factors of each member of the unitary group). The worldwide election would be binding for a period of ten years. |

| Section | Description – Article 2: Individual Income and Corporate Franchise Taxes |
|---|---|

Effective date: Tax years in 2021 and thereafter.

34 **Withdrawal; reinstitution.**

Allows withdrawal after the ten-year period in section 2 and provides for an early withdrawal from the worldwide election for an extraordinary hardship due to a change in circumstances. A withdrawal or failure to withdraw is binding for ten years. This section also provides for a reinstitution of a withdrawal due to hardship.

Effective date: Tax years in 2021 and thereafter.

35 **Controlled foreign corporations.**

Clarifies an existing provision of law related to the treatment of subpart F income as dividend income.

Effective date: Day following final enactment.

36 **Previously taxed deferred foreign income.**

Treats the addition for previously taxed deferred foreign income in section 15 as dividend income.

Effective date: Tax years in 2021 and thereafter.

37 **Withholding by partnerships.**

Provides an exception to the withholding rules for partners in a partnership that elects to file and pay the pass-through entity tax in section 7.

Effective date: Tax years in 2021 and thereafter.

38 **Withholding by S corporations.**

Provides an exception to the withholding rules for shareholders in an S corporation that elects to file and pay the pass-through entity tax in section 7.

Effective date: Tax years in 2021 and thereafter.

39 **Income.**

Modifies the definition of income for purposes of the property tax refund to reflect the addition in section 12.

Effective date: Tax years in 2021 and thereafter.

| Section | Description – Article 2: Individual Income and Corporate Franchise Taxes |
|---|---|

40 **Film production credit.**

Allows a tax credit for the premium tax for the film credit certified in section 5. Unused credits may be carried over for five years.

Effective date: Tax years 2021 through 2024.

41 **Clarification of section 179 expensing conformity.**

Eliminates the state addition for the portion of the federal section 179 subtraction arising from a federal section 179 carryover, for property placed in service prior to tax year 2020.

Effective date: Retroactive to tax year 2020 and thereafter.

42 **Repealer.**

Repeals the following unnecessary or duplicative provisions relating to the taxation of GILTI and deemed repatriation:

- The definition of "deferred foreign income"
- The addition for the special federal deductions for GILTI and deemed repatriation

Effective date: Retroactive to tax year 2016 and thereafter.

Repeals the current definition of "resident trust" which is updated in section 9.

Effective date: Tax year 2020 and thereafter.

## Article 3: Partnership Audits

This article makes a number changes related to the treatment of federal partnership audits, which are allowed at the entity level, including changes related to the reporting of these audits and the payment of tax arising from federal adjustments.

| Section | Description – Article 3: Partnership Audits |
|---|---|

1 – 7, 10 – 15 **Various conforming changes.**

Amends Minn. Stat. §§ 270C.445, subd. 6; 289A.31, subd. 1; 289A.37, subd. 2; 289A.38, subds. 7-10 (subd. 9 also allows prepayment of estimated tax); 289A.42; 289A.60, subd. 24; 290.31, subd. 1; 297F.17, subd. 6; 297G.16, subd. 7; and 469.319, subd. 4; to correct cross-references and generally comport with the changes in other sections.

| Section | Description – Article 3: Partnership Audits |
|---|---|
| 8 | **Definitions relating to federal adjustments.**<br>Amends Minn. Stat. ch. 289A, by adding Minn. Stat. § 289A.381, which contains various definitions relating to the reporting of federal adjustments, and federal adjustments to partnership returns. |
| 9 | **Reporting adjustments following a partnership level audit.**<br>This section provides the substantive provisions related to the state response to federal partnership audits.<br><br>**Subd. 1. State partnership representative.** Allows a partnership to designate a state representative for the partnership, otherwise, the federal representative is the state representative.<br><br>**Subd. 2. Reporting and payment requirements for partnerships and tiered partners.** Requires reporting of federal adjustments with the state and direct partners within 90 days of the final determination date. Within 180 days of a final adjustment, direct partners other than tiered partners must file a federal adjustments report of their distributive share of federal adjustments and pay any additional tax due.<br><br>**Subd. 3. Election; partnership or tiered partners pay.** Allows audited partnerships the election to pay tax at the entity level. Within 180 days of the final adjustment, a partnership must report the residency status of all direct partners and pay tax on the properly allocated and apportioned share of all income at the highest marginal rate for its individual and corporate direct and tiered partners.<br><br>**Subd. 4. Tiered partners and indirect partners.** Requires that direct and indirect tiered partners of an audited partnership are subject to the reporting and payment requirements and may also elect to pay their tax at the entity level.<br><br>**Subd. 5. Effects of election by partnership or tiered partner and payment of amount due.** Provides that the election under subdivision 3 is irrevocable. Deems partnership paid taxes to be paid in lieu of tax paid by the direct and indirect partners.<br><br>**Subd. 6. Failure of partnership or tiered partner to report or pay.** Allows the commissioner to assess direct or indirect partners for taxes owed if a partnership or tiered partner fails to timely report or pay as required.<br><br>Effective date. This article is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code |

| Section | Description – Article 3: Partnership Audits |
|---|---|
| | of Federal Regulations, title 26, section 301.9100-22T, this article is effective retroactively and applies to the same tax periods to which the election relates. |

## Article 4: Sales and Use Taxes

This article provides a number of new sales and use tax exemptions including:

- the extra price paid to sit in a "preferred viewing location" for season tickets to a college sporting event;
- fundraising sales made by school-associated student groups;
- purchase of prepared food for a nonprofit organization's charitable mission;
- supplies and materials used in and equipment incorporated into construction or remodeling of public safety facilities and other various capital projects owned by a local government; and
- materials and equipment purchased by restaurants to conform with COVID-19 health guidelines.

This article also provides sales tax exemptions for building materials, equipment, and supplies used in construction efforts to remediate damaged caused by fires in the cities of Alexandria and Melrose, as well as damaged caused by unrest in the Twin Cities in May and June of 2020.

| Section | Description – Article 4: Sales and Use Taxes |
|---|---|
| 1 | **Season ticket purchasing rights to collegiate events.**<br>Excludes the extra price paid to sit in a "preferred viewing location" for season tickets to a college sporting event from the taxable sales price of the ticket, provided the following criteria is met:<br>▪ the underlying ticket price must be at least as high as the highest ticket price for the surrounding seats, not in a preferred viewing location;<br>▪ the extra price must be separately stated; and<br>▪ the revenue from the extra price must go entirely to support student scholarships, student wellness, and academic costs.<br>Effective for sales and purchases made after June 30, 2021. |
| 2 | **Fundraising sales by or for nonprofit groups.**<br>Exempts from sales tax the sales made by school-associated student groups even when the money is recorded as part of school district revenues provided that: |

| Section | Description – Article 4: Sales and Use Taxes |
|---|---|

- the sales are for fund-raising purposes of elementary or secondary student organizations for the purposes of funding extracurricular activities such as sports, arts, etc.; and
- the school district reserves the revenue raised for extracurricular activities and the money raised for a specific activity is spent on that activity.

This provision restores this exemption that was in place prior to a change made in the 2019 omnibus education bill.

Effective the day after final enactment.

3 **Prepared food used by certain nonprofits.**

Exempts from sales tax a nonprofit organization's purchase of prepared food when the food is purchased under contract to fulfill its charitable mission of food provision through the federal Child and Adult Care Food Program or the federal Summer Food Service Program to unaffiliated sites.

Effective for sales and purchases made after June 30, 2021.

4 **Construction; certain local government facilities.**

Extends by one year the refundable sales tax exemption on materials and supplies used in and equipment incorporated into construction of a fire station and police station in the city of Minnetonka, provided the purchases occur after June 30, 2020, and before January 1, 2022.

Effective the day following final enactment.

5 **Public safety facilities.**

Provides a sales tax exemption for supplies and materials used in and equipment incorporated into construction, remodeling, improvement, or expansion of fire and police stations, including their related facilities, owned by a local government.

Effective for sales and purchases made after June 30, 2021.

6 **Tax collected.**

Requires the upfront payment of the tax on items exempt under section 5.

Effective for sales and purchases made after June 30, 2021.

7 **Refunds; eligible persons.**

Requires the local government that owns the police or fire station to apply for a refund of tax paid on the exempt items under section 5.

| Section | Description – Article 4: Sales and Use Taxes |
|---|---|
| | Effective for sales and purchases made after June 30, 2021. |
| 8 | **Application.**<br>Requires the contractor, subcontractor, or builder to provide the local government with information sufficient to file for the refund of tax paid for the exemption provided under section 5.<br><br>Effective for sales and purchases made after June 30, 2021. |
| 9 | **City of Melrose; sales tax construction exemption.**<br>Extends the sales tax exemption for construction materials used in the reconstruction and recovery of properties destroyed by the September 8, 2016, fire. The exemption expires July 1, 2023.<br><br>This exemption was originally granted in the 2017 omnibus tax bill, and modified by the 2019 omnibus tax bill.<br><br>Effective the day following final enactment. |
| 10 | **City of Alexandria; properties destroyed or damaged by fire.**<br>Provides a sales tax exemption for the following items used to repair, replace, clear or otherwise remediate damage caused by a fire in the city of Alexandria if sales and purchases are made after February 24, 2020, and before February 28, 2023:<br><br>▪ construction materials and supplies used in and equipment incorporated into the construction or replacement of real property; and<br>▪ durable equipment used in a restaurant for food storage, preparation, and serving.<br><br>Also provides an exemption for cleaning and disinfecting services relating to smoke damage mitigation for buildings impacted by the same fire for sales and purchases made after February 24, 2020, and before January 1, 2021.<br><br>This section is effective the day following final enactment and is retroactive to sales and purchases made after February 24, 2020. |
| 11 | **City of Buffalo; sales tax exemption for construction materials.**<br>Provides a refundable sales tax exemption on materials and supplies used in and equipment incorporated into construction of a new fire station in the city of Buffalo, provided the purchases occur after March 31, 2020, and before July 1, 2021. The tax is paid at the time of purchase and the city must apply for a refund. Any refunds due must be issued after June 30, 2021. |

| Section | Description – Article 4: Sales and Use Taxes |
|---|---|
| | Appropriates the amount necessary to issue refunds to the commissioner of revenue.<br><br>Effective retroactively and applies to sales and purchases made after March 31, 2020, and before July 1, 2021. |
| 12 | **City of Hibbing; sales tax exemption for construction materials.**<br>Provides a retroactive, refundable sales tax exemption on materials and supplies used in and equipment incorporated into the following projects in the city of Hibbing, provided the purchases occur after May 1, 2019, and before January 1, 2025:<br>▪ the addition of an early childhood family education center to an elementary school; and<br>▪ improvements to the athletic facility in ISD No. 701.<br><br>The tax is paid at the time of purchase and the city must apply for a refund. Any refunds due must be issued after June 30, 2021. Appropriates the amount necessary to issue refunds to the commissioner of revenue.<br><br>Effective retroactively and applies to sales and purchases made after May 1, 2019, and before January 1, 2025. |
| 13 | **City of Maplewood; sales tax exemption for construction materials.**<br>Provides a retroactive, refundable sales tax exemption on materials and supplies used in and equipment incorporated into construction of a new fire station and emergency management center in the city of Maplewood, provided the purchases occur after September 30, 2020, and before July 1, 2021.<br><br>The exemption also applies to all on-site infrastructure improvements. The tax is paid at the time of purchase and the city must apply for a refund. Any refunds due must be issued after June 30, 2021.<br><br>Appropriates the amount necessary to issue refunds to the commissioner of revenue.<br><br>Effective retroactively and applies to sales and purchases made after September 30, 2020, and before July 1, 2021. |
| 14 | **City of Marshall; sales tax exemption for construction materials.**<br>Provides a retroactive, refundable sales tax exemption on materials and supplies used in and equipment incorporated into remodeling of an elementary school building in the city of Marshall, provided the purchases occur after May 1, 2019, and before January 1, 2022. The tax is paid at the time of purchase and the city must apply for a refund. Any refunds due must be issued after June 30, 2021. |

| Section | Description – Article 4: Sales and Use Taxes |
|---|---|
| | Appropriates the amount necessary to issue refunds to the commissioner of revenue.<br><br>Effective retroactively and applies to sales and purchases made after May 1, 2019, and before January 1, 2022. |
| 15 | **City of Plymouth; sales tax exemption for construction materials.**<br>Provides a refundable sales tax exemption on materials and supplies used in and equipment incorporated into the replacement, renovation, and expansion of two fire stations in the city of Plymouth, provided the purchases occur after January 1, 2021, and before July 1, 2021. The tax is paid at the time of purchase and the city must apply for a refund. Any refunds due must be issued after June 30, 2021.<br><br>Appropriates the amount necessary to issue refunds to the commissioner of revenue.<br><br>Effective retroactively and applies to sales and purchases made after January 1, 2021, and before July 1, 2021. |
| 16 | **City of Proctor; sales tax exemption for construction materials.**<br>Provides a refundable sales tax exemption on materials and supplies used in and equipment incorporated into construction of a sand and salt storage facility in the city of Proctor, provided the purchases occur after March 31, 2021, and before January 1, 2023.<br><br>The tax is paid at the time of purchase and the city must apply for a refund. Any refunds due must be issued after June 30, 2021.<br><br>Appropriates the amount necessary to issue refunds to the commissioner of revenue.<br><br>Effective retroactively and applies to sales and purchases made after March 31, 2021, and before January 1, 2023. |
| 17 | **City of Virginia; sales tax exemption for construction materials.**<br>Provides a refundable sales tax exemption on materials and supplies used in and equipment incorporated into construction of a public safety center and training facility for fire and police departments in the city of Virginia, provided materials and supplies are purchased after May 1, 2021, and before July 1, 2021.<br><br>The tax is paid at the time of purchase and the city must apply for a refund. Any refunds due must be issued after June 30, 2021.<br><br>Appropriates the amount necessary to issue refunds to the commissioner of revenue. |

| Section | Description – Article 4: Sales and Use Taxes |
|---|---|

Effective retroactively and applies to sales and purchases made after May 1, 2021, and before July 1, 2021.

18 **Rock Ridge Public Schools; sales tax exemption for construction materials.**

Provides a refundable sales tax exemption on materials and supplies used in and equipment incorporated into the construction of two new elementary schools and one high school in the Rock Ridge area, provided the purchases occur after May 1, 2019, and before January 1, 2024.

The tax is paid at the time of purchase and the school district must apply for a refund. Any refunds due must be issued after June 30, 2021.

Appropriates the amount necessary to issue refunds to the commissioner of revenue.

Effective retroactively and applies to sales and purchases made after May 1, 2019, and before January 1, 2024.

19 **MSP Airport; sales tax exemption for construction materials.**

Provides a refundable sales tax exemption on materials and supplies used in and equipment incorporated into the construction or improvements of the following projects at the Minneapolis-St. Paul International Airport, provided the purchases occur after June 30, 2021, and before January 1, 2024:

- an aircraft rescue and fire station and associated facilities;
- a trades materials storage facility;
- replacement and rehabilitation of a terminal roof;
- replacement and rehabilitation of a baggage handling system; and
- replacement, rehabilitation, and operational improvements to the passenger arrivals and departures area at Terminal 1.

The tax is paid at the time of purchase and the airport commission must apply for a refund. Appropriates the amount necessary to issue refunds to the commissioner of revenue.

Effective for sales and purchases made after June 30, 2021, and before January 1, 2024.

20 **Properties destroyed or damaged during protests and unrest in May and June of 2020.**

Provides a refundable sales tax exemption for the following:

| Section | Description – Article 4: Sales and Use Taxes |
|---|---|

- construction materials, supplies, and equipment for rebuilding or repair of damaged buildings, including purchases by contractors and subcontractors;
- replacement of capital equipment; and
- cleaning and disinfecting services related to smoke damage and graffiti.

The damage must have occurred during the period after May 24 and before June 16, 2020. To qualify for the exemption, the damaged or destroyed building must have been owned by, or occupied by, at least one of the following:

- a small business, defined by their annual gross income in the previous year;
- a nonprofit; or
- a qualifying low-income housing development.

Both the building owner and building tenants at the time of the damage may apply for a refund on any qualifying purchases they make. It does not apply to purchases of a new owner if the building is sold. The exemption covers sales and purchases made after May 25, 2020, and before December 1, 2022.

Any refunds due must be issued after June 30, 2021.

Appropriates the amount necessary to issue refunds to the commissioner of revenue.

Effective retroactively for sales and purchases made after May 25, 2020.

21 **Sales tax exemption for certain purchases related to COVID-19.**

Provides a temporary sales tax exemption for materials, supplies, and equipment used by restaurants to modify their establishments to comply with any executive order related to COVID-19 or any COVID-19 health guidelines.

The maximum refund allowed by this section is:

- for restaurants that are franchise locations of a larger corporate entity, $1,000 per franchise location;
- for restaurants owned by a unitary business that is a corporate entity or its subsidiary, $1,000 per federal employer identification number or Minnesota tax identification number; and
- for all other restaurants, $1,000 per federal employer identification number or Minnesota tax identification number.

For this temporary exemption, purchases must be made between March 1, 2020, and December 31, 2021.

## Article 5: Vapor and Tobacco Taxes

This article makes a number changes related to the cigarette and tobacco products tax and regulations surrounding the distribution of tobacco products. The changes include:

- clarifying the administrative requirements imposed on retailers and out-of-state retailers making sales into Minnesota;
- including heat devices in the definition of "tobacco products" and subjecting them to the 95 percent tax on wholesale sales price;
- clarifying the definition of "nicotine solution products" to include other commonly-used terms for nicotine solution product devices; and
- amending provisions in the chapter regulating distribution of tobacco products (chapter 325F) to align with changes made in the cigarette and tobacco taxes chapter regarding retailers and out-of-state retailers making sales into Minnesota.

| Section | Description – Article 5: Vapor and Tobacco Taxes |
|---|---|
| 1 | **Delivery sale.**<br>Creates a definition of "delivery sale" within the cigarette and tobacco taxes chapter to align with the meaning given in the chapter regulating distribution of tobacco products.<br><br>A "delivery sale" is a sale of tobacco products to a consumer in Minnesota when the item is sold over the phone, online, or by mail order form, or is delivered to the customer in Minnesota by mail or other delivery service.<br><br>Effective January 1, 2022. |
| 2 | **Heat device.**<br>Creates a definition of "heat device" within the cigarette and tobacco taxes chapter.<br><br>A "heat device" is an electronic device used with a cigarette to produce a vapor or aerosol, and includes components, parts, accessories, apparel, and other items that are packaged with, connected to, attached to, or contained within the device.<br><br>Effective January 1, 2022. |
| 3 | **Tobacco products.**<br>Adds the newly created "heat devices" from section 2 to the definition of "tobacco products," thus including heat devices in the tax on tobacco products equal to 95 percent of the wholesale price.<br><br>Effective January 1, 2022. |

| Section | Description – Article 5: Vapor and Tobacco Taxes |
|---|---|
| 4 | **Nicotine solutions products.**<br>Amends the definition of "nicotine solution products" to add commonly-used terms for nicotine solution product devices and includes these devices in the definition regardless of whether they are sold with a solution containing nicotine.<br><br>Provides that nicotine solution products include components, parts, accessories, apparel, and other items that are packaged with, connected to, attached to, or contained within the device.<br><br>Effective January 1, 2022. |
| 5 | **Wholesale sales price.**<br>Clarifies that the price of any items within a kit that includes a solution containing nicotine is included in the wholesale sales price of the item.<br><br>Provides that for heat devices that are sold as part of a kit, the wholesale sales price includes any items sold as part of that kit including components, parts, accessories, or other items.<br><br>Effective for kits purchased by distributors after December 31, 2021. |
| 6 | **Registration requirement.**<br>Clarifies that the registration requirement applicable to out-of-state retailers applies before making delivery sales.<br><br>Effective for all delivery sales occurring after December 31, 2021. |
| 7 | **Retailer collection and remittance of use tax.**<br>Requires retailers and out-of-state retailers to collect and pay any use tax legally due and give the purchaser a receipt of taxes paid.<br><br>Effective for all delivery sales occurring after December 31, 2021. |
| 8 | **Use tax return.**<br>Requires retailers and out-of-state retailers that make delivery sales to file a monthly tax return accompanied by the full unpaid tax liability.<br><br>Effective for all delivery sales occurring after December 31, 2021. |
| 9 | **Reporting requirements.**<br>Requires retailers and out-of-state retailers that make delivery sales to file monthly reports. Clarifies that this requirement may be met by meeting certain federal law requirements and by filing under the use tax return requirement. |

| Section | Description – Article 5: Vapor and Tobacco Taxes |
|---|---|
| | Effective for all delivery sales occurring after December 31, 2021. |
| 10 | **Electronic payment.**<br>Requires retailers and out-of-state retailers having a liability of $10,000 or more during a fiscal year ending June 30 to remit all liabilities in all subsequent calendar years by electronic means.<br><br>Effective for all delivery sales occurring after December 31, 2021. |
| 11 | **Accelerated tax payment.**<br>Requires retailers and out-of-state retailers to meet the accelerated tax payment requirements that are applicable to delivery sales occurring after December 31, 2021.<br><br>Effective for all delivery sales occurring after December 31, 2021. |
| 12 | **Definitions.**<br>Makes conforming changes to the definition of “tobacco products” in chapter 325F to include “cigarettes” and “tobacco products” as defined in the cigarette and tobacco taxes chapter.<br><br>Effective January 1, 2022. |
| 13 | **Registration requirement.**<br>Makes conforming changes in chapter 325F to align the registration requirement of out-of-state retailers with the registration requirement imposed by the cigarette and tobacco taxes chapter.<br><br>Effective January 1, 2022. |
| 14 | **Collection of taxes.**<br>Makes conforming changes in chapter 325F to the section imposing penalties on retailers making delivery sales to align with the amended requirements in the cigarette and tobacco taxes chapter that require these retailers to file all returns and reports, collect and pay all taxes, and maintain all records.<br><br>Effective for all delivery sales occurring after December 31, 2021. |

## Article 6: Special Taxes

This article makes a number changes related to solid waste management taxes, the premium tax, and the production tax.

| Section | Description – Article 6: Special Taxes |
|---|---|
| 1 | **Rate.**<br>Clarifies that the solid waste tax for construction debris and industrial waste is 60 cents per cubic yard and that the PCA must determine and publish weight-to-volume conversion schedules.<br><br>Effective date: July 1, 2021. |
| 2 | **Self-haulers.**<br>Modifies the solid waste tax rate for self-haulers generating construction debris to match the rate for commercial generators, which is 60 cents per cubic yard. Also makes the same clarifying change for self-hauler generated industrial waste that is made in section 1.<br><br>Effective date: July 1, 2021. |
| 3 | **Nonadmitted insurance premium tax.**<br>Increases the tax rate under the premium tax for surplus lines insurance purchased directly from an insurer from two percent to three percent. The rate for purchases made through an agent is currently three percent.<br><br>Effective date: Policies effective in 2022. |
| 4 – 6 | **Iron ore bearing material.**<br>Expands the types of iron ore bearing material that are subject to the production tax to include lump ore.<br><br>Effective for taxes payable in 2022 and thereafter. |

## Article 7: Property Taxes

This article makes a number changes related to property tax exemptions, application dates, and other provisions. The changes include:

- allowing property owners with ITINs to qualify for homestead;
- providing exemptions for certain property owned by an Indian tribe;
- changing the agricultural relative homestead qualifying relatives;
- modifying the homestead application deadline;
- lowering the classification rate for certain manufactured home property;
- changing the proposed levy process for certain jurisdictions;
- establishing Minnesota Property Taxpayer's Day public meetings;
- creating fire protection special taxing districts; and

- allowing special assessments for energy improvement projects.

| Section | Description – Article 7: Property Taxes |
|---|---|
| 1 | **County assessors; homestead classification and renter credit.**<br>Allows the commissioner of revenue to administer the renter's property tax refund for applicants who applied with an individual taxpayer identification number (ITIN). This section, along with all or parts of sections 2, 7, 8, 9, 10, 11, 15, and 23, also allows property owners to qualify for homestead and property tax refunds by providing an ITIN on a homestead application.<br><br>Effective for allowed disclosures made in 2021 and thereafter. |
| 2 | **County assessors; homestead application determination, and income tax status.**<br>Contains changes related to the ITIN provision.<br><br>Effective for allowed disclosures made in 2021 and thereafter. |
| 3 | **Certain property owned by an Indian tribe.**<br>Exempts from property taxes approximately 35 parcels owned by the Leech Lake Band of Ojibwe in Cass County. The parcels had been considered exempt as institutions of purely public charity, but have since had their applications denied because the tribe is not a 501(c)(3). This provision reestablishes the property tax exemptions for these parcels and provides for a refund of any state general taxes paid in 2020 and 2021.<br><br>Effective beginning with assessment year 2021. |
| 4 | **General rule.**<br>Adds grandparent, stepparent, stepchild, uncle, aunt, nephew, and niece to the list of qualifying relatives for agricultural relative homestead. This change would mean that qualifying relatives are the same for agricultural relative homesteads and residential relative homesteads.<br><br>Effective for property taxes payable in 2022 and thereafter. |
| 5 | **Manufactured home park cooperative.**<br>Corrects a cross-reference to conform to changes made to manufactured home park property in section 13.<br><br>Effective for property taxes payable in 2023 and thereafter. |
| 6 | **Homestead established after assessment date.**<br>Moves the homestead occupancy and application deadlines to December 31. Under current law, a property must be occupied by December 1 and the owner must apply |

| Section | Description – Article 7: Property Taxes |
|---|---|
| | by December 15 in order to qualify for homestead status in the following taxes payable year.<br><br>Effective beginning with assessments in 2021. |
| 7 | **Homestead application.**<br>Contains a conforming change related to the homestead application deadline in section 6. This section also allows individuals with ITINs to qualify for homestead.<br><br>Effective beginning with assessments in 2021. |
| 8 | **Property lists.**<br>Contains conforming changes related to the ITIN provision.<br><br>Effective for homestead data provided in 2022 and thereafter. |
| 9 | **Homestead data.**<br>Contains conforming changes related to the ITIN provision.<br><br>Effective for homestead data provided in 2022 and thereafter. |
| 10 | **Agricultural homesteads; special provisions.**<br>Contains conforming changes related to the ITIN provision.<br><br>Effective for homestead applications filed in 2021 and thereafter. |
| 11 | **Private or nonpublic data.**<br>Contains conforming changes related to the ITIN provision.<br><br>Effective for homestead applications filed in 2021 and thereafter. |
| 12 | **Class 2.**<br>Provides that when a parcel of at least 20 acres is enrolled in the sustainable forest incentive act program (SFIA) and the parcel has been improved with a structure, the number of acres assigned to the split parcel is the greater of three or the number of acres excluded from SFIA due to the structure.<br><br>Effective for assessment year 2022 and thereafter. |

| Section | Description – Article 7: Property Taxes |
|---|---|
| 13 | **Class 4.**<br>Set the class rate at 0.75 percent for all manufactured home park property. This section also sets the first tier limit for 4d property at $174,000 for assessment year 2022 and assessment year 2023.<br><br>The manufactured home park provision is effective for property taxes payable in 2023 and thereafter. The 4d provision is effective beginning with assessments year 2022. |
| 14 | **Homestead of veteran with a disability or family caregiver.**<br>Moves the application deadline for the disabled veteran's homestead market value exclusion to December 31 to match the homestead application deadline change in section 6.<br><br>Effective beginning with assessments in 2021. |
| 15 | **Class 1b homestead declaration 2009 and thereafter.**<br>Contains conforming changes related to the ITIN provision.<br><br>Effective for homestead applications filed in 2021 and thereafter. |
| 16 | **Levy amount.**<br>Decreases the commercial-industrial portion of the state general levy by $20.1 million so that the increased exclusion in section 17 does not result in shifting of the state general tax.<br><br>Effective beginning with property taxes payable in 2022 and thereafter. |
| 17 | **Commercial-industrial tax capacity.**<br>Increases the commercial-industrial market value excluded from the state general tax to $150,000. Under current law, the first $100,000 of market value is excluded from the tax.<br><br>Effective beginning with property taxes payable in 2022 and thereafter. |
| 18 | **Proposed levy.**<br>Requires counties and cities with a population of at least 500 to publicly post budget information and hold a public meeting on the budget and proposed property tax levy, prior to setting the proposed levy.<br><br>Effective for property taxes payable in 2022 and thereafter. |

| Section | Description – Article 7: Property Taxes |
|---|---|
| 19 | **Notice of proposed property taxes.**<br>Requires fire protection special taxing districts, established under section 24, to hold annual public hearings (Truth-in-Taxation hearings) on their proposed levies. This section also removes the current requirement that counties, cities with a population of at least 500, and school districts hold this hearing. These jurisdictions are instead required to hold the Minnesota Property Taxpayer's Day meeting established in section 21.<br><br>Effective for property taxes payable in 2022 and thereafter. |
| 20 | **Notice of proposed property taxes required supplemental information.**<br>Adds a supplemental statement to the notice of proposed property taxes that is mailed to taxpayers in November. This supplemental statement must contain three pieces of information: (1) the percent change in levy proposed for the following year by the county, city or township, and school district; (2) summary budget information for the county, city, and school district; and (3) information on how to access each jurisdiction's website where taxpayers can find the proposed budget and information on how to participate in the Minnesota Property Taxpayer's Day meetings established in section 21. The information in items two and three are only provided for counties, cities with a population over 500, and school districts.<br><br>Effective for property taxes payable in 2022 and thereafter. |
| 21 | **Minnesota Property Taxpayer's Day.**<br>Establishes an annual meeting to allow the public to provide input on proposed property tax levies for counties, cities with a population of at least 500, and school districts. The meeting must be held on the first Wednesday following the first Monday in December. The public must be allowed to participate in person or remotely. Counties must begin their meetings at 6:00 p.m., cities at 7:00 p.m., and school districts at 8:00 p.m. Each jurisdiction must allow the public to speak no later than 20 minutes after the start of the meeting. Information on how to participate in the meetings must be posted on each jurisdiction's website by November 10.<br><br>Effective July 1, 2021. |
| 22 | **Special taxing districts; definition.**<br>Adds fire protection special taxing districts to the definition of special taxing districts for the purposes of property taxation.<br><br>Effective the day following final enactment. |

| Section | Description – Article 7: Property Taxes |
|---|---|
| 23 | **Verification of Social Security numbers.**<br>Contains conforming changes related to the ITIN provision.<br><br>Effective for lists furnished by the commissioner in 2021 and thereafter. |
| 24 | **Fire protection special taxing districts.**<br>Allows local jurisdictions to establish special taxing districts that provide fire protection and emergency medical services. Once established by the local jurisdictions, these districts are governed by a board and have the authority to levy property taxes and issue debt. The bill requires participating jurisdictions to enter into an agreement that specifies how liabilities and assets are distributed if the district is dissolved, and also allows jurisdictions to join or withdraw from a district once it has been established.<br><br>Effective the day following final enactment. |
| 25 | **Improvements authorized.**<br>Authorizes a city to impose a special assessment for an energy improvement project, which is defined under this section, upon petition by owner. The municipality must administer and fund the improvements and notice of low- or no-cost alternatives must be provided.<br><br>Effective for assessments payable in 2022 and thereafter. |
| 26 | **Petition by all owners.**<br>Makes conforming changes related to the petition requirement in section 25.<br><br>Effective for assessments payable in 2022 and thereafter. |
| 27 | **Sustainable forest incentive act; violations.**<br>Provides that land that was split-classified using the current method for agricultural land while enrolled in SFIA is not in violation of the program.<br><br>Effective for determinations of violations after June 30, 2021. |
| 28 | **Repealer.**<br>Repeals two sections of statute that define class I manufactured home parks to conform with changes made in section 13.<br><br>Effective beginning with property taxes payable in 2023. |

## Article 8: Aids and Credits

This article makes changes to local government aids, including:

- LGA adjustments for three cities;
- the establishment of a new homeless prevention aid; and
- funding for business relief grants.

| Section | Description – Article 8: Aids and Credits |
|---|---|
| 1 | **Certified aid adjustments.**<br>Deletes obsolete language related to LGA adjustments for individual cities and provides additional LGA payments out of the total LGA appropriation to the following cities:<br>▪ $250,000 per year for five years to the city of Floodwood;<br>▪ $320,000 per year for five years to the city of Staples; and<br>▪ $320,000 per year for five years to the city of Warren.<br>Effective for aids payable in 2022 and thereafter. |
| 2 | **Cities (LGA appropriation).**<br>Increases the city LGA appropriation by $890,000 per year for five years to cover the aid adjustments in section 1. After five years, the appropriation will return to the current amount.<br>Effective for aids payable in 2022 and thereafter. |
| 3 | **Counties (county program aid).**<br>Transfers the portion of county program aid designated to public defender costs to the Board of Public Defense, rather than the commissioner of management and budget. |
| 4 | **Local homeless prevention aid.**<br>Creates a new state aid to counties that can be used to fund family homeless prevention and assistance projects and programs. Distributions are based on a rolling three-year average of each county's percentage share of students experiencing homelessness. The aid would be administered by the Department of Revenue and would distribute $25 million annually. After eight years, the aid would sunset.<br>Effective beginning with aids payable in 2022 and thereafter. |
| 5 | **County relief grants to local businesses; appropriation.**<br>Provides $69.75 million in fiscal year 2022 to counties to be used for grants. Of this amount, $63 million would go to counties to be used for grants to local businesses |

| Section | Description – Article 8: Aids and Credits |
|---|---|
| | that have been impacted by the COVID-19 pandemic, \$2 million would go to Lake of the Woods County for grants to businesses located in the Northwest Angle, and \$4.75 million would go to Hennepin County for damage remediation grants to remediate the effects of fires and vandalism that occurred during unrest in the city of Minneapolis and surrounding areas.<br><br>Effective the day following final enactment. |

## Article 9: Local Taxes

Provides the following modifications to special local taxes:

- expiration date extension of the Plymouth local lodging tax; and
- expiration date removal of the Sartell food and beverage tax.

Provides the following new sales taxes:

- general local sales taxes for Carlton County, Cloquet, Edina, Fergus Falls, Grand Rapids, Hermantown, Itasca County, Litchfield, Little Falls, Maple Grove, Mille Lacs County, Moorhead, Oakdale, St. Cloud, St. Peter, Wadena, and Waite Park.

| Section | Description – Article 9: Local Taxes |
|---|---|
| 1 | **City of Plymouth; local lodging tax authorized.**<br>Extends the expiration date of the local lodging tax imposed by the city of Plymouth to a time determined by the city council when the amounts received from the tax are sufficient to pay bonds that are issued prior to January 1, 2022.<br><br>Effective the day following final enactment. |
| 2 | **City of Sartell; local taxes authorized.**<br>Removes the expiration date of the food and beverage tax imposed by the city of Sartell and amends the referendum requirement to allow the referendum to be held at a general or special election as determined by a resolution adopted by the city’s governing board.<br><br>Effective the day following final enactment. |
| 3 | **Carlton County; taxes authorized.**<br>Allows Carlton County to impose a 0.5 percent local sales tax to finance \$60 million plus associated bond costs for construction of a law enforcement center and jail. Allows the city to issue up to \$60 million in bonds for the projects without separate |

| Section | Description – Article 9: Local Taxes |
|---|---|
| | voter approval. The tax expires the earlier of 30 years or when allowed revenues are raised.<br><br>Effective upon the city complying with approval and notice requirements for special laws. |
| 4 | **City of Cloquet; taxes authorized.**<br>Allows the city of Cloquet to impose a 0.5 percent local sales tax to finance $8,150,200 plus associated bond costs for the Pine Valley Regional Park Project and restoration of the Cloquet Ice Arena. Allows the city to issue up to $8,150,200 in bonds for the projects without separate voter approval. The tax expires the earlier of ten years or when allowed revenues are raised.<br><br>Effective upon the city complying with approval and notice requirements for special laws. |
| 5 | **City of Edina; taxes authorized.**<br>Allows the city of Edina to impose a 0.5 percent local sales tax to finance $39.3 million plus associated bond costs for development of Fred Richards Park and improvements to Braemar Park. Allows the city to issue up to $39.3 million in bonds for the projects without separate voter approval. The tax expires the earlier of 19 years or when allowed revenues are raised.<br><br>Effective upon the city complying with approval and notice requirements for special laws. |
| 6 | **City of Fergus Falls; taxes authorized.**<br>Allows the city of Fergus Falls to impose a 0.5 percent local sales tax to finance $13 million plus associated bond costs for construction of an aquatics center and the DeLagoon Improvement Project. Allows the city to issue up to $13 million in bonds for the projects without separate voter approval. The tax expires the earlier of December 31, 2037, or when allowed revenues are raised.<br><br>Effective upon the city complying with approval and notice requirements for special laws. |
| 7 | **City of Grand Rapids; taxes authorized.**<br>Allows the city of Grand Rapids to impose a 0.5 percent local sales tax to finance $5.98 million plus associated bond costs for reconstruction and remodeling of the IRA Civic Center. Allows the city to issue up to $5.98 million in bonds for the projects without separate voter approval. The tax expires the earlier of seven years or when allowed revenues are raised. |

| Section | Description – Article 9: Local Taxes |
|---|---|
| | Effective upon the city complying with approval and notice requirements for special laws. |
| 8 | **City of Hermantown; taxes authorized.**<br>Allows the city of Hermantown to impose an additional 0.5 percent local sales tax to finance $12.41 million plus associated bond costs for upgrades to the Hermantown Hockey Arena and construction of the Hermantown-Proctor trail. Allows the city to issue up to $12.41 million in bonds for the projects without separate voter approval. The tax expires the earlier of 16 years or when allowed revenues are raised.<br><br>Effective upon the city complying with approval and notice requirements for special laws. |
| 9 | **Itasca County; taxes authorized.**<br>Allows Itasca County to impose a 0.5 percent local sales tax to finance $75 million plus associated bond costs for the construction of a correctional facility and associated court facilities. Allows the county to issue up to $75 million in bonds for the projects without separate voter approval. The tax expires the earlier of 30 years or when allowed revenues are raised.<br><br>Effective upon the city complying with approval and notice requirements for special laws. |
| 10 | **City of Litchfield; taxes authorized.**<br>Allows the city of Litchfield to impose a 0.5 percent local sales tax to finance $10 million plus associated bond costs for construction of a community wellness and recreation center. Allows the city to issue up to $10 million in bonds for the projects without separate voter approval. The tax expires the earlier of 20 years or when allowed revenues are raised.<br><br>Effective upon the city complying with approval and notice requirements for special laws. |
| 11 | **City of Little Falls; taxes authorized.**<br>Allows the city of Edina to impose a 0.5 percent local sales tax to finance $17 million plus associated bond costs for construction of a community recreational facility. Allows the city to issue up to $17 million in bonds for the projects without separate voter approval. The tax expires the earlier of 30 years or when allowed revenues are raised.<br><br>Effective upon the city complying with approval and notice requirements for special laws. |

| Section | Description – Article 9: Local Taxes |
|---|---|
| 12 | **City of Maple Grove; taxes authorized.**<br>Allows the city of Maple Grove to impose a 0.5 percent local sales tax to finance $90 million plus associated bond costs for expansion and renovation of the Maple Grove Community Center. Allows the city to issue up to $90 million in bonds for the projects without separate voter approval. The tax expires the earlier of 20 years or when allowed revenues are raised.<br><br>Effective upon the city complying with approval and notice requirements for special laws. |
| 13 | **County of Mille Lacs; taxes authorized.**<br>Allows Mille Lacs County to impose a 0.5 percent local sales tax to finance $10 million plus associated bond costs for construction of a public works building. Allows the county to issue up to $10 million in bonds for the projects without separate voter approval. The tax expires the earlier of eight years or when allowed revenues are raised.<br><br>Effective upon the city complying with approval and notice requirements for special laws. |
| 14 | **City of Moorhead; taxes authorized.**<br>Allows the city of Moorhead to impose a 0.5 percent local sales tax to finance $29.1 million plus associated bond costs for construction of a regional library and community center. Allows the city to issue up to $29.1 million in bonds for the projects without separate voter approval. The tax expires the earlier of 22 years or when allowed revenues are raised.<br><br>Effective upon the city complying with approval and notice requirements for special laws. |
| 15 | **City of Oakdale; taxes authorized.**<br>Allows the city of Oakdale to impose a 0.5 percent local sales tax to finance $37 million plus associated bond costs for construction of a new public works facility and expansion of the police department. Allows the city to issue up to $37 million in bonds for the projects without separate voter approval. The tax expires the earlier of 25 years or when allowed revenues are raised.<br><br>Effective upon the city complying with approval and notice requirements for special laws. |
| 16 | **City of St. Cloud; taxes authorized.**<br>Allows the city of St. Cloud to impose a 0.5 percent local sales tax to finance $21.1 million plus associated bond costs for expansion and improvements to the St. Cloud |

| Section | Description – Article 9: Local Taxes |
|---|---|
| | Municipal Athletic Complex. Allows the city to issue up to $21.1 million in bonds for the projects without separate voter approval. The tax expires the earlier of five years or when allowed revenues are raised. This tax is in addition to the city's existing local sales tax of 0.5 percent imposed as part of the Central Minnesota Cities sales tax.<br><br>Effective upon the city complying with approval and notice requirements for special laws. |
| 17 | **City of St. Peter; taxes authorized.**<br>Allows the city of St. Peter to impose a 0.5 percent local sales tax to finance $9.121 million plus associated bond costs for construction of a new fire station. Allows the city to issue up to $9.121 million in bonds for the projects without separate voter approval. The tax expires the earlier of 40 years or when allowed revenues are raised.<br><br>Effective upon the city complying with approval and notice requirements for special laws. |
| 18 | **City of Wadena; taxes authorized.**<br>Allows the city of Wadena to impose a 0.5 percent local sales tax to finance $3 million plus associated bond costs for the Wadena Library Rehabilitation Project. Allows the city to issue up to $3 million in bonds for the projects without separate voter approval. The tax expires the earlier of 20 years or when allowed revenues are raised.<br><br>Effective upon the city complying with approval and notice requirements for special laws. |
| 19 | **City of Waite Park; taxes authorized.**<br>Allows the city of Waite Park to impose a 0.5 percent local sales tax to finance $27.5 million plus associated bond costs for construction of a public safety facility and regional trail connections. Allows the city to issue up to $27.5 million in bonds for the projects without separate voter approval. The tax expires the earlier of 19 years or when allowed revenues are raised. This tax is in addition to the city's existing local sales tax of 0.5 percent imposed as part of the Central Minnesota Cities sales tax.<br><br>Effective upon the city complying with approval and notice requirements for special laws. |

## Article 10: Tax Increment Financing

This article contains provisions modifying general law surrounding tax increment financing such as:

- providing temporary flexibility of the use of unencumbered TIF increment;
- expanding the pooling rules to allow for expenditure of increment on certain housing projects;
- extending the five-year rule to ten years for redevelopment districts certified after December 31, 2017; and
- providing a corresponding extension of the six-year rule.

Provides special tax increment financing authority to the cities of Bloomington, Burnsville, Fridley, Minnetonka, Mountain Lake, Richfield, St. Louis Park, Wayzata, and Windom.

| Section | Description – Article 10: Tax Increment Financing |
|---|---|
| 1 | **Temporary use of increments authorized.**<br>Allows TIF authorities to transfer unobligated increment to the municipality's general fund or directly to a business that was impacted by COVID-19. The transferred increment is limited to the excess of increment that is required to make bond payments or other financial obligations within six months of the transfers. Increment that may not be transferred includes increment that is improperly retained, received, or spent. Transfers may be made through December 31, 2022.<br><br>Contains a requirement for the municipality to approve a spending plan and hold a public hearing that discusses the use of transferred increment. Also contains administrative provisions relating to reporting to the Office of the State Auditor.<br><br>Effective for current unobligated increment the day following final enactment for any TIF district. |
| 2 | **Expenditures outside district.**<br>Allows increment generated by a housing district to be transferred to a political subdivision's affordable housing trust fund for uses in conformity with the fund's policies. This provision expands the activities that are considered to be "in district" activities for housing districts.<br><br>Increases the percentage of increment that an authority may elect to use for expenditures outside of the district's area from ten percent to 25 percent and expands the types of housing projects eligible for development to include owner-occupied affordable housing.<br><br>Effective the day following final enactment. |
| 3 | **Five-year rule.**<br>Permanently extends the five-year rule to ten years for all redevelopment districts that are certified after December 31, 2017. |

| Section | Description – Article 10: Tax Increment Financing |
|---|---|
| | Effective the day following final enactment. |
| 4 | **Use of revenues for decertification.**<br>Makes a corresponding extension of the six-year rule for districts eligible for the extension in section 3. The six-year rule requires increment be spent on paying debt obligations incurred during the district's first five years. Effective the day following final enactment. |
| 5 | **City of Bloomington; American Boulevard.**<br>Authorizes the creation of a redevelopment district in the city of Bloomington comprised of specified parcels, and provides the following special rules:<br>▪ the district is deemed to meet the statutorily required blight findings for establishing a redevelopment district;<br>▪ increment generated is not required to be spent on correction of blight conditions; and<br>▪ allows increment to be spent on certain utility infrastructure located within the project area, but outside of the district's area.<br>Effective upon local approval and compliance with filing requirements for special laws. |
| 6 | **City of Bloomington; 98th and Aldrich.**<br>Authorizes the creation of a redevelopment district in the city of Bloomington comprised of specified parcels, and provides the following special rules:<br>▪ the district is deemed to meet the statutorily required blight findings for establishing a redevelopment district; and<br>▪ increment generated is not required to be spent on correction of blight conditions.<br>Effective upon local approval and compliance with filing requirements for special laws. |
| 7 | **City of Burnsville; TIF authority.**<br>Authorizes the city of Burnsville to create redevelopment TIF districts within the limited area of the Burnsville Center mall and adjacent rights of way. Under this provision, the following special rules apply to any TIF district created:<br>▪ the district is deemed to meet the statutorily required blight findings for establishing a redevelopment district; and |

| Section | Description – Article 10: Tax Increment Financing |
|---|---|

- increment generated is not required to be spent on correction of blight conditions.

Effective upon local approval and compliance with filing requirements for special laws.

8 **City of Fridley; Tax Increment Financing District; special rules.**

Allows the city of Fridley or its development authority to elect to spend increment outside of the district on certain housing programs, as well as exempts the district from the five-year rule, as well as the requirement that in the sixth year increment is used to pay down debts incurred in the first five years. The city has the ability to make elections to spend increment in this manner until December 31, 2023.

Effective upon local approval and compliance with filing requirements for special laws.

9 **City of Minnetonka; use of increment authorized.**

Allows the city of Minnetonka to use increment generated from any redevelopment district in the city for owner-occupied and rental affordable housing projects, and permits the transfer of increment generated from districts to the city’s affordable housing trust fund to be used for purposes outlined by the city’s trust fund policies.

Effective upon local approval and compliance with filing requirements for special laws.

10 **City of Mountain Lake; TIF District No. 1-8; five-year rule extension.**

Extends the five-year rule to ten years for TIF District No. 1-8 in the city of Mountain Lake. Also makes a corresponding extension of the requirement that in the district's sixth year, increment be spent to pay debts for timely decertification.

Effective upon local approval and compliance with filing requirements for special laws.

11 **City of Richfield; use of tax increment authorized.**

Allows the city to use increment generated from any TIF district in the city for owner-occupied and rental affordable housing projects, and permits the transfer of up to 15 percent of increment generated from redevelopment districts in the city to the city’s affordable housing trust fund to be used for purposes outlined by the city’s trust fund policies.

Effective upon local approval and compliance with filing requirements for special laws.

| Section | Description – Article 10: Tax Increment Financing |
|---|---|
| 12 | **City of St. Louis Park; use of increment authorized.**<br>Allows a district that has elected to increase the percentage of permitted expenditures outside of the district for housing development to use the increment for other types of housing projects such as low-income owner-occupied projects in addition to low-income housing projects as defined by section 42 of the IRC.<br><br>Permits the transfer of increment generated from housing development to the city's affordable housing trust fund to be used for purposes outlined by the city's trust fund policies.<br><br>Effective upon local approval and compliance with filing requirements for special laws. |
| 13 | **City of Wayzata; TIF District No. 6.**<br><br>Authorizes the city of Wayzata to spend increment generated by Tax Increment Financing District No. 6 on construction of a lakefront pedestrian walkway and public access infrastructure related to the Panoway on Wayzata Bay project. This section will allow the expenditure of increment for this project to be considered an in-district expenditure.<br><br>Effective upon local approval and compliance with filing requirements for special laws. |
| 14 | **City of Windom; TIF District 1-22; five-year rule extended.**<br><br>Extends the five-year rule to ten years for TIF District 1-22 in the city of Windom. Also makes a corresponding extension of the requirement that in the district's sixth year, increment be spent to pay debts for timely decertification.<br><br>Effective upon local approval and compliance with filing requirements for special laws. |
| 15 | **City of Windom; TIF District 1-22; duration extension.**<br><br>Extends the duration of TIF District 1-22 in the city of Windom by five years.<br><br>Effective upon local approval and compliance with filing requirements for special laws. |

# Article 11: Public Finance

This bill makes a number of changes in laws relating to municipal financing.

| Section | Description – Article 11: Public Finance |
|---|---|
| 1 | **Allocation; termination.**<br>Allows counties to use funds generated by county transportation sales taxes for payment of capital costs of construction buildings and other facilities used for maintaining transportation or transit projects. |
| 2 | **Exercising powers of a municipal power agency.**<br>Allows municipal gas agencies to engage in electric prepayment transactions. |
| 3 | **All other powers.**<br>Renumbers existing subdivision due to the change in section 2. |
| 4 | **Installment; lease purchase; city, county, town, school.**<br>Clarifies that installment contracts that local governments use to purchase real or personal property are not to be included in the calculation of the local government's net debt if the amount is under $1 million. |
| 5 | **Interest rate.**<br>Deletes outdated and confusing terminology relating to the interest rate of municipal debt. |
| 6 | **Street reconstruction and bituminous overlays.**<br>Allows municipalities to use street reconstruction bond proceeds to construct bicycle lanes, sidewalks, and paths that are incidental to street reconstruction. This provision aligns the statute with current practice. |
| 7 | **Advertisement.**<br>Deletes outdated and confusing terminology relating to the interest rate of municipal debt. |
| 8 | **Escrow account securities.**<br>Updates the list of permissible investments for escrow accounts for refunding bonds to reflect the consolidation of various banks into the Farm Credit System and provides examples of permitted securities. |
| 9 | **Repealer.**<br>Repeals overlapping and contradictory language regarding the sale of port authority property. |

## Article 12: Tax Expenditure Review

Article 12 establishes a legislative commission to review the state's tax expenditures on an annual, rotating basis. Staff support for the commission would be provided by the Legislative Budget Office (LBO), with additional research support from the DOR Tax Research Division.

The bill additionally requires all bills establishing a tax expenditure—or continuing an expiring expenditure—to sunset after eight years.

It also adds new components to DOR's Tax Expenditure Budget, and modifies the schedule by which the department must publish the expenditure budget and the tax incidence report.

| Section | Description – Article 12: Tax Expenditure Review |
|---|---|
| 1 | **Requirement for new or renewed tax expenditures.**<br>Requires any bill creating a new tax expenditure or extending an expiring tax expenditure to sunset after eight years.<br><br>Effective for the 2022 legislative session. |
| 2 | **Director; staff.**<br>Requires the Legislative Budget Office (LBO) to provide technical and professional assistance to the Tax Expenditure Review Commission established in section 3 of the bill. |
| 3 | **Tax Expenditure Review Commission.**<br>**Subd. 1. Establishment.** Establishes a Tax Expenditure Review Commission to review Minnesota's tax expenditures, and evaluate their effectiveness and fiscal impact.<br><br>**Subd. 2. Definitions.** Defines the terms "significant tax expenditure," "tax," and "tax expenditure" by cross-reference to the definitions in section 6 of the bill.<br><br>**Subd. 3. Membership.** Establishes the membership for the commission:<br>▪ Four senators; two appointed by each of the senate majority and minority leaders.<br>▪ Four representatives; two appointed by each of the house speaker and minority leader.<br>▪ The commissioner of revenue or the commissioner's designee.<br><br>**Subd. 4. Duties.** Establishes the duties for the commission. During the first three years after the commission is established, it must complete an initial review of the state's tax expenditures to identify purpose statements and metrics for evaluating each expenditure. |

| Section | Description – Article 12: Tax Expenditure Review |
|---|---|

After the period of initial review, the commission must review and evaluate Minnesota's tax expenditures on a regular, rotating basis. The schedule must ensure that each expenditure is evaluated at least once every ten years. The schedule may group expenditures by policy area or constituency, but must evaluate a similar number of expenditures from each tax type each year. The commission may opt to exclude from review a tax expenditure that is adopted by reference to federal law.

Before December 1 of each year the commission issues a report reviewing an expenditure, it must hold a public hearing on the expenditure.

**Subd. 5. Components of review.** Describes the process for evaluating a tax expenditure. At a minimum, the commission must:

- Estimate the revenue lost due to a tax expenditure.
- Identify the purpose of the expenditure.
- Estimate the measurable impacts and efficiency of the tax expenditure.
- Compare the effectiveness of the expenditure with a direct expenditure.
- Identify potential modifications to the tax expenditure to increase its efficiency or effectiveness.
- Estimate the amount by which the relevant tax rate could be reduced if the expenditure were repealed.
- Estimate the incidence of significant tax expenditures.
- Consider the cumulative fiscal impacts of other state and federal taxes providing benefits to taxpayers for similar activities.
- Recommend whether the expenditure be continued, repealed or modified.

The commission may omit components of the review that are not feasible.

**Subd. 6. Department of Revenue; research support.** Requires the DOR research department to provide research support to the commission.

**Subd. 7. Report to legislature.** Requires the commission to submit a report to the legislature by December 15 of each year. Requires the legislative tax committees to hold a public hearing on the report during the regular legislative session in the year following the submission of the report.

**Subd. 8. Terms; vacancies.** Establishes two-year terms for the commission, and provides rules for filing vacancies.

| Section | Description – Article 12: Tax Expenditure Review |
|---|---|
| | **Subd. 9. Officers.** Requires the commission to elect a chair and vice-chair as presiding officers. The chair and vice-chair must not be from the same chamber.<br><br>**Subd. 10. Staff.** Requires LBO to provide professional and technical assistance to the commission, including assistance with the annual report.<br><br>**Subd. 11. Expenses.** Requires commission and staff to be reimbursed for expenses, in accordance with Legislative Coordinating Commission (LCC) policies. |
| 4 | **Tax Expenditure Review Commission disclosure.**<br>Requires DOR to disclose to the commission the data that is required in subdivision 6 of section 3. |
| 5 | **DOR tax expenditure budget due date.**<br>Changes the due date for the DOR Tax Expenditure budget from February 1 to November 1 of each even-numbered year. |
| 6 | **Tax expenditure budget contents.**<br>Requires the DOR tax expenditure budget to include three new items:<br>▪ Purpose statements for tax expenditures identified in the enacting legislation or by the Tax Expenditure Review Commission.<br>▪ The incidence of significant sales and income tax expenditures.<br>▪ The revenue-neutral amount by which the relevant tax rate could be reduced if the expenditure were repealed. |
| 7 | **Definitions.**<br>Defines the following terms:<br>▪ “Business tax credit” means a credit against the corporate franchise tax claimed by a C corporation, or a credit against the individual income tax claimed by a pass-through entity.<br>▪ “Pass-through entity” means a partnership, limited liability corporation, or S corporation.<br>▪ “Significant tax expenditure” means a tax expenditure, excluding expenditures that: (1) are incorporated into state law by a federal definition of income; (2) result in a revenue reduction of less than $10 million per biennium; or (3) are business tax credits.<br>▪ “Tax pyramiding” means imposing sales taxes on intermediate business-to-business transactions.<br><br>The bill includes language removing provisions used to mitigate tax pyramiding from the definition of tax expenditure. This would mean that sales tax provisions that |

| Section | Description – Article 12: Tax Expenditure Review |
|---|---|
| | mitigate pyramiding would no longer be included in the tax expenditure report, and would no longer be subject to the rules in section 3.192 for bills establishing tax expenditures. |
| 8 | **DOR tax incidence report due date.**<br>Changes the due date for the Department of Revenue tax incidence report from March 1 of each odd-numbered year to March 1, 2024, and each even-numbered year thereafter. |
| 9 – 15 | **Tax expenditure purpose statements established.**<br>Under Minnesota Statutes, section 3.192, any bill that creates, renews, or continues a tax expenditure "must include a statement of intent that clearly provides the purpose of the tax expenditure and a standard or goal against which its effectiveness may be measured."<br><br>Sections 9 to 15 establish purpose statements for tax expenditures created, renewed, or continued in the bill. It additionally includes purpose statements for certain tax expenditures that were enacted without purpose statements since the requirement in section 3.192 was enacted. |
| 16 | **Tax Expenditure Review Commission appropriation.**<br>Appropriates funds to the LCC and DOR to establish the review commission established in the article. The LCC appropriation is $36,000 in fiscal year 2022 and $766,000 in fiscal year 2023. The appropriation to DOR is $148,000 in fiscal year 2023. |

## Article 13: Miscellaneous Tax Provisions

This article makes a number of miscellaneous tax and refund changes. The changes include:

- reducing the percentage of accelerated June sales tax, liquor tax, and cigarette and tobacco tax liability based on a budget surplus;
- capping the stadium reserve account at $100 million;
- requiring a report on the 4d property tax classification;
- allowing cities, counties and towns to establish tourism improvement districts; and
- appropriating money to the commissioner of health and the commissioner of the Minnesota Housing Finance Agency.

| Section | Description – Article 13: Miscellaneous Tax Provisions |
|---|---|
| 1 | **Taxpayer receipt established.**<br>Requires Minnesota Management and Budget (MMB) to publish and annually update an interactive taxpayer receipt on its website. The receipt would describe the share of state general fund expenditures represented by major expenditure categories, as well as the approximate allocation of motor vehicle fuels taxes among transportation expenditures. Based on the user's income, the website must estimate the amount of income, sales, alcohol, tobacco, and motor vehicle fuels taxes paid by the user. The bill additionally requires the receipt to display select data on performance goals and outcomes. |
| 2 | **Additional revenues; priority.**<br>Requires the reduction of the percentage of accelerated June sales tax liabilities of certain businesses if there is a budget surplus determined by a November forecast.<br><br>The reduction in percentage is priority number six for the allocation of additional revenues in a surplus situation. The percentage will only be reduced if the other five priorities are met first.<br><br>Effective July 1, 2021. |
| 3 | **Revenue recapture; nonprofit hospitals.**<br>Disallows nonprofits hospitals that lease their building from the county or city in which they are located from participating in the state's revenue recapture.<br><br>Effective the day following final enactment. |
| 4 | **Taxpayer receipt notice.**<br>Requires the Department of Revenue to include on the individual income tax forms the option to elect to receive information about the taxpayer receipt. |
| 5 | **Sales and use tax.**<br>Reduces the percentage of accelerated June sales tax liabilities of certain businesses in accordance with section 2.<br><br>Requires the expiration of the June accelerated payment for sales and use tax liabilities after the percentage is reduced to zero.<br><br>Effective for estimated payments made after July 1, 2021. |
| 6 | **Accelerated payment of June sales tax liability; penalty for underpayment.**<br>Adjusts the threshold for the imposition of penalties for the underpayment of accelerated June sales tax liabilities to the percentage as determined under section 2. |

| Section | Description – Article 13: Miscellaneous Tax Provisions |
|---|---|

Requires this provision to expire once the percentage is reduced to zero.

Effective for estimated payments made after July 1, 2021.

7 **Homestead credit refund increase.**

Increases the maximum homestead credit refund by $250 for claimants at most income levels. The amount of the increase is $200, $150, $100, and $50 for the four highest income ranges eligible for the credit.

Effective for refunds payable in 2022 (based on 2021 incomes and property taxes paid in 2022).

8 **Renter's credit increase.**

Reduces co-pay percentages for the renter's credit by five percent to 15 percent. For claimants with household incomes below $44,080, the co-pay is reduced by five percent. For claimants with household incomes between $44,080 and $51,440, the co-pay is reduced by ten percent. For claimants with household incomes between $51,440 and $64,300, the co-pay is reduced by 15 percent.

Effective for refunds payable in 2022 (based on 2021 incomes and rent paid).

9 **Appropriation; general reserve account.**

Prohibits appropriations to the stadium reserve account once the account reaches $100 million.

10 **Accelerated tax payment; cigarette or tobacco products distributor.**

Makes a corresponding reduction of the percentage of accelerated June cigarette and tobacco tax liabilities for distributors in accordance with the percentage reduction made in section 2.

Removes references to calendar year 2020 since the relevant time periods for 2020 have already passed and reorganizes provisions for clarity and readability.

Requires the expiration of the June accelerated payment after the percentage is reduced to zero.

Effective for estimated payments made after July 1, 2021.

11 **Tax and use tax on cigarettes.**

Creates the tobacco use prevention and cessation account in the special revenue fund and appropriates $15 million annually to the commissioner of health to be deposited in this account from the proceeds of the taxes imposed on cigarettes.

| Section | Description – Article 13: Miscellaneous Tax Provisions |
|---|---|
| | Requires funds in the account to be used for tobacco use prevention and cessation projects, with priority given to projects aimed at preventing youth use of tobacco and vapor products.<br><br>This appropriation sunsets in fiscal year 2029. |
| 12 | **Accelerated tax payment; penalty.**<br>Makes a corresponding reduction of the percentage of accelerated June liquor tax liabilities for distributors in accordance with the percentage reduction made in section 2.<br><br>Removes references to calendar year 2020 since the relevant time periods for 2020 have already passed and reorganizes provisions for clarity and readability.<br><br>Requires the expiration of the June accelerated payment after the percentage is reduced to zero.<br><br>Effective for estimated payments made after July 1, 2021. |
| 13 | **Definitions – tourism improvement districts.**<br>This section provides various definitions for use in the proposed new tourism improvement district chapter of Minnesota Statutes. |
| 14 | **Establishment of tourism improvement district.**<br>Authorizes a municipality to establish by ordinance a tourism improvement district (TID) and establishes guidelines related to notice, ownership, fees, hearings and appeals. |
| 15 | **Service charge authority; notice; hearing requirement.**<br>Allows a service charge to be imposed by the municipality for TID improvements and requires an annual hearing on the continuation of the charge. |
| 16 | **Modification of ordinance.**<br>Allows a TID to be modified by petition and establishes guidelines and a process for modification. |
| 17 | **Collection of service charges; penalties.**<br>Allows service charges, penalties, and interest to be collected by the municipality, tourism improvement association, or other designated entity. |

| Section | Description – Article 13: Miscellaneous Tax Provisions |
|---|---|

18 **Tourism improvement association.**

Requires a tourism improvement association to be created by ordinance and be composed of fee-paying property owners.

19 **Petition required.**

Requires that tourism improvement districts can only be established by petition.

20 **Veto power of owners.**

Allows and provides for the manner in which business owners may veto the ordinance establishing a district.

21 **Disestablishment.**

Annually requires a 30-day period in which the district may be disestablished by petition, following a notice and hearing.

22 **Coordination of districts.**

Prohibits counties and cities and towns from creating overlapping districts in the same geographical area.

23 **Workforce and affordable homeownership development program.**

Amends the workforce and affordable homeownership development program to allow the commissioner of the Minnesota Housing Finance Agency to provide loans in addition to grants for workforce and affordable homeownership projects.

Establishes a workforce and affordable homeownership development account in the housing development fund to provide supplemental funding to the program.

Appropriates $15 million annually from the proceeds of the mortgage registry and deed taxes to the commissioner of the Minnesota Housing Finance Agency for transfer into the workforce and affordable homeownership development account. This appropriation sunsets in fiscal year 2029.

Effective July 1, 2021.

24 **4d affordable housing programs report.**

Requires the commissioner of revenue, in consultation with Minnesota Housing, to produce a report on class 4d property and on local 4d affordable housing programs. The report must include information on the number of 4d units and the property tax impacts of the 4d classification on these units. It must also contain an analysis of the impact of reducing the classification rate of the first-tier of 4d property to 0.25 percent. The report must be completed by January 15, 2022.

| Section | Description – Article 13: Miscellaneous Tax Provisions |
|---|---|
| | Effective the day following final enactment. |
| 25 | **Budget reserve reduction.**<br>Reduces the balance in the budget reserve account by $150 million. |
| 26 | **Appropriations; fire remediation grants.**<br>Provides a onetime appropriation from the general fund in fiscal year 2022 to the commissioner of revenue to make grants to the cities of Alexandria and Melrose to cover costs of remediation efforts after fires in both cities.<br><br>The city of Alexandria will receive $120,000 and the city of Melrose will receive $643,729. |
| 27 | **Department of Revenue free filing report.**<br>Requires DOR to submit a report to the legislature on free electronic filing options for the individual income tax.<br><br>As part of the study, DOR must survey tax preparation software vendors for information about providing a free electronic preparation and filing option.<br><br>The report is due on January 15, 2022, and must include a review of free filing options in other states, an analysis of taxpayer needs, a description of alternative options for free filing, and an analysis of usage of the Internal Revenue Service Free File Program.<br><br>The section appropriates $175,000 to DOR in fiscal year 2022 for the report. |
| 28 | **Appropriation; taxpayer receipt.**<br>Appropriates $100,000 in fiscal year 2022 to MMB to develop the taxpayer receipt. The base for the appropriation is $47,000 in future years. Appropriates $19,000 to DOR for the cost of providing information related to the receipt. |
| 29 | **Federal funds replacement.**<br>Requires MMB to determine if any of the funds approved in the bill are eligible uses under the American Rescue Plan Act (ARPA; Public Law 117-2). If the bill includes expenditures eligible to be paid for with ARPA funds, directs MMB to pay for those expenditures using ARPA and cancel the amounts appropriated to the general fund. |

# Article 14: Department of Revenue Policy and Technical: Individual Income and Corporate Franchise Taxes

This article makes a number of policy and technical changes related to individual income and corporate franchise taxes.

| Section | Description – Article 14: DOR Policy and Technical: Individual Income and Corporate Franchise Taxes |
|---|---|
| 1 | **Composite income tax returns for nonresident partners, shareholders, and beneficiaries.**<br>Clarifies that the taxable income computed for purposes of composite returns includes the modifications for foreign income.<br><br>Effective retroactively for taxable years beginning after December 31, 2015. |
| 2, 4 – 11, 13 | **Withholding.**<br>Amends withholding statutes to refer to withholding exemptions as withholding allowances consistent with conforming federal law. Also amends the states withholding rules so that withholding allowances are based on newly codified state definitions for the standard deduction (including the additional amount for the blind and seniors), dependent exemption, and itemized deductions. Provides the commissioner with discretion to adjust withholding.<br><br>Effective for taxable years after December 31, 2020. |
| 3 | **Inflation adjustment.**<br>Removes superfluous language regarding the rounding of the inflation adjustment.<br><br>Effective the day following final enactment. |
| 12 | **Miscellaneous withholding arrangements.**<br>Requires that a financial institution withhold Minnesota income tax on any periodic payment or nonperiodic distribution for Minnesota residents, unless the Minnesota resident requests that the financial institution not withhold.<br><br>Effective for payments and distributions made after December 31, 2021. |
| 14 | **Special limited adjustment.**<br>Clarifies that the special limited adjustment applies to individuals, estates, and trusts.<br><br>Effective retroactively for taxable years beginning after December 31, 2017, and before January 1, 2019. |

## Article 15: Department of Revenue Policy and Technical: Property Taxes and Local Government Aids

This article makes a number of changes related to property taxes.

| Section | Description – Article 15: DOR Policy and Technical: Property Taxes and Local Government Aids |
|---|---|
| 1 | **Board of Assessors reports.**<br>Combines separate reports to the governor and the legislature into a single report containing the same information required under current law.<br><br>Effective for reports issued in 2022 and thereafter. |
| 2 | **Board of Assessors fees.**<br>Removes the fee for record retention by the Board of Assessors.<br><br>Effective the day following final enactment. |
| 3 – 4 | **Definitions.**<br>Clarifies that the construction date of a wind energy conversion system, or a solar energy generating system, is not altered if the system is replaced, repaired, or otherwise maintained or altered.<br><br>Effective the day following final enactment. |
| 5 | **Notification of tax.**<br>Allows the commissioner to correct clerical errors until December 31.<br><br>Effective the day following final enactment. |
| 6 | **Assessor powers and duties.**<br>Clarifies that the "powers and duties" performed by a city assessor in a county having a city of the first class are the powers and duties identified in section 273.061, subd. 8.<br><br>Effective the day following final enactment. |
| 7 | **Assessor education.**<br>Specifies that licensed assessors must complete 30 hours of education on Minnesota laws, assessment administration, and administrative procedures, which may be spread out over every four-year licensing cycle, rather than mandating completion of a single weeklong course on these topics. |

| Section | Description – Article 15: DOR Policy and Technical: Property Taxes and Local Government Aids |
|---|---|
| | Effective retroactively for the four-year licensing period starting on July 1, 2020, and thereafter. |
| 8, 9, 11 | **Lake Vermillion-Soudan Underground Mine State Park PILT.**<br>Amends payment in-lieu of taxes (PILT) references to include a cross-reference to the Lake Vermilion-Soudan Underground Mine State Park PILT statute.<br><br>Effective the day following final enactment. |
| 10 | **Exemptions.**<br>Allows an exemption for mortgage loans made under a low or moderate income housing program if the assignee of the mortgage is a governmental agency. Currently, the governmental agency must be listed as the mortgagee for the exemption to apply.<br><br>Effective for mortgages recorded after June 30, 2021. |

## Article 16: Department of Revenue Policy and Technical: Sales and Use Taxes

This article makes a number of changes related to sales taxes.

| Section | Description – Article 16: DOR Policy and Technical: Sales and Use Taxes |
|---|---|
| 1 | **Accelerated tax payments.**<br>Technical change to match the June accelerated sales tax payment percentages in two paragraphs of section 289A.20, subd. 4.<br><br>Effective the day following final enactment. |
| 2 | **Liquor gross receipts tax.**<br>Clarifies that a liquor retailer may collect the liquor gross receipts tax from the purchaser and the tax is excluded from sales price for purposes of sales tax if separately stated on the receipt given to the purchaser.<br><br>Effective the day following final enactment. |

| Section | Description – Article 16: DOR Policy and Technical: Sales and Use Taxes |
|---|---|
| 3 | **Marketplace provider liability.**<br>Clarifies that marketplace provider is deemed to be the retailer or seller for all retail sales the marketplace provider facilitates.<br><br>Effective the day following final enactment. |
| 4 | **Repealer.**<br>Repeals existing rules requiring local units of government whose tax is administered by DOR to pay for new computer system development costs.<br><br>Effective the day following final enactment. |

## Article 17: Department of Revenue Policy and Technical: Special Taxes

This article makes a number of changes related to the motor fuels and cigarette and tobacco taxes.

| Section | Description – Article 17: DOR Policy and Technical: Special Taxes |
|---|---|
| 1 | **Special fuel dealers.**<br>Clarifies that "fuel dealer" refers to "special fuel dealer" as defined in section 296A.01, subd. 47.<br><br>Effective the day following final enactment. |
| 2, 7 | **Refusal to issue or renew; revocation.**<br>Adds convictions for any crimes involving tobacco products to the list of reasons the commissioner must not issue or renew a license under chapter 297F.<br><br>Effective the day following final enactment. |
| 3, 6 | **Accelerated tax payments.**<br>Reorganizes sections 297F.09, subd. 10 and 297G.09, subd. 9 for readability and clarity. Removes references to calendar year 2020 since the relevant time periods for 2020 have already passed.<br><br>Effective for estimated payments required to be made after the date following final enactment. |

| Section | Description – Article 17: DOR Policy and Technical: Special Taxes |
|---|---|
| 4 | **Retailer and subjobber to preserve purchase invoices.**<br>Requires cigarette and tobacco product retailers and subjobbers to preserve a legible copy of each purchase invoice for one year from the date of the invoice or as long as the cigarette or tobacco product listed on the invoice is available for sale or in their possession, whichever period is longer.<br><br>Effective for all cigarette and tobacco products available for sale or in a retailer or subjobber's possession after December 31, 2021. |
| 5 | **Sufficiency of notice.**<br>Deletes unnecessary language in section 297F.17, subd. 1.<br><br>Effective for notices of tax assessment issued after the date of final enactment. |

## Article 18: Department of Revenue Policy and Technical: Miscellaneous

This article makes changes related to the inflator for the property tax refund and tax preparers.

| Section | Description – Article 18: DOR Policy and Technical: Miscellaneous |
|---|---|
| 1 | **Adjustment; definition; period; rounding.**<br>Corrects the statutory year calculation of inflation for the property tax refund chapter.<br><br>Effective retroactively for property tax refunds based on property taxes payable in 2020, and rent paid in 2019. |
| 2 | **Paid preparer; depositing client refunds.**<br>Clarifies that a paid tax preparer may not take control or ownership of a client's tax refund regardless of the manner in which the refund is paid.<br><br>Effective the day following final enactment. |

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