

Subject Fraud tax

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## Overview

H.F. 5040 would impose a tax on a person convicted of public program fraud. The tax would be equal to 100 percent of the amount of money received that is attributable to fraud. The bill would also allow a tax penalty to be imposed on a person not convicted of fraud, in the same amount.

Taxes and penalties would be deposited in a tax relief account and would be used to offset a temporary reduction in the first-tier individual income tax rate.

In addition, the bill would allow for information sharing between the commissioner of revenue and the Bureau of Criminal Apprehension (BCA) for purposes of tax administration and fraud investigations. If the legislature establishes an inspector general, H.F. 5040 would also require information sharing between the inspector general and the commissioner of revenue.

## Summary

Section	Description
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| 1 | <p><b>Exchange of criminal investigative data between Department of Revenue and Financial Crimes and Fraud Section.</b></p> <p>Allows the commissioner of revenue to share active, criminal investigative data with the Financial Crimes and Fraud Section (FCFS) of the BCA for purposes of FCFS investigations into fraud. Also allows FCFS to share active, criminal investigative data with the commissioner of revenue for purposes of tax administration.</p> |
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Data shared by the commissioner would be classified as confidential data on individuals or protected nonpublic data during an active investigation, and private data on individuals or nonpublic data when an investigation is inactive.

Effective date: Day following final enactment.

Section	Description
2	<p><b>Disclosure to legislative auditor and state auditor; inspector general.</b></p> <p>Requires disclosure of returns to a proposed inspector general and allows the inspector general to disclose data to the commissioner of revenue for purposes of administering the proposed tax in section 5.</p> <p>Effective date: January 1, 2027 (contingent on establishment of an inspector general).</p>
3	<p><b>Liability imposed.</b></p> <p>Imposes personal liability for paying the tax in section 5 on a person responsible for filing or paying the tax.</p> <p>Effective date: January 1, 2026.</p>
4	<p><b>Penalty for failure to file, false or fraudulent return, evasion.</b></p> <p>Allows the commissioner to impose a penalty on a person who receives money attributable to fraud of a public program, regardless of whether a person has been convicted of fraud or whether the amounts obtained by fraud were reported on a return. The amount of the penalty would be 100 percent of the amount obtained by fraud. Penalties would be deposited in the tax relief account established in section 5.</p> <p>Effective date: January 1, 2026.</p>
5	<p><b>Tax on amounts obtained through fraud.</b></p> <p>Imposes a tax on money obtained by fraud on a public program.</p> <p><b>Subd. 1. Definitions.</b> Establishes the following definitions for the proposed tax.</p> <ul style="list-style-type: none"><li>▪ “First-tier rate” means the lowest rate under the individual income tax.</li><li>▪ “Program fraud amount” means the amount of money acquired by fraud of a public program, as certified in subdivision 4.</li><li>▪ “Public program” and “fraud” have the meanings provided in the data practices section of law that allow disclosure of data relating to suspected or confirmed fraud.</li></ul> <p><b>Subd. 2. Tax imposed.</b> Imposes a tax on a person or organization convicted of fraud equal to 100 percent of the program fraud amount. The tax is imposed in addition to any other tax, restitution, or penalty imposed. Joint and several liability for the tax would apply when multiple persons or organizations are convicted of the same fraud. The tax would be considered a jeopardy assessment or collection as well, which would allow expedited assessment and collection.</p>

Section	Description
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**Subd. 3. Data sharing.** Clarifies that the commissioner may share active investigative data related to the enforcement of the tax with the BCA, as provided in section 1.

**Subd. 4. Agency certification.** Requires the agency responsible for administering a public program to certify information related to a conviction for fraud of that program to the commissioner of revenue.

**Subd. 5. Deposit of money.** Requires money collected from the proposed tax to be deposited in a new tax relief account. Money in the account would be transferred to the general fund to offset the cost of a required proportional one-year reduction in the first-tier rate.

Effective date: January 1, 2026.

6 **Data sharing authorized.**

Allows the BCA to share active criminal investigative data concerning tax administration with the commissioner of revenue. This data would be classified as confidential or protected nonpublic.

Effective date: Day following final enactment.



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