

1.1 moves to amend H.F. No. 4385 as follows:

1.2 Delete everything after the enacting clause and insert:

1.3 **"ARTICLE 1**

1.4 **FEDERAL TAX CONFORMITY**

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

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

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

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

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

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

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

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

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

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

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

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

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

2.21 **EFFECTIVE DATE.** This section is effective for taxable year beginning after December
 2.22 31, 2017.

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

2.25 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
 2.26 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December~~
 2.27 ~~16, 2016~~ March 31, 2018.

2.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 2.29 31, 2017.

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

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

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

3.9 (2) an individual who is a Minnesota resident is not required to file a Minnesota income
3.10 tax return if the individual's gross income derived from Minnesota sources as determined
3.11 under section 290.17, less the subtractions allowed under section 290.0132, subdivisions
3.12 12 and 15, is less than the filing requirements for a single individual who is a full-year
3.13 resident of Minnesota.

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

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

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

3.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.26 31, 2017.

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

3.28 Subd. 7. **Composite income tax returns for nonresident partners, shareholders, and**
3.29 **beneficiaries.** (a) The commissioner may allow a partnership with nonresident partners to
3.30 file a composite return and to pay the tax on behalf of nonresident partners who have no
3.31 other Minnesota source income. This composite return must include the names, addresses,
3.32 Social Security numbers, income allocation, and tax liability for the nonresident partners
3.33 electing to be covered by the composite return.

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

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

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

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

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

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

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

4.32 (i) Estates and trusts distributing current income only and the nonresident individual
4.33 beneficiaries of the estates or trusts may make an election under this paragraph. The

5.1 provisions covering the partnership apply to the estate or trust. The provisions applying to
5.2 the partner apply to the beneficiary.

5.3 (j) For the purposes of this subdivision, "income" means the partner's share of federal
5.4 adjusted gross income from the partnership modified by the additions provided in section
5.5 290.0131, subdivisions 8 to ~~4~~ 10, 15, and 17, and the subtractions provided in: (1) section
5.6 290.0132, subdivision 9, to the extent the amount is assignable or allocable to Minnesota
5.7 under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed
5.8 under section 290.0132, subdivision 9, is only allowed on the composite tax computation
5.9 to the extent the electing partner would have been allowed the subtraction.

5.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
5.11 31, 2017.

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

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

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

5.27 (1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section
5.28 852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest
5.29 dividends that are not required to be added to federal ~~taxable~~ adjusted gross income under
5.30 section 290.0131, subdivision 2, paragraph (b).

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

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

6.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
6.6 31, 2017.

6.7 Sec. 6. Minnesota Statutes 2017 Supplement, section 289A.35, is amended to read:

6.8 **289A.35 ASSESSMENTS ON RETURNS.**

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

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

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

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

6.24 (e) The commissioner may audit and adjust the taxpayer's computation of tax under
6.25 chapter 291. In the case of a return filed pursuant to section 289A.10, the commissioner
6.26 shall notify the estate no later than nine months after the filing date, as provided by section
6.27 289A.38, subdivision 2, whether the return is under examination or the return has been
6.28 processed as filed.

6.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
6.30 31, 2017.

7.1 Sec. 7. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to
7.2 read:

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

7.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
7.6 31, 2017.

7.7 Sec. 8. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 19, is amended
7.8 to read:

7.9 Subd. 19. **Net income.** (a) For a corporation taxable under section 290.02, an estate, or
7.10 a trust, the term "net income" means the federal taxable income, as defined in section 63 of
7.11 the Internal Revenue Code of 1986, as amended through the date named in this subdivision,
7.12 incorporating the federal effective dates of changes to the Internal Revenue Code and any
7.13 elections made by the taxpayer in accordance with the Internal Revenue Code in determining
7.14 federal taxable income for federal income tax purposes, and with the modifications provided
7.15 in sections 290.0131 to 290.0136.

7.16 (b) For an individual, the term "net income" means federal adjusted gross income with
7.17 the modifications provided in sections 290.0131, 290.0132, 290.0135, and 290.0136.

7.18 (c) In the case of a regulated investment company or a fund thereof, as defined in section
7.19 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment
7.20 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,
7.21 except that:

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

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

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

8.1 (d) The net income of a real estate investment trust as defined and limited by section
8.2 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust
8.3 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

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

8.7 (f) For a taxpayer with a valid election under section 965(h) of the Internal Revenue
8.8 Code, including any successor in interest, net income for the taxable year includes the ratable
8.9 amount of deferred foreign income on which the taxpayer makes a federal tax payment in
8.10 that year.

8.11 (f) The Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ March
8.12 31, 2018, shall be in effect for taxable years beginning after December 31, 1996.

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

8.16 **EFFECTIVE DATE.** This section is effective the day following final enactment, except
8.17 the changes incorporated by federal changes are effective retroactively at the same time as
8.18 the changes were effective for federal purposes and the changes amending the new paragraph
8.19 (a) and adding paragraph (b) are effective for taxable years beginning after December 31,
8.20 2017.

8.21 Sec. 9. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to
8.22 read:

8.23 Subd. 21a. **Adjusted gross income.** The terms "adjusted gross income" and "federal
8.24 adjusted gross income" mean adjusted gross income, as defined in section 62 of the Internal
8.25 Revenue Code, as amended through the date named in subdivision 19, incorporating the
8.26 federal effective date of changes to the Internal Revenue Code and any elections made by
8.27 the taxpayer under the Internal Revenue Code in determining federal adjusted gross income
8.28 for federal income tax purposes.

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

8.30 Sec. 10. Minnesota Statutes 2016, section 290.01, subdivision 22, is amended to read:

8.31 Subd. 22. **Taxable net income.** For tax years beginning after December 31, ~~1986~~ 2017,
8.32 the term "taxable net income" means:

9.1 (1) for resident individuals ~~the same as~~ net income less the deductions allowed under
9.2 section 290.0803;

9.3 (2) for individuals who were ~~not~~ residents of Minnesota for less than the entire year, ~~the~~
9.4 ~~same as~~ net income less the deductions allowed under section 290.0803, except that the tax
9.5 is imposed only on the Minnesota apportioned share of that income as determined pursuant
9.6 to section 290.06, subdivision 2c, paragraph (e);

9.7 (3) for all other taxpayers, the part of net income that is allocable to Minnesota by
9.8 assignment or apportionment under one or more of sections 290.17, 290.191, 290.20, and
9.9 290.36, except that for nonresident individuals net income is reduced by the amount of the
9.10 standard deduction allowable under section 290.0803, subdivision 2, before allocation of
9.11 net income to Minnesota.

9.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
9.13 31, 2017.

9.14 Sec. 11. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 31, is amended
9.15 to read:

9.16 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
9.17 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December~~
9.18 ~~16, 2016~~ March 31, 2018. Internal Revenue Code also includes any uncodified provision
9.19 in federal law that relates to provisions of the Internal Revenue Code that are incorporated
9.20 into Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1,
9.21 subchapter N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as
9.22 amended through March 18, 2010.

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

9.27 Sec. 12. Minnesota Statutes 2016, section 290.0131, subdivision 1, is amended to read:

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

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

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

10.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
10.5 31, 2017.

10.6 Sec. 13. Minnesota Statutes 2016, section 290.0131, subdivision 3, is amended to read:

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

10.13 ~~(b) The addition under paragraph (a) may not be more than the amount by which the~~
10.14 ~~state itemized deduction exceeds the amount of the standard deduction as defined in section~~
10.15 ~~63(e) of the Internal Revenue Code. For the purpose of this subdivision, income, sales and~~
10.16 ~~use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed under~~
10.17 ~~subdivision 12.~~

10.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
10.19 31, 2017.

10.20 Sec. 14. Minnesota Statutes 2017 Supplement, section 290.0131, subdivision 10, is amended
10.21 to read:

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

10.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
10.28 31, 2017.

11.1 Sec. 15. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision
11.2 to read:

11.3 Subd. 15. **Foreign-derived intangible income.** The amount of foreign-derived intangible
11.4 income deducted under section 250 of the Internal Revenue Code for the taxable year is an
11.5 addition.

11.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
11.7 31, 2017.

11.8 Sec. 16. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision
11.9 to read:

11.10 Subd. 16. **529 plan distributions for K-12 expenses.** The lesser of the following amounts
11.11 is an addition:

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

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

11.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
11.20 31, 2017.

11.21 Sec. 17. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision
11.22 to read:

11.23 Subd. 17. **Qualified business income addition.** For a trust or estate, the amount deducted
11.24 under section 199A of the Internal Revenue Code in computing the federal taxable income
11.25 of the trust or estate is an addition.

11.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
11.27 31, 2017.

11.28 Sec. 18. Minnesota Statutes 2016, section 290.0132, subdivision 1, is amended to read:

11.29 Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "subtraction"
11.30 means an amount that ~~shall~~ is allowed to be subtracted from federal taxable adjusted gross

12.1 income, or for estates and trusts, federal taxable income, in computing net income for the
12.2 taxable year to which the amounts relate.

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

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

12.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
12.9 31, 2017.

12.10 Sec. 19. Minnesota Statutes 2016, section 290.0132, subdivision 7, is amended to read:

12.11 Subd. 7. **Charitable contributions for taxpayers who do not itemize.** ~~To the extent~~
12.12 ~~not deducted or not deductible under section 408(d)(8)(E) of the Internal Revenue Code in~~
12.13 ~~determining federal taxable income by~~ For an individual who does not itemize deductions
12.14 ~~for federal income tax purposes~~ under section 290.0803 for the taxable year, an amount
12.15 equal to 50 percent of the excess of charitable contributions over \$500 allowable as a
12.16 deduction for the taxable year under section ~~170(a) of the Internal Revenue Code~~ 290.0803,
12.17 subdivision 5, is a subtraction. The subtraction under this subdivision must not include a
12.18 distribution that is excluded from federal adjusted gross income and that is not deductible
12.19 under section 408(d)(8)(E) of the Internal Revenue Code.

12.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
12.21 31, 2017.

12.22 Sec. 20. Minnesota Statutes 2017 Supplement, section 290.0132, subdivision 21, is amended
12.23 to read:

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

12.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
12.30 31, 2017.

13.1 Sec. 21. Minnesota Statutes 2017 Supplement, section 290.0132, subdivision 26, is amended
13.2 to read:

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

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

13.9 (c) For single or head-of-household taxpayers, the maximum subtraction equals ~~\$3,500~~
13.10 \$3,570. The maximum subtraction is reduced by 20 percent of provisional income over
13.11 ~~\$60,200~~ \$61,400. In no case is the subtraction less than zero.

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

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

13.21 (f) The commissioner shall adjust the maximum subtraction and threshold amounts in
13.22 paragraphs (b) to (d) by the percentage determined pursuant to the provisions of section
13.23 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) of the Internal Revenue
13.24 Code the word "~~2016~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2018, the~~
13.25 ~~commissioner shall then determine the percentage change from the 12 months ending on~~
13.26 ~~August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year,~~
13.27 ~~from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of~~
13.28 ~~the year preceding the taxable year.~~ "2016." The determination of the commissioner pursuant
13.29 to this subdivision must not be considered a rule and is not subject to the Administrative
13.30 Procedure Act contained in chapter 14, including section 14.386. The maximum subtraction
13.31 and threshold amounts as adjusted must be rounded to the nearest \$10 amount. If the amount
13.32 ends in \$5, the amount is rounded up to the nearest \$10 amount.

13.33 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
13.34 31, 2017.

14.1 Sec. 22. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
14.2 to read:

14.3 Subd. 27. **Global intangible low-taxed income.** The taxpayer's global intangible
14.4 low-taxed income included under section 951A of the Internal Revenue Code for the taxable
14.5 year is a subtraction.

14.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
14.7 31, 2017.

14.8 Sec. 23. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
14.9 to read:

14.10 Subd. 28. **Deferred foreign income of nonresidents.** For a nonresident individual the
14.11 amount of deferred foreign income recognized because of section 965 of the Internal Revenue
14.12 Code is a subtraction.

14.13 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
14.14 after December 31, 2016, and before January 1, 2019.

14.15 Sec. 24. Minnesota Statutes 2016, section 290.0133, subdivision 6, is amended to read:

14.16 Subd. 6. **Special deductions.** (a) The amount of any special deductions under sections
14.17 241 to 247 of the Internal Revenue Code and ~~965~~ the amount of foreign derived intangible
14.18 income deducted under section 250 of the Internal Revenue Code is an addition.

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

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

14.24 Sec. 25. Minnesota Statutes 2017 Supplement, section 290.0133, subdivision 12, is amended
14.25 to read:

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

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

15.3 Sec. 26. Minnesota Statutes 2016, section 290.0134, is amended by adding a subdivision
15.4 to read:

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

15.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
15.9 31, 2017.

15.10 Sec. 27. Minnesota Statutes 2016, section 290.0136, is amended to read:

15.11 **290.0136 CERTAIN PREFERRED STOCK LOSSES.**

15.12 A taxpayer must compute net income by treating losses from the sale or transfer of
15.13 certain preferred stock, which the taxpayer treated as ordinary losses pursuant to Division
15.14 A, title III, section 301 of Public Law 110-343, as capital losses. The amount of net income
15.15 under section 290.01, subdivision 19; taxable net income under section 290.01, subdivision
15.16 22; taxable income under section 290.01, subdivision 29; the numerator and denominator
15.17 in section 290.06, subdivision 2c, paragraph (e); individual alternative minimum taxable
15.18 income under section 290.091, subdivision 2; ~~corporate alternative minimum taxable income~~
15.19 ~~under section 290.0921, subdivision 3;~~ and net operating losses under section 290.095 must
15.20 be computed for each taxable year as if those losses had been treated by the taxpayer as
15.21 capital losses under the Internal Revenue Code, including the limitations under section 1211
15.22 of the Internal Revenue Code.

15.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
15.24 31, 2017.

15.25 Sec. 28. Minnesota Statutes 2016, section 290.05, subdivision 3, is amended to read:

15.26 Subd. 3. **Taxes imposed on exempt entities.** (a) An organization exempt from taxation
15.27 under subdivision 2 shall, nevertheless, be subject to tax under this chapter to the extent
15.28 provided in the following provisions of the Internal Revenue Code:

15.29 (1) section 527 (dealing with political organizations);

15.30 (2) section 528 (dealing with certain homeowners associations);

15.31 (3) sections 511 to 515 (dealing with unrelated business income);

16.1 (4) section 521 (dealing with farmers' cooperatives); and

16.2 (5) section 6033(e)(2) (dealing with lobbying expense); but notwithstanding this
16.3 subdivision, shall be considered an organization exempt from income tax for the purposes
16.4 of any law which refers to organizations exempt from income taxes.

16.5 (b) The tax shall be imposed on the taxable income of political organizations or
16.6 homeowner associations or the unrelated business taxable income, as defined in section 512
16.7 of the Internal Revenue Code, of organizations defined in section 511 of the Internal Revenue
16.8 Code, provided that the tax is not imposed on:

16.9 (1) advertising revenues from a newspaper published by an organization described in
16.10 section 501(c)(4) of the Internal Revenue Code; or

16.11 (2) revenues from lawful gambling authorized under chapter 349 that are expended for
16.12 purposes that qualify for the deduction for charitable contributions under section 170 of the
16.13 Internal Revenue Code, disregarding the limitation under section 170(b)(2), but only to the
16.14 extent the contributions are not deductible in computing federal taxable income.

16.15 The tax shall be at the corporate rates. The tax shall only be imposed on income and
16.16 deductions assignable to this state under sections 290.17 to 290.20. To the extent deducted
16.17 in computing federal taxable income, the deductions contained in section 290.21 shall not
16.18 be allowed in computing Minnesota taxable net income.

16.19 (c) The tax shall be imposed on organizations subject to federal tax under section
16.20 6033(e)(2) of the Internal Revenue Code, in an amount equal to the corporate tax rate
16.21 multiplied by the amount of lobbying expenses taxed under section 6033(e)(2) which are
16.22 attributable to lobbying the Minnesota state government.

16.23 (d) In calculating unrelated business taxable income under section 512 of the Internal
16.24 Revenue Code, the amount of any net operating loss deduction claimed under section 172
16.25 of the Internal Revenue Code is an addition. Taxpayers making an addition under this
16.26 paragraph may deduct a net operating loss for the taxable year in the same manner as a
16.27 corporation under section 290.095, in a form and manner prescribed by the commissioner,
16.28 and may calculate the loss without the application of the limitation provided for under
16.29 section 512(a)(6) of the Internal Revenue Code.

16.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
16.31 31, 2017.

17.1 Sec. 29. Minnesota Statutes 2016, section 290.06, subdivision 1, is amended to read:

17.2 Subdivision 1. **Computation, corporations.** (a) The franchise tax imposed upon
 17.3 corporations shall be computed by applying to their taxable income the rate of ~~9.8~~ 9.06
 17.4 percent.

17.5 (b) Notwithstanding paragraph (a), the rate for taxable years beginning after December
 17.6 31, 2017, and before January 1, 2020, is 9.64 percent.

17.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 17.8 31, 2017.

17.9 Sec. 30. Minnesota Statutes 2016, section 290.06, subdivision 2c, is amended to read:

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

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

17.15 (2) On all over ~~\$35,480~~ \$37,850, but not over ~~\$140,960~~, ~~7.05~~ \$150,380, 6.75 percent;

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

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

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

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

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

17.24 (2) On all over ~~\$24,270~~ \$25,890, but not over ~~\$79,730~~, ~~7.05~~ \$85,060, 6.75 percent;

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

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

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

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

18.1 (2) On all over ~~\$29,880~~ \$31,880, but not over ~~\$120,070~~, ~~7.05~~ \$128,090, 6.75 percent;

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

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

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

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

18.15 (1) the numerator is the individual's Minnesota source federal adjusted gross income as
18.16 ~~defined in section 62 of the Internal Revenue Code~~ and increased by the additions required
18.17 under section 290.0131, subdivisions 2 and 6 to ~~4~~ 10, and reduced by the Minnesota
18.18 assignable portion of the subtraction for United States government interest under section
18.19 290.0132, subdivision 2, and the subtractions under section 290.0132, subdivisions 9, 10,
18.20 14, 15, 17, ~~and 18~~, 27, and 28, after applying the allocation and assignability provisions of
18.21 section 290.081, clause (a), or 290.17; and

18.22 (2) the denominator is the individual's federal adjusted gross income as ~~defined in section~~
18.23 ~~62 of the Internal Revenue Code~~, increased by the amounts specified in section 290.0131,
18.24 subdivisions 2 and 6 to ~~4~~ 10, and reduced by the amounts specified in section 290.0132,
18.25 subdivisions 2, 9, 10, 14, 15, 17, ~~and 18~~, 27, and 28.

18.26 (f) For taxable years beginning after December 31, 2017, and before January 1, 2019,
18.27 a rate of seven percent applies instead of the 6.75 percent rate in paragraphs (a) to (c) and
18.28 for taxable years beginning after December 31, 2018, and before January 1, 2020, a rate of
18.29 6.9 percent applies.

18.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
18.31 31, 2017.

19.1 Sec. 31. Minnesota Statutes 2016, section 290.06, subdivision 2d, is amended to read:

19.2 Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after
19.3 December 31, 2013, the minimum and maximum dollar amounts for each rate bracket for
19.4 which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage
19.5 determined under paragraph (b). ~~For the purpose of making the adjustment as provided in~~
19.6 ~~this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets~~
19.7 ~~as they existed for taxable years beginning after December 31, 2012, and before January 1,~~
19.8 ~~2014.~~ The rate applicable to any rate bracket must not be changed. The dollar amounts
19.9 setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate
19.10 brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in
19.11 \$5, it must be rounded up to the nearest \$10 amount.

19.12 (b) The commissioner shall adjust the rate brackets and by the percentage determined
19.13 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section
19.14 1(f)(3)(B) the word "~~2012~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2014, the~~
19.15 ~~commissioner shall then determine the percent change from the 12 months ending on August~~
19.16 ~~31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from~~
19.17 ~~the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the~~
19.18 ~~year preceding the taxable year.~~ "2016." The determination of the commissioner pursuant
19.19 to this subdivision shall not be considered a "rule" and shall not be subject to the
19.20 Administrative Procedure Act contained in chapter 14.

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

19.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
19.24 31, 2017.

19.25 Sec. 32. Minnesota Statutes 2017 Supplement, section 290.067, subdivision 1, is amended
19.26 to read:

19.27 Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the tax
19.28 due from the taxpayer and a spouse, if any, under this chapter an amount equal to the
19.29 dependent care credit for which the taxpayer is eligible pursuant to the provisions of section
19.30 21 of the Internal Revenue Code except that in determining whether the child qualified as
19.31 a dependent, income received as a Minnesota family investment program grant or allowance
19.32 to or on behalf of the child must not be taken into account in determining whether the child
19.33 received more than half of the child's support from the taxpayer, and the provisions of
19.34 section 32(b)(1)(D) of the Internal Revenue Code do not apply.

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

20.10 (c) If a married couple:

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

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

20.13 (3) does not participate in a dependent care assistance program as defined in section 129
20.14 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for
20.15 that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i)
20.16 the combined earned income of the couple or (ii) the amount of the maximum limit for one
20.17 qualified individual under section 21(c) and (d) of the Internal Revenue Code will be deemed
20.18 to be the employment related expense paid for that child. The earned income limitation of
20.19 section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These
20.20 deemed amounts apply regardless of whether any employment-related expenses have been
20.21 paid.

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

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

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

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

20.32 (e) In the case of a nonresident, part-year resident, or a person who has earned income
20.33 not subject to tax under this chapter including earned income excluded pursuant to section

21.1 290.0132, subdivision 10, the credit determined under section 21 of the Internal Revenue
21.2 Code must be allocated based on the ratio by which the earned income of the claimant and
21.3 the claimant's spouse from Minnesota sources bears to the total earned income of the claimant
21.4 and the claimant's spouse.

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

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

21.11 (h) For taxpayers with federal adjusted gross income in excess of ~~\$50,000~~ \$50,990, the
21.12 credit is equal to the lesser of the credit otherwise calculated under this subdivision, or the
21.13 amount equal to \$600 minus five percent of federal adjusted gross income in excess of
21.14 ~~\$50,000~~ \$50,990 for taxpayers with one qualified individual, or \$1,200 minus five percent
21.15 of federal adjusted gross income in excess of ~~\$50,000~~ \$50,990 for taxpayers with two or
21.16 more qualified individuals, but in no case is the credit less than zero.

21.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
21.18 31, 2017.

21.19 Sec. 33. Minnesota Statutes 2016, section 290.067, subdivision 2a, is amended to read:

21.20 Subd. 2a. **Income.** (a) For purposes of this section, "income" means the sum of the
21.21 following:

21.22 (1) federal adjusted gross income ~~as defined in section 62 of the Internal Revenue Code;~~
21.23 and

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

21.25 (i) all nontaxable income;

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

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

21.32 (iv) cash public assistance and relief;

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

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

22.8 (vii) workers' compensation;

22.9 (viii) nontaxable strike benefits;

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

22.13 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of
 22.14 1986, as amended through December 31, 1995;

22.15 (xi) contributions made by the claimant to an individual retirement account, including
 22.16 a qualified voluntary employee contribution; simplified employee pension plan;
 22.17 self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of
 22.18 the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal
 22.19 Revenue Code;

22.20 (xii) nontaxable scholarship or fellowship grants;

22.21 ~~(xiii) the amount of deduction allowed under section 199 of the Internal Revenue Code;~~

22.22 ~~(xiv)~~ (xiii) the amount of deduction allowed under section 220 or 223 of the Internal
 22.23 Revenue Code;

22.24 ~~(xv)~~ (xiv) the amount deducted for tuition expenses under section 222 of the Internal
 22.25 Revenue Code; ~~and~~

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

22.28 (xvi) alimony received to the extent not included in the recipient's income.

22.29 In the case of an individual who files an income tax return on a fiscal year basis, the
 22.30 term "federal adjusted gross income" means federal adjusted gross income reflected in the
 22.31 fiscal year ending in the next calendar year. Federal adjusted gross income may not be

23.1 reduced by the amount of a net operating loss carryback or carryforward or a capital loss
23.2 carryback or carryforward allowed for the year.

23.3 (b) "Income" does not include:

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

23.5 (2) amounts of any pension or annuity that were exclusively funded by the claimant or
23.6 spouse if the funding payments were not excluded from federal adjusted gross income in
23.7 the years when the payments were made;

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

23.9 (4) relief granted under chapter 290A;

23.10 (5) child support payments received under a temporary or final decree of dissolution or
23.11 legal separation; and

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

23.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
23.16 31, 2017.

23.17 Sec. 34. Minnesota Statutes 2017 Supplement, section 290.067, subdivision 2b, is amended
23.18 to read:

23.19 Subd. 2b. **Inflation adjustment.** The commissioner shall adjust the dollar amount of
23.20 the income threshold at which the maximum credit begins to be reduced under subdivision
23.21 1 by the percentage determined pursuant to the provisions of section 1(f) of the Internal
23.22 Revenue Code, except that in section 1(f)(3)(B) the word "~~2016~~" "2017" shall be substituted
23.23 for the word "~~1992~~." ~~For 2018, the commissioner shall then determine the percent change~~
23.24 ~~from the 12 months ending on August 31, 2016, to the 12 months ending on August 31,~~
23.25 ~~2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the~~
23.26 ~~12 months ending on August 31 of the year preceding the taxable year.~~ "2016." The
23.27 determination of the commissioner pursuant to this subdivision must not be considered a
23.28 "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. The
23.29 threshold amount as adjusted must be rounded to the nearest \$10 amount. If the amount
23.30 ends in \$5, the amount is rounded up to the nearest \$10 amount.

23.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
23.32 31, 2017.

24.1 Sec. 35. Minnesota Statutes 2017 Supplement, section 290.0671, subdivision 1, is amended
24.2 to read:

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

24.9 (b) For individuals with no qualifying children, the credit equals 2.10 percent of the first
24.10 ~~\$6,180~~ \$6,480 of earned income. The credit is reduced by 2.01 percent of earned income
24.11 or adjusted gross income, whichever is greater, in excess of ~~\$8,130~~ \$8,530, but in no case
24.12 is the credit less than zero.

24.13 (c) For individuals with one qualifying child, the credit equals 9.35 percent of the first
24.14 ~~\$11,120~~ \$11,670 of earned income. The credit is reduced by 6.02 percent of earned income
24.15 or adjusted gross income, whichever is greater, in excess of ~~\$21,190~~ \$22,340, but in no case
24.16 is the credit less than zero.

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

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

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

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

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

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

25.1 (g) For tax years beginning after December 31, ~~2013~~ 2018, the ~~\$8,130~~ \$8,530 in paragraph
 25.2 (b), ~~the \$21,190~~ \$22,340 in paragraph (c), and the ~~\$25,130~~ \$26,360 in paragraph (d), after
 25.3 being adjusted for inflation under subdivision 7, are each increased by ~~\$5,000~~ \$5,700 for
 25.4 married taxpayers filing joint returns. For tax years beginning after December 31, ~~2013~~
 25.5 2018, the commissioner shall annually adjust the ~~\$5,000~~ \$5,700 by the percentage determined
 25.6 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section
 25.7 1(f)(3)(B), the word "~~2008~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2014, the~~
 25.8 ~~commissioner shall then determine the percent change from the 12 months ending on August~~
 25.9 ~~31, 2008, to the 12 months ending on August 31, 2013, and in each subsequent year, from~~
 25.10 ~~the 12 months ending on August 31, 2008, to the 12 months ending on August 31 of the~~
 25.11 ~~year preceding the taxable year.~~ "2016." The earned income thresholds as adjusted for
 25.12 inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded
 25.13 up to the nearest \$10. The determination of the commissioner under this subdivision is not
 25.14 a rule under the Administrative Procedure Act.

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

25.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 25.20 31, 2017.

25.21 Sec. 36. Minnesota Statutes 2016, section 290.0671, subdivision 7, is amended to read:

25.22 Subd. 7. **Inflation adjustment.** The earned income amounts used to calculate the credit
 25.23 and the income thresholds at which the maximum credit begins to be reduced in subdivision
 25.24 1 must be adjusted for inflation. The commissioner shall adjust by the percentage determined
 25.25 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section
 25.26 1(f)(3)(B) the word "~~2013~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2015, the~~
 25.27 ~~commissioner shall then determine the percent change from the 12 months ending on August~~
 25.28 ~~31, 2013, to the 12 months ending on August 31, 2014, and in each subsequent year, from~~
 25.29 ~~the 12 months ending on August 31, 2013, to the 12 months ending on August 31 of the~~
 25.30 ~~year preceding the taxable year.~~ "2016." The earned income thresholds as adjusted for
 25.31 inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount
 25.32 is rounded up to the nearest \$10 amount. The determination of the commissioner under this
 25.33 subdivision is not a rule under the Administrative Procedure Act.

26.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
26.2 31, 2017.

26.3 Sec. 37. Minnesota Statutes 2017 Supplement, section 290.0672, subdivision 1, is amended
26.4 to read:

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

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

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

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

26.12 (3) has been offered in compliance with the inflation protection requirements of section
26.13 62S.23.

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

26.15 (d) "Premiums deducted in determining ~~federal~~ taxable net income" means the lesser of
26.16 (1) long-term care insurance premiums that qualify as deductions under section 213 of the
26.17 Internal Revenue Code; and (2) the total amount deductible for medical ~~care~~ expenses under
26.18 section ~~213 of the Internal Revenue Code~~ 290.0803.

26.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
26.20 31, 2017.

26.21 Sec. 38. Minnesota Statutes 2016, section 290.0672, subdivision 2, is amended to read:

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

27.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
27.2 31, 2017.

27.3 Sec. 39. Minnesota Statutes 2017 Supplement, section 290.0681, subdivision 1, is amended
27.4 to read:

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

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

27.9 (c) "Office" means the State Historic Preservation Office of the Department of
27.10 Administration.

27.11 (d) "Project" means rehabilitation of a certified historic structure, as defined in section
27.12 47(c)(3)(A) of the Internal Revenue Code, that is located in Minnesota and is allowed a
27.13 federal credit.

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

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

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

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

27.22 Sec. 40. Minnesota Statutes 2017 Supplement, section 290.0681, subdivision 2, is amended
27.23 to read:

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

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

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

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

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

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

28.11 Sec. 41. Minnesota Statutes 2016, section 290.0681, subdivision 3, is amended to read:

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

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

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

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

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

28.31 (4) state the fiscal year in which the credit or grant is allocated, and that the taxpayer or
28.32 grant recipient is entitled to receive one-fifth of the total amount of either the credit or the

29.1 grant at the time the project is placed in service, provided that date is within three calendar
29.2 years following the issuance of the allocation certificate.

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

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

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

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

29.14 Sec. 42. Minnesota Statutes 2016, section 290.0681, subdivision 4, is amended to read:

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

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

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

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

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

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

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

30.3 Sec. 43. Minnesota Statutes 2017 Supplement, section 290.0684, subdivision 1, is amended
30.4 to read:

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

30.7 (b) "Contribution" means the amount contributed to one or more qualified accounts
30.8 except that the amount:

30.9 (1) is reduced by any withdrawals or distributions, other than transfers or rollovers to
30.10 another qualified account, from a qualified account during the taxable year; and

30.11 (2) excludes the amount of any transfers or rollovers from a qualified account made
30.12 during the taxable year.

30.13 ~~(c) "Federal adjusted gross income" has the meaning given under section 62(a) of the~~
30.14 ~~Internal Revenue Code.~~

30.15 ~~(d)~~ "Qualified account" means an account qualifying under section ~~529~~ 529(e)(3) of the
30.16 Internal Revenue Code.

30.17 ~~(e)~~ (d) "Qualified higher education expenses" has the meaning given in section 529 of
30.18 the Internal Revenue Code, except section 529(c)(7) of the Internal Revenue Code does not
30.19 apply to the definition of qualified higher education expenses.

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

30.21 Sec. 44. Minnesota Statutes 2017 Supplement, section 290.0684, subdivision 2, is amended
30.22 to read:

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

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

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

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

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

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

31.7 (3) for married couples with adjusted gross income in excess of ~~\$135,000~~ \$137,680, the
 31.8 maximum credit is \$250, reduced by one percent of adjusted gross income in excess of
 31.9 ~~\$135,000~~ \$137,680.

31.10 (e) The income thresholds in paragraphs (c) and (d) used to calculate the maximum
 31.11 credit must be adjusted for inflation. The commissioner shall adjust the income thresholds
 31.12 by the percentage determined under the provisions of section 1(f) of the Internal Revenue
 31.13 Code, except that in section 1(f)(3)(B) the word "~~2016~~" "2017" is substituted for the word
 31.14 "~~1992~~." ~~For 2018, the commissioner shall then determine the percent change from the 12~~
 31.15 ~~months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in~~
 31.16 ~~each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months~~
 31.17 ~~ending on August 31 of the year preceding the taxable year. "2016."~~ The income thresholds
 31.18 as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends in
 31.19 \$5, the amount is rounded up to the nearest \$10 amount. The determination of the
 31.20 commissioner under this subdivision is not subject to chapter 14, including section 14.386.

31.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 31.22 31, 2017.

31.23 Sec. 45. Minnesota Statutes 2016, section 290.0802, subdivision 2, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

32.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
32.13 31, 2017.

32.14 Sec. 46. **[290.0803] INDIVIDUALS; DEDUCTIONS AND EXEMPTIONS**
32.15 **ALLOWED.**

32.16 **Subdivision 1. Deduction allowed.** Individuals are allowed to deduct the sum of the
32.17 following amounts in computing taxable net income for the taxable year:

32.18 (1) the standard or itemized deductions, as provided under subdivision 2 or 3; and

32.19 (2) the exemption allowance computed under subdivision 9.

32.20 **Subd. 2. Standard deduction.** (a) An individual may elect to claim a standard deduction
32.21 in lieu of the itemized deductions allowed under subdivision 3 for the taxable year equal to
32.22 the following amount:

32.23 (1) for a married joint filer or a surviving spouse, \$14,000;

32.24 (2) for a head of household filer, \$10,300; or

32.25 (3) for any other filer, \$7,000; plus

32.26 (4) the additional amount for the taxpayer under paragraph (b).

32.27 **(b) The additional amount equals the sum of the following amounts:**

32.28 (1) \$1,300 if the taxpayer has attained age 65 before the close of the taxable year or

32.29 \$1,600 for such a taxpayer who is not married or a surviving spouse;

33.1 (2) \$1,300 for the spouse of the taxpayer if the spouse has attained the age of 65 before
33.2 the close of the taxable year and qualifies under subdivision 9, clause (2);

33.3 (3) \$1,300 if the taxpayer is blind at the close of the taxable year or \$1,600 for such a
33.4 taxpayer who is not married or a surviving spouse; and

33.5 (4) \$1,300 for the spouse of the taxpayer if the spouse is blind as of the close of the
33.6 taxable year and qualifies under subdivision 9, clause (2).

33.7 (c) For an individual who is a dependent, as defined in section 152 of the Internal Revenue
33.8 Code, of another taxpayer for a taxable year beginning in the calendar year in which the
33.9 individual's taxable year begins, the standard deduction for that individual is limited to the
33.10 greater of:

33.11 (1) \$500; or

33.12 (2) the sum of \$250 and that individual's earned income, as defined in section 32(c) of
33.13 the Internal Revenue Code.

33.14 (d) The standard deduction is zero for (1) a married individual filing a separate return
33.15 if either spouse itemizes deductions, and (2) an individual making a return for a period of
33.16 less than twelve months on account of changes in the annual accounting period.

33.17 Subd. 3. **Itemized deductions.** (a) An individual who is a resident is allowed itemized
33.18 deductions for the taxable year equal to the sum of the following amounts:

33.19 (1) taxes paid, as provided in subdivision 4;

33.20 (2) charitable contributions, as provided in subdivision 5;

33.21 (3) interest, as provided in subdivision 6;

33.22 (4) medical expenses, as provided in subdivision 7;

33.23 (5) miscellaneous deductions, as provided in subdivision 8; and

33.24 (6) losses allowable under section 165(a) of the Internal Revenue Code, other than losses
33.25 allowable under that section in computing adjusted gross income, and except that the
33.26 provisions of section 165(h)(5) of the Internal Revenue Code apply regardless of the taxable
33.27 year; reduced by

33.28 (7) the amount of the disallowed itemized deductions computed under paragraph (b).

33.29 (b) The amount of disallowed itemized deductions equals the lesser of:

33.30 (1) three percent of the excess of the taxpayer's adjusted gross income, over the applicable
33.31 amount; or

- 34.1 (2) 80 percent of the amount of the itemized deductions, excluding:
- 34.2 (i) medical expense deduction under subdivision 7;
- 34.3 (ii) any interest deduction under subdivision 6, for investment interest as defined in
- 34.4 section 163(d) of the Internal Revenue Code; and
- 34.5 (iii) losses allowable under section 165(c)(2) or (3), or (d), of the Internal Revenue Code,
- 34.6 and allowed under paragraph (a), clause (6).
- 34.7 (c) "Applicable amount" means \$190,050, or \$95,025 for a married individual filing a
- 34.8 separate return.
- 34.9 Subd. 4. **Taxes paid.** (a) The taxes paid deduction equals the sum of the following
- 34.10 amounts for the taxable year:
- 34.11 (1) state and local real and personal property taxes in an amount not to exceed \$30,000;
- 34.12 (2) foreign income, war profits, and excess profits taxes to the extent not reduced by the
- 34.13 federal foreign tax credit; and
- 34.14 (3) for individuals who are allowed a federal foreign tax credit for taxes that do not
- 34.15 qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover
- 34.16 of subnational foreign taxes for the taxable year, but not to exceed the total subnational
- 34.17 foreign taxes reported in claiming the foreign tax credit.
- 34.18 (b) For purposes of this subdivision, the following terms have the meanings given them:
- 34.19 (1) "carryover of subnational foreign taxes" equals the carryover allowed under section
- 34.20 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they
- 34.21 exceed the federal foreign tax credit;
- 34.22 (2) "federal foreign tax credit" means the credit allowed under section 27 of the Internal
- 34.23 Revenue Code; and
- 34.24 (3) "foreign, income, war profits, and excess profits taxes" and "state and local real and
- 34.25 personal property taxes" have the meanings given in section 164 of the Internal Revenue
- 34.26 Code.
- 34.27 Subd. 5. **Charitable contributions.** The charitable contribution equals the amount of
- 34.28 the charitable contribution deduction allowable to the taxpayer under section 170 of the
- 34.29 Internal Revenue Code, except that the following rules apply:
- 34.30 (1) the provisions of section 170(b)(1)(G) apply regardless of the taxable year; and

35.1 (2) for taxable years beginning after December 31, 2017, determination of carryover
35.2 amounts must be made by applying the rules under section 170 of the Internal Revenue
35.3 Code based on the charitable contribution deductions claimed and allowable under this
35.4 section.

35.5 Subd. 6. **Interest deduction.** The interest deduction equals the amount allowed to the
35.6 taxpayer as interest paid or accrued during the taxable year under section 163(d) of the
35.7 Internal Revenue Code with the following exceptions:

35.8 (1) qualified residence interest excludes home equity interest; and

35.9 (2) acquisition indebtedness must not exceed \$750,000 (\$375,000 for a married separate
35.10 return) for indebtedness incurred on or after December 16, 2017.

35.11 The definitions of terms under section 163 of the Internal Revenue Code apply for purposes
35.12 of this subdivision.

35.13 Subd. 7. **Medical expenses.** The medical expense deduction equals the deduction allowed
35.14 for the taxable year under section 213 of the Internal Revenue Code.

35.15 Subd. 8. **Miscellaneous deduction.** The miscellaneous deduction equals the sum of the
35.16 following amounts for the taxable year, but excluding any amounts allowed to be deducted
35.17 in computing adjusted gross income:

35.18 (1) impairment-related work expenses allowed under section 67(d) of the Internal Revenue
35.19 Code;

35.20 (2) the deduction for estate tax under section 691(c) of the Internal Revenue Code;

35.21 (3) any deduction allowable in connection with personal property used in a short sale
35.22 as described under section 67(b)(8);

35.23 (4) the deduction under section 1341 of the Internal Revenue Code;

35.24 (5) the deduction under section 72(b)(3) of the Internal Revenue Code;

35.25 (6) the deduction under section 171 of the Internal Revenue Code; and

35.26 (7) the deduction under section 216 of the Internal Revenue Code.

35.27 Subd. 9. **Exemption allowance.** (a) The exemption allowance is computed as follows:

35.28 (1) the exemption amount for the taxpayer; plus

35.29 (2) an additional exemption amount for the spouse of the taxpayer:

35.30 (i) for a joint return; or

36.1 (ii) if a joint return is not made by the taxpayer and spouse, and if the spouse, for the
36.2 calendar year in which the taxable year of the taxpayer begins, has no gross income and is
36.3 not the dependent of another taxpayer; plus

36.4 (3) an exemption amount for each individual who is a dependent, as defined in section
36.5 152 of the Internal Revenue Code, of the taxpayer for the taxable year; minus

36.6 (4) the disallowed exemption amount under paragraph (d), but the remainder may not
36.7 be less than zero.

36.8 (b) The exemption amount equals \$4,150.

36.9 (c) The disallowed personal exemption amount equals the number of personal exemptions
36.10 allowed under paragraph (a) multiplied by (i) the exemption amount under paragraph (b)
36.11 and (ii) the applicable percentage.

36.12 (d) For a married individual filing a separate return, "applicable percentage" means two
36.13 percentage points for each \$1,250, or fraction of that amount, by which the taxpayer's federal
36.14 adjusted gross income for the taxable year exceeds the threshold amount. For all other filers,
36.15 applicable percentage means two percentage points for each \$2,500, or fraction of that
36.16 amount, by which the taxpayer's federal adjusted gross income for the taxable year exceeds
36.17 the threshold amount. The applicable percentage must not exceed 100 percent.

36.18 (e) "Threshold amount" means:

36.19 (1) \$285,050 for a joint return or a surviving spouse;

36.20 (2) \$237,550 for a head of a household;

36.21 (3) \$190,050 for an individual who is not married and who is not a surviving spouse or
36.22 head of a household; and

36.23 (4) \$142,500 for a married individual filing a separate return.

36.24 Subd. 10. **Indexing.** (a) For taxable years beginning after December 31, 2018, the
36.25 commissioner must annually adjust the dollar amounts in subdivisions 2, 3, and 9, except
36.26 the amounts in paragraph (d) of subdivision 9, for inflation as provided in paragraph (b).

36.27 (b) Each dollar amount is increased by an amount equal to:

36.28 (1) that dollar amount, multiplied by

36.29 (2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue
36.30 Code for the calendar year in which the taxable year begins, by substituting "calendar year
36.31 2017" for "calendar year 2016" in subparagraph (B) of section 1(f)(3).

37.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
37.2 31, 2017.

37.3 Sec. 47. Minnesota Statutes 2017 Supplement, section 290.091, subdivision 2, is amended
37.4 to read:

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

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

37.9 (1) the taxpayer's federal alternative minimum taxable income as defined in section
37.10 55(b)(2) of the Internal Revenue Code;

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

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

37.15 (ii) the medical expense deduction;

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

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

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

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

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

37.29 (6) the amount of addition required by section 290.0131, subdivisions 9 to ~~11~~ 10;

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

37.31 less the sum of the amounts determined under the following:

- 38.1 (i) interest income as defined in section 290.0132, subdivision 2;
- 38.2 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision
38.3 3, to the extent included in federal alternative minimum taxable income;
- 38.4 (iii) the amount of investment interest paid or accrued within the taxable year on
38.5 indebtedness to the extent that the amount does not exceed net investment income, as defined
38.6 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted
38.7 in computing federal adjusted gross income;
- 38.8 (iv) amounts subtracted from federal ~~taxable~~ adjusted gross income as provided by
38.9 section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, and 26 to 28; and
- 38.10 (v) the amount of the net operating loss allowed under section 290.095, subdivision 11,
38.11 paragraph (c).

38.12 In the case of an estate or trust, alternative minimum taxable income must be computed
38.13 as provided in section 59(c) of the Internal Revenue Code, except that alternative minimum
38.14 taxable income must be increased by the amount of the addition under section 290.0131,
38.15 subdivision 17.

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

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

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

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

38.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
38.25 31, 2017.

38.26 Sec. 48. Minnesota Statutes 2016, section 290.091, subdivision 3, is amended to read:

38.27 Subd. 3. **Exemption amount.** (a) For purposes of computing the alternative minimum
38.28 tax, the exemption amount is, ~~for taxable years beginning after December 31, 2005, \$60,000~~
38.29 \$75,760 for married couples filing joint returns, ~~\$30,000~~ \$37,880 for married individuals
38.30 filing separate returns, estates, and trusts, and ~~\$45,000~~ \$56,820 for unmarried individuals.

39.1 (b) The exemption amount determined under this subdivision is subject to the phase out
 39.2 under section 55(d)(3) of the Internal Revenue Code, except that alternative minimum
 39.3 taxable income as determined under this section must be substituted in the computation of
 39.4 the phase out.

39.5 (c) For taxable years beginning after December 31, ~~2006~~ 2018, the exemption amount
 39.6 under paragraph (a) must be adjusted for inflation. The commissioner shall adjust the
 39.7 exemption amount by the percentage determined pursuant to the provisions of section 1(f)
 39.8 of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~2005~~" "2017"
 39.9 shall be substituted for the word "~~1992~~." ~~For 2007, the commissioner shall then determine~~
 39.10 ~~the percent change from the 12 months ending on August 31, 2005, to the 12 months ending~~
 39.11 ~~on August 31, 2006, and in each subsequent year, from the 12 months ending on August~~
 39.12 ~~31, 2005, to the 12 months ending on August 31 of the year preceding the taxable year.~~
 39.13 "2016." The exemption amount as adjusted must be rounded to the nearest \$10. If the amount
 39.14 ends in \$5, it must be rounded up to the nearest \$10 amount. The determination of the
 39.15 commissioner under this subdivision is not a rule under the Administrative Procedure Act.

39.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 39.17 31, 2017.

39.18 Sec. 49. Minnesota Statutes 2016, section 290.0921, subdivision 8, is amended to read:

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

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

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

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

39.28 (1) "Qualified alternative minimum tax" equals the amount determined under subdivision
 39.29 1 for ~~the~~ a taxable year beginning before December 31, 2017.

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

39.31 (c) The qualified alternative minimum tax for a taxable year is an alternative minimum
 39.32 tax credit carryover to each of the taxable years succeeding the taxable year. The entire

40.1 amount of the credit must be carried to the earliest taxable year to which the amount may
 40.2 be carried. Any unused portion of the credit must be carried to the following taxable year.
 40.3 No credit may be carried to a taxable year in which alternative minimum tax was paid.

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

40.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 40.8 31, 2017.

40.9 Sec. 50. Minnesota Statutes 2016, section 290.0922, subdivision 1, is amended to read:

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

40.14	If the sum of the corporation's Minnesota			
40.15	property, payrolls, and sales or receipts is:			the tax equals:
40.16			<u>930,000</u>	
40.17	less than	\$	<u>990,000</u>	\$ 0
40.18			<u>930,000</u>	<u>1,869,999</u>
40.19	\$	<u>990,000</u> to \$	<u>1,989,999</u>	\$ <u>200</u>
40.20			<u>1,870,000</u>	<u>9,339,999</u>
40.21	\$	<u>1,990,000</u> to \$	<u>9,959,999</u>	\$ <u>600</u>
40.22			<u>9,340,000</u>	<u>18,679,999</u>
40.23	\$	<u>9,960,000</u> to \$	<u>19,929,999</u>	\$ <u>1,990</u>
40.24			<u>18,680,000</u>	<u>37,359,999</u>
40.25	\$	<u>19,930,000</u> to \$	<u>39,859,999</u>	\$ <u>3,990</u>
40.26			<u>37,360,000</u>	<u>9,340</u>
40.27	\$	<u>39,860,000</u> or more		\$ <u>9,960</u>

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

40.35 If the sum of the S corporation's
 40.36 or partnership's Minnesota
 40.37 property, payrolls, and sales or
 40.38 receipts is:

the tax equals:

41.1			<u>930,000</u>	
41.2	less than	\$	<u>990,000</u>	\$ 0
41.3			<u>1,869,999</u>	190
41.4	\$ <u>990,000</u> to	\$	<u>1,989,999</u>	\$ <u>200</u>
41.5			<u>9,339,999</u>	560
41.6	\$ <u>1,990,000</u> to	\$	<u>9,959,999</u>	\$ <u>600</u>
41.7			<u>18,679,999</u>	1,870
41.8	\$ <u>9,960,000</u> to	\$	<u>19,929,999</u>	\$ <u>1,990</u>
41.9			<u>37,359,999</u>	3,740
41.10	\$ <u>19,930,000</u> to	\$	<u>39,859,999</u>	\$ <u>3,990</u>
41.11			<u>9,340,000</u>	9,340
41.12	\$ <u>39,860,000</u> or more			\$ <u>9,960</u>

41.13 (c) The commissioner shall adjust the dollar amounts of both the tax and the property,
 41.14 payrolls, and sales or receipts thresholds in paragraphs (a) and (b) by the percentage
 41.15 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except
 41.16 that in section 1(f)(3)(B) the word "~~2012~~" "2017" must be substituted for the word "~~1992~~."
 41.17 ~~For 2014, the commissioner shall determine the percentage change from the 12 months~~
 41.18 ~~ending on August 31, 2012, to the 12 months ending on August 31, 2013, and in each~~
 41.19 ~~subsequent year, from the 12 months ending on August 31, 2012, to the 12 months ending~~
 41.20 ~~on August 31 of the year preceding the taxable year.~~ "2016." The determination of the
 41.21 commissioner pursuant to this subdivision is not a "rule" subject to the Administrative
 41.22 Procedure Act contained in chapter 14. The tax amounts as adjusted must be rounded to the
 41.23 nearest \$10 amount and the threshold amounts must be adjusted to the nearest \$10,000
 41.24 amount. For tax amounts that end in \$5, the amount is rounded up to the nearest \$10 amount
 41.25 and for the threshold amounts that end in \$5,000, the amount is rounded up to the nearest
 41.26 \$10,000.

41.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 41.28 31, 2017.

41.29 Sec. 51. Minnesota Statutes 2016, section 290.095, subdivision 4, is amended to read:

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

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

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

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

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

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

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

42.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
42.11 31, 2017.

42.12 Sec. 52. Minnesota Statutes 2017 Supplement, section 290.17, subdivision 2, is amended
42.13 to read:

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

42.17 (a)(1) Subject to paragraphs (a)(2) and (a)(3), income from wages as defined in section
42.18 3401(a) ~~and~~ (f), and (i) of the Internal Revenue Code is assigned to this state if, and to the
42.19 extent that, the work of the employee is performed within it; all other income from such
42.20 sources is treated as income from sources without this state.

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

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

42.25 (i) the amount of income to be assigned to Minnesota for an individual who is a
42.26 nonresident salaried athletic team employee shall be determined by using a fraction in which
42.27 the denominator contains the total number of days in which the individual is under a duty
42.28 to perform for the employer, and the numerator is the total number of those days spent in
42.29 Minnesota. For purposes of this paragraph, off-season training activities, unless conducted
42.30 at the team's facilities as part of a team imposed program, are not included in the total number
42.31 of duty days. Bonuses earned as a result of play during the regular season or for participation
42.32 in championship, play-off, or all-star games must be allocated under the formula. Signing

43.1 bonuses are not subject to allocation under the formula if they are not conditional on playing
43.2 any games for the team, are payable separately from any other compensation, and are
43.3 nonrefundable; and

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

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

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

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

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

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

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

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

44.5 (d) Income from winnings on a bet made by an individual while in Minnesota is assigned
44.6 to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision
44.7 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

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

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

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

44.13 Sec. 53. Minnesota Statutes 2016, section 290.21, is amended by adding a subdivision to
44.14 read:

44.15 **Subd. 9. Deferred foreign income.** The income of domestic corporations that is included
44.16 in net income under section 965 of the Internal Revenue Code is dividend income.

44.17 **EFFECTIVE DATE.** This section is effective retroactively for each taxpayer's last
44.18 taxable year beginning before January 1, 2018.

44.19 Sec. 54. Minnesota Statutes 2016, section 290.34, is amended by adding a subdivision to
44.20 read:

44.21 **Subd. 5. Insurance companies; interest expense limitation.** To be consistent with the
44.22 federal treatment of the interest expense limitation under section 163(j) of the Internal
44.23 Revenue Code for an affiliated group that includes an insurance company taxable under
44.24 chapter 297I and exempt from taxation under section 290.05, subdivision 1, clause (c), the
44.25 rules under this subdivision apply. In that case, the interest expense limitation under section
44.26 163(f) must be computed for the corporation subject to tax under this chapter using the
44.27 adjusted taxable income of the insurance companies that are part of the affiliated group and
44.28 taxed under chapter 297I.

44.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
44.30 31, 2017.

45.1 Sec. 55. Minnesota Statutes 2016, section 290.92, subdivision 1, is amended to read:

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

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

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

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

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

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

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

46.4 Sec. 56. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 3, is amended
46.5 to read:

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

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

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

46.9 (i) all nontaxable income;

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

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

46.16 (iv) cash public assistance and relief;

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

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

46.24 (vii) workers' compensation;

46.25 (viii) nontaxable strike benefits;

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

46.29 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of
46.30 1986, as amended through December 31, 1995;

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

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

47.9 (xiii) nontaxable scholarship or fellowship grants;

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

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

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

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

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

47.23 (b) "Income" does not include:

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

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

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

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

48.1 (5) relief granted under this chapter;

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

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

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

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

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

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

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

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

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

48.16 (d) For purposes of this subdivision, the following terms have the meanings given them:

48.17 (1) "exemption amount" means the exemption amount under section ~~151(d)~~ of the Internal
48.18 Revenue Code 290.0803, subdivision 9, for the taxable year for which the income is reported;

48.19 (2) "retirement base amount" means the deductible amount for the taxable year for the
48.20 claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for
48.21 inflation as provided in section 219(b)(5)(C) of the Internal Revenue Code, without regard
48.22 to whether the claimant or spouse claimed a deduction; and

48.23 (3) "traditional or Roth style retirement account or plan" means retirement plans under
48.24 sections 401, 403, 408, 408A, and 457 of the Internal Revenue Code.

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

48.27 Sec. 57. Minnesota Statutes 2016, section 290A.03, subdivision 12, is amended to read:

48.28 Subd. 12. **Gross rent.** (a) "Gross rent" means rental paid for the right of occupancy, at
48.29 arm's length, of a homestead, exclusive of charges for any medical services furnished by

49.1 the landlord as a part of the rental agreement, whether expressly set out in the rental
49.2 agreement or not.

49.3 (b) The gross rent of a resident of a nursing home or intermediate care facility is ~~\$350~~
49.4 \$490 per month. The gross rent of a resident of an adult foster care home is ~~\$550~~ \$760 per
49.5 month. Beginning for rent paid in ~~2002~~ 2019, the commissioner shall annually adjust for
49.6 inflation the gross rent amounts stated in this paragraph. The adjustment must be made in
49.7 accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this
49.8 paragraph the percentage increase shall be determined from the year ending on June 30,
49.9 ~~2004~~ 2017, to the year ending on June 30 of the year in which the rent is paid. The
49.10 commissioner shall round the gross rents to the nearest \$10 amount. If the amount ends in
49.11 \$5, the commissioner shall round it up to the next \$10 amount. The determination of the
49.12 commissioner under this paragraph is not a rule under the Administrative Procedure Act.

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

49.16 (d) Any amount paid by a claimant residing in property assessed pursuant to section
49.17 273.124, subdivision 3, 4, 5, or 6 for occupancy in that property shall be excluded from
49.18 gross rent for purposes of this chapter. However, property taxes imputed to the homestead
49.19 of the claimant or the dwelling unit occupied by the claimant that qualifies for homestead
49.20 treatment pursuant to section 273.124, subdivision 3, 4, 5, or 6 shall be included within the
49.21 term "property taxes payable" as defined in subdivision 13, notwithstanding the fact that
49.22 ownership is not in the name of the claimant.

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

49.25 Sec. 58. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 15, is amended
49.26 to read:

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

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

50.1 Sec. 59. Minnesota Statutes 2016, section 290A.04, subdivision 4, is amended to read:

50.2 Subd. 4. **Inflation adjustment.** (a) Beginning for property tax refunds payable in calendar
50.3 year 2002, the commissioner shall annually adjust the dollar amounts of the income thresholds
50.4 and the maximum refunds under subdivisions 2 and 2a for inflation. The commissioner
50.5 shall make the inflation adjustments ~~in accordance with section 1(f) of the Internal Revenue~~
50.6 ~~Code, except that for purposes of this subdivision~~ using the Consumer Price Index for All
50.7 Urban Consumers. The percentage increase shall be determined as provided in this
50.8 subdivision.

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

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

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

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

50.26 **EFFECTIVE DATE.** This section is effective for refunds based on rent paid after
50.27 December 31, 2018, and property taxes payable after December 31, 2019.

50.28 Sec. 60. Minnesota Statutes 2017 Supplement, section 291.005, subdivision 1, is amended
50.29 to read:

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

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

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

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

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

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

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

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

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

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

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

51.30 (iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue
51.31 Code, owned by a nonresident decedent and that is normally kept or located in this state
51.32 because it is on loan to an organization, qualifying as exempt from taxation under section

52.1 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is
52.2 deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

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

52.6 For a nonresident decedent with an ownership interest in a pass-through entity with
52.7 assets that include real or tangible personal property, situs of the real or tangible personal
52.8 property, including qualified works of art, is determined as if the pass-through entity does
52.9 not exist and the real or tangible personal property is personally owned by the decedent. If
52.10 the pass-through entity is owned by a person or persons in addition to the decedent, ownership
52.11 of the property is attributed to the decedent in proportion to the decedent's capital ownership
52.12 share of the pass-through entity.

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

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

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

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

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

52.22 (v) an entity whose ownership interest securities are traded on an exchange regulated
52.23 by the Securities and Exchange Commission as a national securities exchange under section
52.24 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

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

52.27 Sec. 61. Minnesota Statutes 2016, section 297A.68, subdivision 25, is amended to read:

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

53.1 (1) the sale occurs in a transaction subject to or described in section 118, 331, 332, 336,
53.2 337, 338, 351, 355, 368, 721, 731, 1031, or 1033 of the Internal Revenue Code, as amended
53.3 through December 16, 2016;

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

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

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

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

53.9 (6) the total amount of gross receipts from the sale of trade or business property made
53.10 during the calendar month of the sale and the preceding 11 calendar months does not exceed
53.11 \$1,000.

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

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

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

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

53.23 (3) A "sale of substantially all of the assets of a trade or business" must occur as a single
53.24 transaction or a series of related transactions within the 12-month period beginning on the
53.25 date of the first sale of assets intended to qualify for the exemption provided in paragraph
53.26 (a), clause (5).

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

53.29 Sec. 62. Minnesota Statutes 2016, section 297B.03, is amended to read:

53.30 **297B.03 EXEMPTIONS.**

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

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

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

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

54.14 (4) purchase or use of any motor vehicle previously registered in the state of Minnesota
54.15 when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336,
54.16 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code,
54.17 as amended through December 16, 2016;

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

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

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

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

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

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

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

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

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

55.13 (12) purchase of a motor vehicle for use by a transit provider exclusively to provide
55.14 transit service is exempt if the transit provider is either (i) receiving financial assistance or
55.15 reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29,
55.16 473.388, or 473.405;

55.17 (13) purchase or use of a motor vehicle by a qualified business, as defined in section
55.18 469.310, located in a job opportunity building zone, if the motor vehicle is principally
55.19 garaged in the job opportunity building zone and is primarily used as part of or in direct
55.20 support of the person's operations carried on in the job opportunity building zone. The
55.21 exemption under this clause applies to sales, if the purchase was made and delivery received
55.22 during the duration of the job opportunity building zone. The exemption under this clause
55.23 also applies to any local sales and use tax;

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

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

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

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

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

56.1 Sec. 63. Minnesota Statutes 2017 Supplement, section 462D.06, subdivision 1, is amended
56.2 to read:

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

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

56.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
56.11 31, 2017.

56.12 Sec. 64. Minnesota Statutes 2017 Supplement, section 462D.06, subdivision 2, is amended
56.13 to read:

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

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

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

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

56.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
56.25 31, 2017.

56.26 Sec. 65. Minnesota Statutes 2016, section 469.316, subdivision 1, is amended to read:

56.27 Subdivision 1. **Application.** An individual, estate, or trust operating a trade or business
56.28 in a job opportunity building zone, and an individual, estate, or trust making a qualifying
56.29 investment in a qualified business operating in a job opportunity building zone qualifies for
56.30 the exemptions from taxes imposed under chapter 290, as provided in this section. The
56.31 exemptions provided under this section apply only to the extent that the income otherwise

57.1 would be taxable under chapter 290. Subtractions under this section from federal adjusted
57.2 gross income, federal taxable income, alternative minimum taxable income, or any other
57.3 base subject to tax are limited to the amount that otherwise would be included in the tax
57.4 base absent the exemption under this section. This section applies only to taxable years
57.5 beginning during the duration of the job opportunity building zone.

57.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
57.7 31, 2017.

57.8 Sec. 66. Minnesota Statutes 2016, section 469.317, is amended to read:

57.9 **469.317 CORPORATE FRANCHISE TAX EXEMPTION.**

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

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

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

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

57.23 ~~(b)~~ (d) No subtraction is allowed under this section in excess of 20 percent of the sum
57.24 of the corporation's job opportunity building zone payroll and the adjusted basis of the
57.25 property at the time that the property is first used in the job opportunity building zone by
57.26 the corporation.

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

57.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
57.30 31, 2017.

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

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

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

59.8 A member of the family of an individual disqualified by this paragraph is not eligible for a
59.9 credit under this section. For a married couple filing a joint return, the limitations in this
59.10 paragraph apply collectively to the investor and spouse. For purposes of determining the
59.11 ownership interest of an investor under this paragraph, the rules under section 267(c) and
59.12 267(e) of the Internal Revenue Code apply.

59.13 (d) Applications for tax credits for 2010 must be made available on the department's
59.14 Web site by September 1, 2010, and the department must begin accepting applications by
59.15 September 1, 2010. Applications for subsequent years must be made available by November
59.16 1 of the preceding year.

59.17 (e) Qualified investors and qualified funds must apply to the commissioner for tax credits.
59.18 Tax credits must be allocated to qualified investors or qualified funds in the order that the
59.19 tax credit request applications are filed with the department. The commissioner must approve
59.20 or reject tax credit request applications within 15 days of receiving the application. The
59.21 investment specified in the application must be made within 60 days of the allocation of
59.22 the credits. If the investment is not made within 60 days, the credit allocation is canceled
59.23 and available for reallocation. A qualified investor or qualified fund that fails to invest as
59.24 specified in the application, within 60 days of allocation of the credits, must notify the
59.25 commissioner of the failure to invest within five business days of the expiration of the
59.26 60-day investment period.

59.27 (f) All tax credit request applications filed with the department on the same day must
59.28 be treated as having been filed contemporaneously. If two or more qualified investors or
59.29 qualified funds file tax credit request applications on the same day, and the aggregate amount
59.30 of credit allocation claims exceeds the aggregate limit of credits under this section or the
59.31 lesser amount of credits that remain unallocated on that day, then the credits must be allocated
59.32 among the qualified investors or qualified funds who filed on that day on a pro rata basis
59.33 with respect to the amounts claimed. The pro rata allocation for any one qualified investor
59.34 or qualified fund is the product obtained by multiplying a fraction, the numerator of which

60.1 is the amount of the credit allocation claim filed on behalf of a qualified investor and the
60.2 denominator of which is the total of all credit allocation claims filed on behalf of all
60.3 applicants on that day, by the amount of credits that remain unallocated on that day for the
60.4 taxable year.

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

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

60.20 (2) 80 percent or more of the assets of the qualified small business is sold before the end
60.21 of the three-year period;

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

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

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

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

60.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
60.29 31, 2017.

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

60.31 Subd. 12. **Sunset.** This section expires for taxable years beginning after December 31,
60.32 ~~2017~~2018, except that reporting requirements under subdivision 6 and revocation of credits

61.1 under subdivision 7 remain in effect through ~~2019~~ 2020 for qualified investors and qualified
61.2 funds, and through ~~2021~~ 2022 for qualified small businesses, reporting requirements under
61.3 subdivision 9 remain in effect through ~~2022~~ 2023, and the appropriation in subdivision 11
61.4 remains in effect through ~~2021~~ 2022.

61.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
61.6 31, 2017.

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

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

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

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

61.16 (3) a savings association or federal savings bank as defined in United States Code, title
61.17 12, section 1813(b)(1);

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

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

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

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

61.25 (8) a corporation or other business entity that derives more than 50 percent of its total
61.26 gross income for financial accounting purposes from finance leases. For the purposes of
61.27 this clause, "gross income" means the average from the current tax year and immediately
61.28 preceding two years and excludes gross income from incidental or occasional transactions.
61.29 For purposes of this clause, "finance lease" means any lease transaction that is the functional
61.30 equivalent of an extension of credit and that transfers substantially all the benefits and risks
61.31 incident to the ownership of property, including any direct financing lease or leverage lease
61.32 that meets the criteria of Financial Accounting Standards Board Statement No. 13, accounting

62.1 for leases, or any other lease that is accounted for as financing by a lessor under generally
62.2 accepted accounting principles; or

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

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

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

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

62.15 Subd. 5c. **Disqualified captive insurance company.** (a) "Disqualified captive insurance
62.16 company" means a company that:

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

62.19 (ii) derives 80 percent or more of its total premiums for the taxable year from entities
62.20 that are members of the unitary business, as that term is used in section 290.17; and

62.21 (2)(i) receives less than 50 percent of its gross receipts for the taxable year from
62.22 premiums; or

62.23 (ii) pays less than 0.25 percent of its total premiums for the taxable year in tax under
62.24 chapter 297I or a comparable tax of another state or country.

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

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

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

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

63.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
63.9 31, 2017.

63.10 Sec. 6. Minnesota Statutes 2016, section 290.0133, is amended by adding a subdivision
63.11 to read:

63.12 Subd. 15. **Prepared food donation.** The amount of charitable contributions under section
63.13 170 of the Internal Revenue Code used to claim the credit under section 290.06, subdivision
63.14 39, is an addition.

63.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
63.16 31, 2017.

63.17 Sec. 7. Minnesota Statutes 2016, section 290.0134, is amended by adding a subdivision
63.18 to read:

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

63.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
63.25 31, 2017.

63.26 Sec. 8. Minnesota Statutes 2017 Supplement, section 290.05, subdivision 1, is amended
63.27 to read:

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

64.1 (a) corporations, individuals, estates, and trusts engaged in the business of mining or
64.2 producing iron ore and mining, producing, or refining other ores, metals, and minerals, the
64.3 mining, production, or refining of which is subject to the occupation tax imposed by section
64.4 298.01; but if any such corporation, individual, estate, or trust engages in any other business
64.5 or activity or has income from any property not used in such business it shall be subject to
64.6 this tax computed on the net income from such property or such other business or activity.
64.7 Royalty shall not be considered as income from the business of mining or producing iron
64.8 ore within the meaning of this section;

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

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

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

64.18 Sec. 9. Minnesota Statutes 2016, section 290.06, is amended by adding a subdivision to
64.19 read:

64.20 **Subd. 39. Prepared food donation credit.** (a) A qualifying taxpayer is allowed a credit
64.21 against the tax imposed by this chapter equal to 20 percent of the taxpayer's eligible charitable
64.22 food donation. The credit may not exceed the taxpayer's liability for tax and may not be
64.23 carried forward to any other taxable year.

64.24 (b) For purposes of this subdivision, the following terms have the meanings given:

64.25 (1) "eligible charitable food donation" means a contribution of prepared food allowable
64.26 as a charitable deduction for the taxable year under section 170(a) of the Internal Revenue
64.27 Code, subject to the limitations of section 170(b) of the Internal Revenue Code, and
64.28 determined without regard to whether or not the taxpayer itemizes deductions;

64.29 (2) "prepared food" means food that meets all quality and labeling standards imposed
64.30 by federal, state, and local laws and regulations even though the food may not be readily
64.31 marketable due to appearance, age, freshness, grade, size, surplus, or other conditions, and
64.32 includes:

64.33 (i) food that is cooked or heated by the qualifying taxpayer;

65.1 (ii) two or more ingredients mixed together to be eaten as a single item; and

65.2 (iii) any ingredients supplied for ingestion or chewing by humans that are consumed for
65.3 their taste or nutritional value; and

65.4 (3) "qualifying taxpayer" means an individual or entity that makes a charitable food
65.5 donation in Minnesota and is engaged in a trade or business that includes regularly selling
65.6 prepared food.

65.7 (c) A food donation for which a credit is claimed under this section may not be deducted
65.8 as a charitable contribution deduction under section 290.0803.

65.9 (d) Credits allowed to a partnership, a limited liability company taxed as a partnership,
65.10 an S corporation, or multiple owners of property are passed through to the partners, members,
65.11 shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or
65.12 owner based on their share of the entity's income for the taxable year.

65.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
65.14 31, 2017.

65.15 Sec. 10. Minnesota Statutes 2016, section 290.0685, subdivision 1, is amended to read:

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

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

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

65.26 Sec. 11. Minnesota Statutes 2016, section 290.0685, is amended by adding a subdivision
65.27 to read:

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

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

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

66.5 (1)(i) a resident; or

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

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

66.10 (ii) if no individual meets the requirements of clause (i) for a stillbirth that occurs in this
66.11 state, then the first parent listed on the certificate of birth resulting in stillbirth; or

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

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

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

66.18 Sec. 12. Minnesota Statutes 2017 Supplement, section 290.0686, subdivision 1, is amended
66.19 to read:

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

66.22 (b) "Master's degree program" means a graduate-level program at an accredited university
66.23 leading to a master of arts or science degree in either a core content area directly related to
66.24 a qualified teacher's licensure field or special education. Except for a special education
66.25 program authorized under paragraph (e), the master's degree program may not include
66.26 pedagogy or a pedagogy component. To be eligible under this credit, a licensed elementary
66.27 school teacher must pursue and complete a master's degree program in either a core content
66.28 area in which the teacher provides direct classroom instruction or a special education
66.29 program.

66.30 (c) "Qualified teacher" means a person who:

67.1 (1) holds a teaching license issued by the licensing division in the Department of
67.2 Education on behalf of the Professional Educator Licensing and Standards Board both when
67.3 the teacher begins the master's degree program and when the teacher completes the master's
67.4 degree program;

67.5 (2) began a master's degree program after June 30, 2017; and

67.6 (3) completes the master's degree program during the taxable year.

67.7 (d) "Core content area" means the academic subject of reading, English or language arts,
67.8 mathematics, science, foreign languages, civics and government, economics, arts, history,
67.9 or geography.

67.10 (e) "Special education" means a program of study directly related to licensure in
67.11 developmental disabilities, early childhood special education, emotional or behavioral
67.12 disorders, autism spectrum disorders, or learning disabilities.

67.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
67.14 31, 2017.

67.15 Sec. 13. **[290.0687] TAX CREDIT; RAILROAD CROSSING IMPROVEMENTS.**

67.16 Subdivision 1. Credit allowed. An individual or entity operating a railroad is allowed
67.17 a credit against the liability for tax equal to 50 percent of the expenditures during the taxable
67.18 year on qualified costs.

67.19 Subd. 2. Definitions. (a) For purposes of this section, the following terms have the
67.20 meanings given them.

67.21 (b) "Crossing" means a grade crossing as defined in section 219.16.

67.22 (c) "Liability for tax" means the sum of the tax imposed under sections 290.06,
67.23 subdivision 1 or 2c; and 290.091 for the taxable year, reduced by the sum of the
67.24 nonrefundable credits allowed under this chapter.

67.25 (d) "Qualified costs" means amounts expended to improve a priority crossing that:

67.26 (1) increase the safety of the crossing by installing, facilitating the installation of, or
67.27 improving the quality of active traffic signals or controls or by assisting in implementing
67.28 grade separation for the crossing;

67.29 (2) would qualify for depreciation deductions under section 167(a) of the Internal Revenue
67.30 Code without regard to whether the improvements are property of the taxpayer; and

67.31 (3) are not required by law to be made by the railroad.

68.1 (e) "Railroad" means a rail carrier as defined in United States Code, title 49, section
68.2 20102, as amended.

68.3 (f) "Priority crossing" means a crossing that is designated by the commissioner of
68.4 transportation under subdivision 5.

68.5 Subd. 3. **Carryover.** The credit for a taxable year must not exceed the taxpayer's liability
68.6 for tax. If the credit for a taxable year exceeds the liability for tax, the excess is a carryover
68.7 to each of the 15 succeeding taxable years. The entire amount of the excess unused credit
68.8 for the taxable year must be carried first to the earliest of the taxable years to which the
68.9 credit may be carried and then to each successive year to which the credit may be carried.
68.10 The amount of the unused credit that may be added under this subdivision must not exceed
68.11 the liability for tax less the credit for the taxable year.

68.12 Subd. 4. **Partnerships and S corporations.** For a railroad operated as a partnership, a
68.13 limited liability company taxed as a partnership, or an S corporation, the credit under this
68.14 section is passed through to each partner, member, or shareholder in proportion to their
68.15 share of the entity's net income for the taxable year.

68.16 Subd. 5. **Designation of priority crossings.** (a) By October 1, 2018, the commissioner
68.17 of transportation shall designate a list of at least 15 priority crossings that qualify for the
68.18 tax credit under this section and publish the list on the Web site of the Department of
68.19 Transportation. The list establishes priority crossings, expenditures for which qualify for
68.20 the tax credit under this section. The commissioner may revise the list of priority crossings
68.21 as the commissioner determines appropriate, based on changing conditions and circumstances.

68.22 (b) In establishing a list of priority crossings, the commissioner of transportation shall
68.23 use a methodology for evaluating the priority for and cost-effectiveness of expenditures for
68.24 improving public safety following or similar to the methods used in preparing the study
68.25 required by Laws 2014, chapter 312, article 10, section 10, with any modifications or
68.26 improvements the commissioner determines appropriate.

68.27 (c) Actions of the commissioner of transportation in establishing a list of priority crossings
68.28 under this subdivision are not an administrative rule subject to the Administrative Procedure
68.29 Act in chapter 14, including section 14.386.

68.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
68.31 31, 2017, and applies to expenditures made after October 1, 2018.

69.1 Sec. 14. Minnesota Statutes 2017 Supplement, section 290.091, subdivision 2, is amended
69.2 to read:

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

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

69.7 (1) the taxpayer's federal alternative minimum taxable income as defined in section
69.8 55(b)(2) of the Internal Revenue Code;

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

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

69.12 (ii) the medical expense deduction;

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

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

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

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

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

69.26 (6) the amount of addition required by section 290.0131, subdivisions 9 to 11;

69.27 less the sum of the amounts determined under the following:

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

69.29 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision
69.30 3, to the extent included in federal alternative minimum taxable income;

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

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

70.7 (v) the amount of the net operating loss allowed under section 290.095, subdivision 11,
70.8 paragraph (c).

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

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

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

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

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

70.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
70.20 31, 2017.

70.21 Sec. 15. Minnesota Statutes 2017 Supplement, section 290.17, subdivision 4, is amended
70.22 to read:

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

70.31 (b) The term "unitary business" means business activities or operations which result in
70.32 a flow of value between them. The term may be applied within a single legal entity or

71.1 between multiple entities and without regard to whether each entity is a sole proprietorship,
71.2 a corporation, a partnership or a trust.

71.3 (c) Unity is presumed whenever there is unity of ownership, operation, and use, evidenced
71.4 by centralized management or executive force, centralized purchasing, advertising,
71.5 accounting, or other controlled interaction, but the absence of these centralized activities
71.6 will not necessarily evidence a nonunitary business. Unity is also presumed when business
71.7 activities or operations are of mutual benefit, dependent upon or contributory to one another,
71.8 either individually or as a group.

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

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

71.20 (f) The net income and apportionment factors under section 290.191 or 290.20 of foreign
71.21 corporations and other foreign entities, but excluding a disqualified captive insurance
71.22 company, which are part of a unitary business shall not be included in the net income or
71.23 the apportionment factors of the unitary business; except that the income and apportionment
71.24 factors of a foreign entity, other than an entity treated as a C corporation for federal income
71.25 tax purposes, that are included in the federal taxable income, as defined in section 63 of the
71.26 Internal Revenue Code as amended through the date named in section 290.01, subdivision
71.27 19, of a domestic corporation, domestic entity, or individual must be included in determining
71.28 net income and the factors to be used in the apportionment of net income pursuant to section
71.29 290.191 or 290.20. A foreign corporation or other foreign entity which is not included on
71.30 a combined report and which is required to file a return under this chapter shall file on a
71.31 separate return basis.

71.32 (g) For purposes of determining the net income of a unitary business and the factors to
71.33 be used in the apportionment of net income pursuant to section 290.191 or 290.20, there
71.34 must be included only the income and apportionment factors of domestic corporations or

72.1 other domestic entities that are determined to be part of the unitary business pursuant to this
72.2 subdivision, notwithstanding that foreign corporations or other foreign entities might be
72.3 included in the unitary business; except that the income and apportionment factors of a
72.4 foreign entity, other than an entity treated as a C corporation for federal income tax purposes,
72.5 that is included in the federal taxable income, as defined in section 63 of the Internal Revenue
72.6 Code as amended through the date named in section 290.01, subdivision 19, of a domestic
72.7 corporation, domestic entity, or individual must be included in determining net income and
72.8 the factors to be used in the apportionment of net income pursuant to section 290.191 or
72.9 290.20.

72.10 (h) Each corporation or other entity, except a sole proprietorship, that is part of a unitary
72.11 business must file combined reports as the commissioner determines. On the reports, all
72.12 intercompany transactions between entities included pursuant to paragraph (g) must be
72.13 eliminated and the entire net income of the unitary business determined in accordance with
72.14 this subdivision is apportioned among the entities by using each entity's Minnesota factors
72.15 for apportionment purposes in the numerators of the apportionment formula and the total
72.16 factors for apportionment purposes of all entities included pursuant to paragraph (g) in the
72.17 denominators of the apportionment formula. Except as otherwise provided by paragraph
72.18 (f), all sales of the unitary business made within this state pursuant to section 290.191 or
72.19 290.20 must be included on the combined report of a corporation or other entity that is a
72.20 member of the unitary business and is subject to the jurisdiction of this state to impose tax
72.21 under this chapter.

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

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

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

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

72.31 ~~(1) licensed to engage in the business of insurance in Minnesota pursuant to chapter~~
72.32 ~~60A; or~~

72.33 ~~(2) domiciled and licensed to engage in the business of insurance in another state or~~
72.34 ~~country that imposes retaliatory taxes, fines, deposits, penalties, licenses, or fees and that~~

73.1 ~~does not grant, on a reciprocal basis, exemption from such retaliatory taxes to insurance~~
 73.2 ~~companies or their agents domiciled in Minnesota.~~

73.3 ~~(k) For purposes of this subdivision, "retaliatory taxes" means taxes imposed on insurance~~
 73.4 ~~companies organized in another state or country that result from the fact that an insurance~~
 73.5 ~~company organized in the taxing jurisdiction and doing business in the other jurisdiction is~~
 73.6 ~~subject to taxes, fines, deposits, penalties, licenses, or fees in an amount exceeding that~~
 73.7 ~~imposed by the taxing jurisdiction upon an insurance company organized in the other state~~
 73.8 ~~or country and doing business to the same extent in the taxing jurisdiction not a disqualified~~
 73.9 ~~captive insurance company.~~

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

73.12 Sec. 16. Minnesota Statutes 2016, section 291.03, subdivision 8, is amended to read:

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

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

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

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

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

73.24 Sec. 17. Minnesota Statutes 2017 Supplement, section 291.03, subdivision 9, is amended
 73.25 to read:

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

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

73.29 (2) The property consists of the assets of a trade or business or shares of stock or other
 73.30 ownership interests in a corporation or other entity engaged in a trade or business. Shares
 73.31 of stock in a corporation or an ownership interest in another type of entity do not qualify

74.1 under this subdivision if the shares or ownership interests are traded on a public stock
74.2 exchange at any time during the three-year period ending on the decedent's date of death.
74.3 For purposes of this subdivision, an ownership interest includes the interest the decedent is
74.4 deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code.

74.5 (3) During the taxable year that ended before the decedent's death, the trade or business
74.6 must not have been a passive activity within the meaning of section 469(c) of the Internal
74.7 Revenue Code, and the decedent or the decedent's spouse must have materially participated
74.8 in the trade or business within the meaning of section 469(h) of the Internal Revenue Code,
74.9 excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided
74.10 by United States Treasury Department regulation that substitutes material participation in
74.11 prior taxable years for material participation in the taxable year that ended before the
74.12 decedent's death.

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

74.15 (5) The property does not include:

74.16 (i) cash;

74.17 (ii) cash equivalents;

74.18 (iii) publicly traded securities; or

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

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

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

74.32 (8) For three years following the date of death of the decedent, the trade or business is
74.33 not a passive activity within the meaning of section 469(c) of the Internal Revenue Code,

75.1 and a family member materially participates in the operation of the trade or business within
75.2 the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3)
75.3 of the Internal Revenue Code and any other provision provided by United States Treasury
75.4 Department regulation that substitutes material participation in prior taxable years for
75.5 material participation in the three years following the date of death of the decedent.

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

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

75.11 Sec. 18. Minnesota Statutes 2016, section 291.03, subdivision 10, is amended to read:

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

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

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

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

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

75.29 (5) The property is classified for property tax purposes as class 2a property under section
75.30 273.13, subdivision 23, for three years following the date of death of the decedent.

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

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

76.6 Sec. 19. Minnesota Statutes 2017 Supplement, section 291.03, subdivision 11, is amended
76.7 to read:

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

76.16 (b) The amount of the additional tax equals the amount of the exclusion claimed by the
76.17 estate under subdivision 8, paragraph (d), multiplied by 16 percent.

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

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

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

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

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

77.1 (f) This paragraph applies only to estates of decedents dying after December 31, 2011,
 77.2 and before January 1, 2017, for which no tax liability was reported on the final estate tax
 77.3 return. For purposes of estates qualifying under this paragraph, the amount of the exclusion
 77.4 claimed by the estate for purposes of calculating the tax under paragraph (b) is deemed to
 77.5 be the minimum amount of the exclusion necessary to reduce the amount of estate tax to
 77.6 zero, without regard to the amount of the exclusion actually claimed on the final estate tax
 77.7 return. The provisions of this paragraph expire effective January 1, 2021.

77.8 **EFFECTIVE DATE.** The provisions of this section are effective retroactively for estates
 77.9 of decedents dying after December 31, 2011, and amended returns and claims for refund
 77.10 of recapture tax may be filed without regard to any applicable statute of limitation.

77.11 **ARTICLE 3**

77.12 **SALES AND USE TAXES**

77.13 Section 1. Minnesota Statutes 2016, section 295.50, subdivision 4, is amended to read:

77.14 Subd. 4. **Health care provider.** (a) "Health care provider" means:

77.15 (1) a person whose health care occupation is regulated or required to be regulated by
 77.16 the state of Minnesota furnishing any or all of the following goods or services directly to a
 77.17 patient or consumer: medical, surgical, optical, visual, dental, hearing, nursing services,
 77.18 drugs, laboratory, diagnostic or therapeutic services;

77.19 (2) a person who provides goods and services not listed in clause (1) that qualify for
 77.20 reimbursement under the medical assistance program provided under chapter 256B;

77.21 (3) a staff model health plan company;

77.22 (4) an ambulance service required to be licensed; ~~or~~

77.23 (5) a person who sells or repairs hearing aids and related equipment or prescription
 77.24 eyewear; or

77.25 (6) a massage therapist.

77.26 (b) Health care provider does not include:

77.27 (1) hospitals; medical supplies distributors, except as specified under paragraph (a),
 77.28 clause (5); nursing homes licensed under chapter 144A or licensed in any other jurisdiction;
 77.29 wholesale drug distributors; pharmacies; surgical centers; bus and taxicab transportation,
 77.30 or any other providers of transportation services other than ambulance services required to
 77.31 be licensed; supervised living facilities for persons with developmental disabilities, licensed

78.1 under Minnesota Rules, parts 4665.0100 to 4665.9900; housing with services establishments
78.2 required to be registered under chapter 144D; board and lodging establishments providing
78.3 only custodial services that are licensed under chapter 157 and registered under section
78.4 157.17 to provide supportive services or health supervision services; adult foster homes as
78.5 defined in Minnesota Rules, part 9555.5105; day training and habilitation services for adults
78.6 with developmental disabilities as defined in section 252.41, subdivision 3; boarding care
78.7 homes, as defined in Minnesota Rules, part 4655.0100; and adult day care centers as defined
78.8 in Minnesota Rules, part 9555.9600;

78.9 (2) home health agencies as defined in Minnesota Rules, part 9505.0175, subpart 15; a
78.10 person providing personal care services and supervision of personal care services as defined
78.11 in Minnesota Rules, part 9505.0335; a person providing home care nursing services as
78.12 defined in Minnesota Rules, part 9505.0360; and home care providers required to be licensed
78.13 under chapter 144A;

78.14 (3) a person who employs health care providers solely for the purpose of providing
78.15 patient services to its employees;

78.16 (4) an educational institution that employs health care providers solely for the purpose
78.17 of providing patient services to its students if the institution does not receive fee for service
78.18 payments or payments for extended coverage; and

78.19 (5) a person who receives all payments for patient services from health care providers,
78.20 surgical centers, or hospitals for goods and services that are taxable to the paying health
78.21 care providers, surgical centers, or hospitals, as provided under section 295.53, subdivision
78.22 1, clause (3) or (4), or from a source of funds that is exempt from tax under this chapter.

78.23 **EFFECTIVE DATE.** This section is effective for gross revenues received after June
78.24 30, 2018.

78.25 Sec. 2. Minnesota Statutes 2016, section 295.50, is amended by adding a subdivision to
78.26 read:

78.27 **Subd. 8a. Massage therapist.** "Massage therapist" means a person providing massage
78.28 therapy services who registers with the commissioner to pay the tax imposed under section
78.29 295.52 prior to the calendar quarter in which the massage therapy services are provided.

78.30 **EFFECTIVE DATE.** This section is effective for gross revenues received after June
78.31 30, 2018.

79.1 Sec. 3. Minnesota Statutes 2016, section 295.50, is amended by adding a subdivision to
79.2 read:

79.3 Subd. 8b. **Massage therapy services.** (a) "Massage therapy services" or "massage
79.4 therapy" means a health care service provided by a massage therapist that involves systematic
79.5 and structured touch and palpation and pressure and movement of the muscles, tendons,
79.6 ligaments, and fascia, in order to reduce muscle tension, relieve soft tissue pain, improve
79.7 circulation, increase flexibility, increase activity of the parasympathetic branch of the
79.8 autonomic nervous system, or promote general wellness.

79.9 (b) Massage therapy services or massage therapy excludes services described in paragraph
79.10 (a) that are provided by a licensed health care facility or professional or upon written referral
79.11 from a licensed health care facility or professional for treatment of illness, injury, or disease.

79.12 **EFFECTIVE DATE.** This section is effective for gross revenues received after June
79.13 30, 2018.

79.14 Sec. 4. Minnesota Statutes 2016, section 295.50, subdivision 9b, is amended to read:

79.15 Subd. 9b. **Patient services.** (a) "Patient services" means inpatient and outpatient services
79.16 and other goods and services provided by hospitals, surgical centers, or health care providers.
79.17 They include the following health care goods and services provided to a patient or consumer:

79.18 (1) bed and board;

79.19 (2) nursing services and other related services;

79.20 (3) use of hospitals, surgical centers, or health care provider facilities;

79.21 (4) medical social services;

79.22 (5) drugs, biologicals, supplies, appliances, and equipment;

79.23 (6) other diagnostic or therapeutic items or services;

79.24 (7) medical or surgical services;

79.25 (8) items and services furnished to ambulatory patients not requiring emergency care;

79.26 ~~and~~

79.27 (9) emergency services; and

79.28 (10) massage therapy services.

79.29 (b) "Patient services" does not include:

79.30 (1) services provided to nursing homes licensed under chapter 144A;

80.1 (2) examinations for purposes of utilization reviews, insurance claims or eligibility,
80.2 litigation, and employment, including reviews of medical records for those purposes;

80.3 (3) services provided to and by community residential mental health facilities licensed
80.4 under Minnesota Rules, parts 9520.0500 to 9520.0670, and to and by residential treatment
80.5 programs for children with severe emotional disturbance licensed or certified under chapter
80.6 245A;

80.7 (4) services provided to and by community support programs and family community
80.8 support programs approved under Minnesota Rules, parts 9535.1700 to 9535.1760, or
80.9 certified as mental health rehabilitative services under chapter 256B;

80.10 (5) services provided to and by community mental health centers as defined in section
80.11 245.62, subdivision 2;

80.12 (6) services provided to and by assisted living programs and congregate housing
80.13 programs;

80.14 (7) hospice care services;

80.15 (8) home and community-based waived services under sections 256B.0915, 256B.49,
80.16 and 256B.501;

80.17 (9) targeted case management services under sections 256B.0621; 256B.0625,
80.18 subdivisions 20, 20a, 33, and 44; and 256B.094; and

80.19 (10) services provided to the following: supervised living facilities for persons with
80.20 developmental disabilities licensed under Minnesota Rules, parts 4665.0100 to 4665.9900;
80.21 housing with services establishments required to be registered under chapter 144D; board
80.22 and lodging establishments providing only custodial services that are licensed under chapter
80.23 157 and registered under section 157.17 to provide supportive services or health supervision
80.24 services; adult foster homes as defined in Minnesota Rules, part 9555.5105; day training
80.25 and habilitation services for adults with developmental disabilities as defined in section
80.26 252.41, subdivision 3; boarding care homes as defined in Minnesota Rules, part 4655.0100;
80.27 adult day care services as defined in section 245A.02, subdivision 2a; and home health
80.28 agencies as defined in Minnesota Rules, part 9505.0175, subpart 15, or licensed under
80.29 chapter 144A.

80.30 **EFFECTIVE DATE.** This section is effective for gross revenues received after June
80.31 30, 2018.

81.1 Sec. 5. Minnesota Statutes 2017 Supplement, section 297A.61, subdivision 3, is amended
81.2 to read:

81.3 Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited to,
81.4 each of the transactions listed in this subdivision. In applying the provisions of this chapter,
81.5 the terms "tangible personal property" and "retail sale" include the taxable services listed
81.6 in paragraph (g), clause (6), items (i) to (vi) and (viii), and the provision of these taxable
81.7 services, unless specifically provided otherwise. Services performed by an employee for
81.8 an employer are not taxable. Services performed by a partnership or association for another
81.9 partnership or association are not taxable if one of the entities owns or controls more than
81.10 80 percent of the voting power of the equity interest in the other entity. Services performed
81.11 between members of an affiliated group of corporations are not taxable. For purposes of
81.12 the preceding sentence, "affiliated group of corporations" means those entities that would
81.13 be classified as members of an affiliated group as defined under United States Code, title
81.14 26, section 1504, disregarding the exclusions in section 1504(b).

81.15 (b) Sale and purchase include:

81.16 (1) any transfer of title or possession, or both, of tangible personal property, whether
81.17 absolutely or conditionally, for a consideration in money or by exchange or barter; and

81.18 (2) the leasing of or the granting of a license to use or consume, for a consideration in
81.19 money or by exchange or barter, tangible personal property, other than a manufactured
81.20 home used for residential purposes for a continuous period of 30 days or more.

81.21 (c) Sale and purchase include the production, fabrication, printing, or processing of
81.22 tangible personal property for a consideration for consumers who furnish either directly or
81.23 indirectly the materials used in the production, fabrication, printing, or processing.

81.24 (d) Sale and purchase include the preparing for a consideration of food. Notwithstanding
81.25 section 297A.67, subdivision 2, taxable food includes, but is not limited to, the following:

81.26 (1) prepared food sold by the retailer;

81.27 (2) soft drinks;

81.28 (3) candy; and

81.29 (4) dietary supplements.

81.30 (e) A sale and a purchase includes the furnishing for a consideration of electricity, gas,
81.31 water, or steam for use or consumption within this state.

82.1 (f) A sale and a purchase includes the transfer for a consideration of prewritten computer
82.2 software whether delivered electronically, by load and leave, or otherwise.

82.3 (g) A sale and a purchase includes the furnishing for a consideration of the following
82.4 services:

82.5 (1) the privilege of admission to places of amusement, recreational areas, or athletic
82.6 events, and the making available of amusement devices, tanning facilities, reducing salons,
82.7 steam baths, health clubs, and spas or athletic facilities;

82.8 (2) lodging and related services by a hotel, rooming house, resort, campground, motel,
82.9 or trailer camp, including furnishing the guest of the facility with access to telecommunication
82.10 services, and the granting of any similar license to use real property in a specific facility,
82.11 other than the renting or leasing of it for a continuous period of 30 days or more under an
82.12 enforceable written agreement that may not be terminated without prior notice and including
82.13 accommodations intermediary services provided in connection with other services provided
82.14 under this clause;

82.15 (3) nonresidential parking services, whether on a contractual, hourly, or other periodic
82.16 basis, except for parking at a meter;

82.17 (4) the granting of membership in a club, association, or other organization if:

82.18 (i) the club, association, or other organization makes available for the use of its members
82.19 sports and athletic facilities, without regard to whether a separate charge is assessed for use
82.20 of the facilities; and

82.21 (ii) use of the sports and athletic facility is not made available to the general public on
82.22 the same basis as it is made available to members.

82.23 Granting of membership means both onetime initiation fees and periodic membership dues.
82.24 Sports and athletic facilities include golf courses; tennis, racquetball, handball, and squash
82.25 courts; basketball and volleyball facilities; running tracks; exercise equipment; swimming
82.26 pools; and other similar athletic or sports facilities;

82.27 (5) delivery of aggregate materials by a third party, excluding delivery of aggregate
82.28 material used in road construction; and delivery of concrete block by a third party if the
82.29 delivery would be subject to the sales tax if provided by the seller of the concrete block.
82.30 For purposes of this clause, "road construction" means construction of:

82.31 (i) public roads;

82.32 (ii) cartways; and

83.1 (iii) private roads in townships located outside of the seven-county metropolitan area
83.2 up to the point of the emergency response location sign; and

83.3 (6) services as provided in this clause:

83.4 (i) laundry and dry cleaning services including cleaning, pressing, repairing, altering,
83.5 and storing clothes, linen services and supply, cleaning and blocking hats, and carpet,
83.6 drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not
83.7 include services provided by coin operated facilities operated by the customer;

83.8 (ii) motor vehicle washing, waxing, and cleaning services, including services provided
83.9 by coin operated facilities operated by the customer, and rustproofing, undercoating, and
83.10 towing of motor vehicles;

83.11 (iii) building and residential cleaning, maintenance, and disinfecting services and pest
83.12 control and exterminating services;

83.13 (iv) detective, security, burglar, fire alarm, and armored car services; but not including
83.14 services performed within the jurisdiction they serve by off-duty licensed peace officers as
83.15 defined in section 626.84, subdivision 1, or services provided by a nonprofit organization
83.16 or any organization at the direction of a county for monitoring and electronic surveillance
83.17 of persons placed on in-home detention pursuant to court order or under the direction of the
83.18 Minnesota Department of Corrections;

83.19 (v) pet grooming services;

83.20 (vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting
83.21 and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor plant
83.22 care; tree, bush, shrub, and stump removal, except when performed as part of a land clearing
83.23 contract as defined in section 297A.68, subdivision 40; and tree trimming for public utility
83.24 lines. Services performed under a construction contract for the installation of shrubbery,
83.25 plants, sod, trees, bushes, and similar items are not taxable;

83.26 (vii) massages, ~~except when provided by a licensed health care facility or professional~~
83.27 ~~or upon written referral from a licensed health care facility or professional for treatment of~~
83.28 ~~illness, injury, or disease;~~ and

83.29 (viii) the furnishing of lodging, board, and care services for animals in kennels and other
83.30 similar arrangements, but excluding veterinary and horse boarding services.

83.31 (h) A sale and a purchase includes the furnishing for a consideration of tangible personal
83.32 property or taxable services by the United States or any of its agencies or instrumentalities,
83.33 or the state of Minnesota, its agencies, instrumentalities, or political subdivisions.

84.1 (i) A sale and a purchase includes the furnishing for a consideration of
84.2 telecommunications services, ancillary services associated with telecommunication services,
84.3 and pay television services. Telecommunication services include, but are not limited to, the
84.4 following services, as defined in section 297A.669: air-to-ground radiotelephone service,
84.5 mobile telecommunication service, postpaid calling service, prepaid calling service, prepaid
84.6 wireless calling service, and private communication services. The services in this paragraph
84.7 are taxed to the extent allowed under federal law.

84.8 (j) A sale and a purchase includes the furnishing for a consideration of installation if the
84.9 installation charges would be subject to the sales tax if the installation were provided by
84.10 the seller of the item being installed.

84.11 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer to a
84.12 customer when (1) the vehicle is rented by the customer for a consideration, or (2) the motor
84.13 vehicle dealer is reimbursed pursuant to a service contract as defined in section 59B.02,
84.14 subdivision 11.

84.15 (l) A sale and a purchase includes furnishing for a consideration of specified digital
84.16 products or other digital products or granting the right for a consideration to use specified
84.17 digital products or other digital products on a temporary or permanent basis and regardless
84.18 of whether the purchaser is required to make continued payments for such right. Wherever
84.19 the term "tangible personal property" is used in this chapter, other than in subdivisions 10
84.20 and 38, the provisions also apply to specified digital products, or other digital products,
84.21 unless specifically provided otherwise or the context indicates otherwise.

84.22 (m) The sale of the privilege of admission under section 297A.61, subdivision 3,
84.23 paragraph (g), clause (1), to a place of amusement, recreational area, or athletic event
84.24 includes all charges included in the privilege of admission's sales price, without deduction
84.25 for amenities that may be provided, unless the amenities are separately stated and the
84.26 purchaser of the privilege of admission is entitled to add or decline the amenities, and the
84.27 amenities are not otherwise taxable.

84.28 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
84.29 30, 2018.

84.30 Sec. 6. Minnesota Statutes 2017 Supplement, section 297A.67, subdivision 34, is amended
84.31 to read:

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

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

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

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

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

85.10 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
85.11 30, 2018.

85.12 Sec. 7. Minnesota Statutes 2016, section 297A.67, is amended by adding a subdivision to
85.13 read:

85.14 Subd. 37. **Massage therapy.** Massage therapy services subject to tax under section
85.15 295.52 or provided upon referral from a professional or licensed health care facility for
85.16 treatment of illness, injury, or disease are exempt.

85.17 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
85.18 30, 2018.

85.19 Sec. 8. Minnesota Statutes 2016, section 297A.67, is amended by adding a subdivision to
85.20 read:

85.21 Subd. 38. **Certain herbicides.** Purchases of herbicides authorized for use pursuant to
85.22 an invasive aquatic plant management permit as defined under section 103G.615 are exempt
85.23 if purchased by a lakeshore property owner, an association of lakeshore property owners
85.24 organized under chapter 317A, or by a contractor hired by a lakeshore owner or association
85.25 to provide invasive aquatic plant management under the permit. For purposes of this
85.26 subdivision, "herbicides" means all herbicides that meet the following requirements:

85.27 (1) are labeled for use in water;

85.28 (2) are registered for use in this state by the Minnesota Department of Agriculture under
85.29 section 18B.26; and

85.30 (3) are listed as one of the herbicides proposed for use on the invasive aquatic plant
85.31 management permit.

86.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
 86.2 30, 2018.

86.3 Sec. 9. Minnesota Statutes 2016, section 297A.67, is amended by adding a subdivision to
 86.4 read:

86.5 Subd. 39. **Ticket purchasing rights to collegiate events.** The sale of the privilege of
 86.6 admission under section 297A.61, subdivision 3, paragraph (g), clause (1), does not include
 86.7 consideration paid for the right to purchase a ticket to a collegiate athletic event in a preferred
 86.8 area, and the sale of the right to purchase a ticket is exempt provided that:

86.9 (1) the consideration paid for the right to purchase in the preferred area is used entirely
 86.10 to support student scholarship costs;

86.11 (2) the consideration paid for the right to purchase in the preferred area is separately
 86.12 stated from the admission price; and

86.13 (3) the admission price is equal to or greater than the highest priced general admission
 86.14 ticket for the closest seat not in the preferred area.

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

86.16 Sec. 10. Minnesota Statutes 2016, section 297A.68, subdivision 29, is amended to read:

86.17 Subd. 29. **Prizes.** (a) Tangible personal property that will be given as prizes to players
 86.18 in games of skill or chance is exempt if:

86.19 (1) the games are conducted at events such as community festivals, fairs, and carnivals
 86.20 and if the events last less than six days; or

86.21 (2) the property is awarded as prizes in connection with lawful gambling as defined in
 86.22 section 349.12.

86.23 (b) This exemption does not apply to property awarded as prizes in connection with
 86.24 ~~lawful gambling as defined in section 349.12~~ or the State Lottery.

86.25 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
 86.26 30, 2018.

86.27 Sec. 11. Minnesota Statutes 2016, section 297A.70, subdivision 7, is amended to read:

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

86.29 (a) Sales, except for those listed in paragraph (d), to a hospital are exempt, if the items
 86.30 purchased are used in providing hospital services. For purposes of this subdivision, "hospital"

87.1 means a hospital organized and operated for charitable purposes within the meaning of
87.2 section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any
87.3 other jurisdiction, and "hospital services" are services authorized or required to be performed
87.4 by a "hospital" under chapter 144.

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

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

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

87.23 (1) purchases made by a clinic, physician's office, or any other medical facility not
87.24 operating as a hospital, outpatient surgical center, qualifying medical facility, or critical
87.25 access dental provider, even though the clinic, office, or facility may be owned and operated
87.26 by a hospital, outpatient surgical center, qualifying medical facility, or critical access dental
87.27 provider;

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

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

87.33 (4) building, construction, or reconstruction materials purchased by a contractor or a
87.34 subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed

88.1 maximum price covering both labor and materials for use in the construction, alteration, or
88.2 repair of a hospital, outpatient surgical center, qualifying medical facility, or critical access
88.3 dental provider; or

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

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

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

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

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

88.12 (g) Sales, except for those listed in paragraph (d), to a qualifying medical facility are
88.13 exempt, if the items are purchased or used in providing medical services. For purposes of
88.14 this subdivision, "qualifying medical facility" means a medical facility as defined in section
88.15 469.1812, subdivision 2a, that has been granted an abatement of the state general tax under
88.16 section 469.1817.

88.17 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
88.18 30, 2018.

88.19 Sec. 12. Minnesota Statutes 2017 Supplement, section 297A.70, subdivision 20, is amended
88.20 to read:

88.21 Subd. 20. **Ice arenas and rinks.** Sales to organizations that exist primarily for the purpose
88.22 of operating ice arenas or rinks that are (1) part of either the Duluth Heritage Sports Center
88.23 or the David M. Thaler Sports Center; and (2) are used for youth and high school programs,
88.24 are exempt if the organization is a private, nonprofit corporation exempt from federal income
88.25 taxation under section 501(c)(3) of the Internal Revenue Code.

88.26 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
88.27 30, 2018.

89.1 Sec. 13. Minnesota Statutes 2016, section 297A.70, is amended by adding a subdivision
89.2 to read:

89.3 Subd. 21. **Lawful gambling equipment.** The lease or purchase of gambling equipment,
89.4 as defined in section 349.12, subdivision 18, by an organization licensed to conduct lawful
89.5 gambling under chapter 349 is exempt.

89.6 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
89.7 30, 2018.

89.8 Sec. 14. Minnesota Statutes 2016, section 297A.70, is amended by adding a subdivision
89.9 to read:

89.10 Subd. 22. **Nonprofit conservation clubs.** Sales to nonprofit conservation clubs are
89.11 exempt. For purposes of this subdivision, a "nonprofit conservation club" means an
89.12 organization exempt under section 501(c)(3) of the Internal Revenue Code that provides
89.13 instruction, training, and facilities for shooting handguns or rifles.

89.14 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
89.15 30, 2018.

89.16 Sec. 15. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision
89.17 to read:

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

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

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

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

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

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

90.1 Sec. 16. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision
90.2 to read:

90.3 Subd. 52. **Second Harvest Heartland.** Materials and supplies used or consumed in and
90.4 equipment incorporated into construction and rehabilitation of the Second Harvest Heartland
90.5 regional charitable food warehouse, distribution, and office facility in Hennepin County are
90.6 exempt. The tax must be imposed and collected as if the rate under section 297A.62,
90.7 subdivision 1, applied and then refunded in the manner provided in section 297A.75.

90.8 **EFFECTIVE DATE.** This section is effective for sales and purchases made after January
90.9 1, 2018, and before January 1, 2022.

90.10 Sec. 17. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision
90.11 to read:

90.12 Subd. 53. **Nonprofit snowmobile clubs.** Building materials and supplies used by a
90.13 nonprofit snowmobile club to construct, reconstruct, or maintain or improve state or
90.14 grant-in-aid snowmobile trails are exempt. A nonprofit snowmobile club is eligible for the
90.15 exemption under this subdivision if it received, in the current year or in the previous
90.16 three-year period, a state grant-in-aid grant administered by the Department of Natural
90.17 Resources by applying for the grant with a local unit of government sponsor.

90.18 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
90.19 30, 2018.

90.20 Sec. 18. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision
90.21 to read:

90.22 Subd. 54. **Medical facility in underserved area.** Materials and supplies used or
90.23 consumed in, and equipment incorporated into, the construction or improvement of real
90.24 property that has been granted an abatement of the state general tax under section 469.1817
90.25 are exempt.

90.26 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
90.27 30, 2018.

90.28 Sec. 19. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision
90.29 to read:

90.30 Subd. 55. **Properties destroyed by fire.** Building materials and supplies used in, and
90.31 equipment incorporated into, the construction or replacement of real property affected by,

91.1 and capital equipment to replace equipment destroyed in, the fire on March 11, 2018, in the
91.2 city of Mazeppa are exempt. The tax must be imposed and collected as if the rate under
91.3 section 297A.62, subdivision 1, applied and then refunded in the manner provided in section
91.4 297A.75. For purposes of this subdivision, "capital equipment" includes durable equipment
91.5 used in a restaurant for food storage, preparation, and serving.

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

91.8 Sec. 20. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision
91.9 to read:

91.10 Subd. 56. **Former Duluth Central High School.** Materials and supplies used in and
91.11 equipment incorporated into a private redevelopment project on the site of the former Duluth
91.12 Central High School are exempt, provided the resulting development is subject to property
91.13 taxes. The tax must be imposed and collected as if the rate under section 297A.62 applied
91.14 and then refunded in the manner provided in section 297A.75. The commissioner must not
91.15 pay more than \$5,000,000 in refunds for purchases exempt under this section. Refunds must
91.16 be processed and issued in the order that complete and accurate applications are received
91.17 by the commissioner.

91.18 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
91.19 made after June 30, 2018, and before January 1, 2020.

91.20 Sec. 21. Minnesota Statutes 2017 Supplement, section 297A.75, subdivision 1, is amended
91.21 to read:

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

91.25 (1) building materials for an agricultural processing facility exempt under section
91.26 297A.71, subdivision 13;

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

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

91.30 (4) building materials used in a residence for disabled veterans exempt under section
91.31 297A.71, subdivision 11;

- 92.1 (5) elevators and building materials exempt under section 297A.71, subdivision 12;
- 92.2 (6) materials and supplies for qualified low-income housing under section 297A.71,
92.3 subdivision 23;
- 92.4 (7) materials, supplies, and equipment for municipal electric utility facilities under
92.5 section 297A.71, subdivision 35;
- 92.6 (8) equipment and materials used for the generation, transmission, and distribution of
92.7 electrical energy and an aerial camera package exempt under section 297A.68, subdivision
92.8 37;
- 92.9 (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph
92.10 (a), clause (10);
- 92.11 (10) materials, supplies, and equipment for construction or improvement of projects and
92.12 facilities under section 297A.71, subdivision 40;
- 92.13 (11) materials, supplies, and equipment for construction, improvement, or expansion
92.14 of:
- 92.15 ~~(i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014,~~
92.16 ~~section 297A.71, subdivision 42;~~
- 92.17 ~~(ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision~~
92.18 ~~45;~~
- 92.19 ~~(iii) a research and development facility exempt under Minnesota Statutes 2014, section~~
92.20 ~~297A.71, subdivision 46; and~~
- 92.21 ~~(iv) an industrial measurement manufacturing and controls facility exempt under~~
92.22 ~~Minnesota Statutes 2014, section 297A.71, subdivision 47;~~
- 92.23 (12) enterprise information technology equipment and computer software for use in a
92.24 qualified data center exempt under section 297A.68, subdivision 42;
- 92.25 (13) materials, supplies, and equipment for qualifying capital projects under section
92.26 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);
- 92.27 (14) items purchased for use in providing critical access dental services exempt under
92.28 section 297A.70, subdivision 7, paragraph (c);
- 92.29 (15) items and services purchased under a business subsidy agreement for use or
92.30 consumption primarily in greater Minnesota exempt under section 297A.68, subdivision
92.31 44;

93.1 (16) building materials, equipment, and supplies for constructing or replacing real
93.2 property exempt under section 297A.71, ~~subdivision~~ subdivisions 49 and 55; ~~and~~

93.3 (17) building materials, equipment, and supplies for constructing or replacing real
93.4 property exempt under section 297A.71, subdivision 50, paragraph (b);₂

93.5 (18) materials, equipment, and supplies for a regional charitable food warehouse,
93.6 distribution, and office facility exempt under section 297A.71, subdivision 52; and

93.7 (19) materials and supplies used in and equipment incorporated into a private
93.8 redevelopment project exempt under section 297A.71, subdivision 56.

93.9 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
93.10 30, 2018.

93.11 Sec. 22. Minnesota Statutes 2017 Supplement, section 297A.75, subdivision 2, is amended
93.12 to read:

93.13 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the
93.14 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items must
93.15 be paid to the applicant. Only the following persons may apply for the refund:

93.16 (1) for subdivision 1, clauses (1), (2), and (14), the applicant must be the purchaser;

93.17 (2) for subdivision 1, clause (3), the applicant must be the governmental subdivision;

93.18 (3) for subdivision 1, clause (4), the applicant must be the recipient of the benefits
93.19 provided in United States Code, title 38, chapter 21;

93.20 (4) for subdivision 1, clause (5), the applicant must be the owner of the homestead
93.21 property;

93.22 (5) for subdivision 1, clause (6), the owner of the qualified low-income housing project;

93.23 (6) for subdivision 1, clause (7), the applicant must be a municipal electric utility or a
93.24 joint venture of municipal electric utilities;

93.25 (7) for subdivision 1, clauses (8), (11), (12), and (15), the owner of the qualifying
93.26 business;

93.27 (8) for subdivision 1, clauses (9), (10), and (13), the applicant must be the governmental
93.28 entity that owns or contracts for the project or facility; and

93.29 (9) for subdivision 1, ~~clause (16)~~, clauses (16) to (19), the applicant must be the owner
93.30 or developer of the building or project; ~~and~~.

94.1 ~~(10) for subdivision 1, clause (17), the applicant must be the owner or developer of the~~
 94.2 ~~building or project.~~

94.3 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
 94.4 30, 2018.

94.5 Sec. 23. Minnesota Statutes 2017 Supplement, section 297A.75, subdivision 3, is amended
 94.6 to read:

94.7 Subd. 3. **Application.** (a) The application must include sufficient information to permit
 94.8 the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor,
 94.9 or builder, under subdivision 1, clauses (3) to (13) or (15) to ~~(17)~~ (19), the contractor,
 94.10 subcontractor, or builder must furnish to the refund applicant a statement including the cost
 94.11 of the exempt items and the taxes paid on the items unless otherwise specifically provided
 94.12 by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under
 94.13 this section.

94.14 (b) An applicant may not file more than two applications per calendar year for refunds
 94.15 for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

94.16 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
 94.17 30, 2018.

94.18 Sec. 24. Minnesota Statutes 2017 Supplement, section 297E.02, subdivision 3, is amended
 94.19 to read:

94.20 Subd. 3. **Collection; disposition.** (a) Taxes imposed by this section are due and payable
 94.21 to the commissioner when the gambling tax return is required to be filed. Distributors must
 94.22 file their monthly sales figures with the commissioner on a form prescribed by the
 94.23 commissioner. Returns covering the taxes imposed under this section must be filed with
 94.24 the commissioner on or before the 20th day of the month following the close of the previous
 94.25 calendar month. The commissioner shall prescribe the content, format, and manner of returns
 94.26 or other documents pursuant to section 270C.30. The proceeds, along with the revenue
 94.27 received from all license fees and other fees under sections 349.11 to 349.191, 349.211,
 94.28 and 349.213, must be paid to the commissioner of management and budget for deposit in
 94.29 the general fund.

94.30 ~~(b) The sales tax imposed by chapter 297A on the sale of pull-tabs and tipboards by the~~
 94.31 ~~distributor is imposed on the retail sales price.~~ The retail sale of pull-tabs or tipboards by

95.1 the organization is exempt from taxes imposed by chapter 297A and is exempt from all
95.2 local taxes and license fees except a fee authorized under section 349.16, subdivision 8.

95.3 (c) One-half of one percent of the revenue deposited in the general fund under paragraph
95.4 (a), is appropriated to the commissioner of human services for the compulsive gambling
95.5 treatment program established under section 245.98. One-half of one percent of the revenue
95.6 deposited in the general fund under paragraph (a), is appropriated to the commissioner of
95.7 human services for a grant to the state affiliate recognized by the National Council on
95.8 Problem Gambling to increase public awareness of problem gambling, education and training
95.9 for individuals and organizations providing effective treatment services to problem gamblers
95.10 and their families, and research relating to problem gambling. Money appropriated by this
95.11 paragraph must supplement and must not replace existing state funding for these programs.

95.12 **EFFECTIVE DATE.** This section is effective July 1, 2018.

95.13 **Sec. 25. MUNICIPALLY OWNED WATER TREATMENT FACILITY; CITY OF**
95.14 **ELKO NEW MARKET.**

95.15 **Subdivision 1. Exemption.** Materials and supplies used in and equipment incorporated
95.16 into a water treatment facility owned and operated by the city of Elko New Market are
95.17 exempt from taxation under Minnesota Statutes, chapter 297A, regardless of whether
95.18 purchased by the city or a contractor, subcontractor, or builder. All purchases for this facility
95.19 must be made after June 1, 2014, and before June 1, 2016.

95.20 **Subd. 2. Refund.** The tax on purchases exempt under subdivision 1 must be imposed
95.21 and collected as if the rate under Minnesota Statutes, section 297A.62, applied, and then
95.22 refunded in the manner provided in Minnesota Statutes, section 297A.75. The applicant
95.23 must be the city of Elko New Market. If sales tax has been paid on sales and purchases
95.24 exempt under this section prior to the effective date of this section, the city of Elko New
95.25 Market may apply directly to the commissioner of revenue for a refund. The application
95.26 must be in the form and manner required by the commissioner and provide sufficient
95.27 information so the commissioner can verify the amount paid. If the tax was paid by a
95.28 contractor, subcontractor, or builder, the contractor, subcontractor, or builder must furnish
95.29 to the refund applicant a statement including the cost of the exempt items and the taxes paid
95.30 on the items. Interest must be paid on the refund at the rate in Minnesota Statutes, section
95.31 270C.405, from 90 days after the refund claim is filed with the commissioner.

95.32 **Subd. 3. Appropriation.** The amount required to make the refunds under this section
95.33 is appropriated to the commissioner of revenue.

96.1 **EFFECTIVE DATE.** This section is effective retroactively for purchases made after
96.2 June 1, 2014, and before June 1, 2016.

96.3 Sec. 26. **SALES TAX RATE ADJUSTMENT IF TAX IS IMPOSED ON REMOTE**
96.4 **SELLERS.**

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

96.7 (b) "Day the state begins enforcing a duty to collect and remit sales tax on retailers
96.8 without a physical presence in this state, and marketplace providers under Minnesota Statutes,
96.9 section 297A.66, subdivision 4," means the earliest of:

96.10 (i) the first day of a calendar quarter at least 60 days after a decision is made by the
96.11 United States Supreme Court modifying its decision in Quill Corp. v. North Dakota, 504
96.12 U.S. 298 (1992) so that a state may require retailers without a physical presence in the state
96.13 to collect and remit sales tax; or

96.14 (ii) the first day of a calendar quarter at least 60 days after a federal law is enacted
96.15 authorizing a state to impose a requirement to collect and remit sales tax on retailers without
96.16 a physical presence in the state.

96.17 Subd. 2. **Rate adjustment.** (a) The commissioner of revenue must make an adjustment
96.18 to the sales tax rates in Minnesota Statutes, section 297A.62, subdivisions 1 and 1a, effective
96.19 for the first day of the calendar quarter beginning 15 months after the day the state begins
96.20 enforcing a duty to collect and remit sales tax on retailers without a physical presence in
96.21 this state, and marketplace providers under Minnesota Statutes, section 297A.66, subdivision
96.22 4. The adjustment must be equal to the reduction necessary to make the total collections
96.23 under the sales tax revenue neutral as calculated in paragraph (b).

96.24 (b) The adjustment factor for each tax rate must be equal to the ratio by which:

96.25 (1) the revenues collected under Minnesota Statutes, chapter 297A, in the 12-month
96.26 period immediately preceding the day the state begins enforcing a duty to collect and remit
96.27 sales tax on retailers without a physical presence in this state, and marketplace providers
96.28 under Minnesota Statutes, section 297A.66, subdivision 4, multiplied by the projected
96.29 growth rate in sales tax revenues between the same 12-month period and the time period in
96.30 clause (2), calculated from data used in preparing the February 2018 forecast; compared to

96.31 (2) the revenues collected under Minnesota Statutes, chapter 297A, in the 12-month
96.32 period beginning on the day the state begins enforcing a duty to collect and remit sales tax

97.1 on retailers without a physical presence in this state, and marketplace providers under
97.2 Minnesota Statutes, section 297A.66, subdivision 4. The ratio cannot be less than one.

97.3 (c) The adjusted rates must be rounded to the nearest one thousandth of one percent and
97.4 are effective for the first calendar quarter at least 15 months after the day the state begins
97.5 enforcing a duty to collect and remit sales tax on retailers without a physical presence in
97.6 this state, and marketplace providers under Minnesota Statutes, section 297A.66, subdivision
97.7 4. The commissioner of revenue must publish the new tax rates in the State Register at least
97.8 30 days prior to the rate change going into effect.

97.9 (d) After the commissioner of revenue publishes the new tax rates in the State Register,
97.10 the revisor of statutes must update the tax rates in Minnesota Statutes, section 297A.62,
97.11 subdivisions 1 and 1a, in the next edition of Minnesota Statutes.

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

97.13 **ARTICLE 4**

97.14 **MISCELLANEOUS PROVISIONS**

97.15 Section 1. Minnesota Statutes 2016, section 360.013, is amended by adding a subdivision
97.16 to read:

97.17 Subd. 62. **Unmanned aircraft.** "Unmanned aircraft" means an aircraft, as defined in
97.18 subdivision 37, that is operated without the possibility of human intervention from within
97.19 or on the aircraft.

97.20 **EFFECTIVE DATE.** This section is effective July 1, 2018.

97.21 Sec. 2. Minnesota Statutes 2016, section 360.013, is amended by adding a subdivision to
97.22 read:

97.23 Subd. 63. **Unmanned aircraft system.** "Unmanned aircraft system" means an unmanned
97.24 aircraft and all of its associated elements, including components and communication links,
97.25 that are required to control and operate the aircraft.

97.26 **EFFECTIVE DATE.** This section is effective July 1, 2018.

98.1 Sec. 3. Minnesota Statutes 2016, section 360.55, is amended by adding a subdivision to
98.2 read:

98.3 Subd. 9. Unmanned aircraft systems. (a) Any unmanned aircraft system in which the
98.4 unmanned aircraft weighs less than 55 pounds at takeoff, including payload and anything
98.5 affixed to the aircraft, either:

98.6 (1) must be registered in the state for an annual fee of \$25; or

98.7 (2) is not subject to registration or an annual fee if the unmanned aircraft system is owned
98.8 and operated solely for recreational purposes.

98.9 (b) An unmanned aircraft system that meets the requirements under paragraph (a) is
98.10 exempt from aircraft registration tax under sections 360.511 to 360.67.

98.11 **EFFECTIVE DATE.** This section is effective July 1, 2018.

98.12 Sec. 4. Minnesota Statutes 2016, section 360.62, is amended to read:

98.13 **360.62 TAX REFUND.**

98.14 Except as provided herein the tax upon any aircraft which has been paid for any year,
98.15 shall be refunded only for errors made in computing the tax or fees or for the error on the
98.16 part of an owner who may in error have registered an aircraft that was not before, nor at the
98.17 time of such registration, nor at any time thereafter during the tax period, subject to such
98.18 tax in this state; provided that after more than 24 months after such tax was paid no refund
98.19 shall be made for any tax paid on any aircraft. Refunds as provided by sections 360.511 to
98.20 360.67 shall be made in the manner provided by Laws 1947, chapter 416. The former owner
98.21 of a transferred aircraft by an assignment in writing endorsed upon the former owner's
98.22 registration certificate and delivered to the commissioner within the time provided herein
98.23 may sell and assign to the new owner thereof the right to have the tax paid by the former
98.24 owner accredited to such new owner who duly registers such aircraft. Any owner whose
98.25 aircraft ~~shall be~~ is destroyed or permanently removed from the state ~~shall be~~ is entitled to
98.26 a refund for the unused portion of the tax paid upon the destroyed or removed aircraft ~~so~~
98.27 ~~destroyed or removed from the state, such.~~ The refund to must be computed pro rata by the
98.28 month, and to be equal to the monthly tax rate multiplied by the number of full calendar
98.29 months remaining in the fiscal year, or multiplied by the number of full calendar months
98.30 remaining in that period between January 1, 1966, to and including June 30, 1967, whichever
98.31 period is applicable. An unmanned aircraft system that is destroyed or permanently removed
98.32 from the state is not entitled to a tax refund under this section.

99.1 In order to secure such refund, the aircraft owner shall submit a signed statement that
 99.2 such aircraft has either been sold out of state or destroyed, the date of such sale or destruction,
 99.3 and such other information as the commissioner may require. Any false statement willfully
 99.4 and knowingly made in regard thereto shall be deemed a perjury and punished accordingly.
 99.5 No refund shall be made if application is not made within 12 months after the date the
 99.6 aircraft was sold out of state or destroyed.

99.7 **EFFECTIVE DATE.** This section is effective July 1, 2018.

99.8 Sec. 5. Minnesota Statutes 2016, section 477A.013, subdivision 13, is amended to read:

99.9 Subd. 13. **Certified aid adjustments.** ~~(a) A city that received an aid base increase under~~
 99.10 ~~Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (c), shall have its~~
 99.11 ~~total aid under subdivision 9 increased by an amount equal to \$150,000 for aids payable in~~
 99.12 ~~2014 through 2018.~~

99.13 ~~(b)~~ (a) A city that received an aid base increase under Minnesota Statutes 2012, section
 99.14 477A.011, subdivision 36, paragraph (r), shall have its total aid under subdivision 9 increased
 99.15 by an amount equal to \$160,000 for aids payable in 2014 and thereafter.

99.16 ~~(c) A city that received a temporary aid increase under Minnesota Statutes 2012, section~~
 99.17 ~~477A.011, subdivision 36, paragraph (o), shall have its total aid under subdivision 9 increased~~
 99.18 ~~by an amount equal to \$1,000,000 for aids payable in 2014 only.~~

99.19 (b) For aids payable in 2019 only, a city shall have its total aid under subdivision 9
 99.20 increased by an amount equal to its aid decrease between aids payable in 2016 and 2017 if:

99.21 (1) the city's aid decreased by more than \$50,000 between aids payable in 2016 and
 99.22 2017 under this section; and

99.23 (2) the city's unmet need amount calculated for aids payable in 2017 exceeded its aids
 99.24 payable in 2016.

99.25 (c) The city of Lilydale shall have its total aid under subdivision 9 increased by \$150,000
 99.26 for aids payable in 2019 only.

99.27 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2019.

99.28 Sec. 6. Minnesota Statutes 2017 Supplement, section 477A.03, subdivision 2a, is amended
 99.29 to read:

99.30 Subd. 2a. **Cities.** For aids payable in 2016 and 2017, the total aid paid under section
 99.31 477A.013, subdivision 9, is \$519,398,012. For aids payable in 2018, 2020, and thereafter,

100.1 the total aid paid under section 477A.013, subdivision 9, is \$534,398,012. For aids payable
 100.2 in 2019 only, the total aid paid under section 477A.013, subdivision 9, is \$534,645,272.

100.3 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2019
 100.4 and thereafter.

100.5 Sec. 7. **UNMANNED AIRCRAFT REGISTRATION TAX REFUND;**
 100.6 **APPROPRIATION.**

100.7 (a) The commissioner of transportation shall refund the tax paid for the most recent
 100.8 registration period on an unmanned aircraft system under Minnesota Statutes, sections
 100.9 360.531 to 360.67, to a person who:

100.10 (1) registers and pays the specified fee for the unmanned aircraft system under Minnesota
 100.11 Statutes, section 360.55, subdivision 9, for the same registration period or an overlapping
 100.12 registration period; or

100.13 (2) is exempt from payment of the tax under Minnesota Statutes, sections 360.531 to
 100.14 360.67, and the fee under Minnesota Statutes, section 360.55, subdivision 9, as provided
 100.15 under this act.

100.16 (b) An amount necessary for any refunds under paragraph (a) is appropriated in fiscal
 100.17 year 2018 from the state airports fund to the commissioner of transportation for the purposes
 100.18 of providing refunds.

100.19 **EFFECTIVE DATE.** This section is effective July 1, 2018.

100.20 **ARTICLE 5**

100.21 **DEPARTMENT OF REVENUE; PROPERTY TAX; POLICY CHANGES**

100.22 Section 1. Minnesota Statutes 2016, section 162.145, subdivision 3, is amended to read:

100.23 Subd. 3. **Administration.** (a) Subject to funds made available by law, the commissioner
 100.24 shall allocate all funds as provided in subdivision 4 and shall ~~notify~~, by June 1, certify to
 100.25 the commissioner of revenue the amounts to be paid.

100.26 (b) Following ~~notification~~ certification from the commissioner ~~of transportation~~, the
 100.27 commissioner of revenue shall distribute the specified funds to cities in the same manner
 100.28 as local government aid under chapter 477A. An appropriation to the commissioner ~~of~~
 100.29 ~~transportation~~ under this section is available to the commissioner of revenue for the purposes
 100.30 specified in this paragraph.

101.1 (c) Notwithstanding other law to the contrary, in order to receive distributions under
101.2 this section, a city must conform to the standards in section 477A.017, subdivision 2. A city
101.3 that receives funds under this section must make and preserve records necessary to show
101.4 that the funds are spent in compliance with subdivision 4.

101.5 **EFFECTIVE DATE.** This section is effective for aids payable in 2018 and thereafter.

101.6 Sec. 2. Minnesota Statutes 2016, section 270.41, subdivision 3, is amended to read:

101.7 Subd. 3. **Assessor sanctions; refusal to license.** (a) Following a recommendation from
101.8 the commissioner of revenue, the board may (i) refuse to grant or renew, or may suspend
101.9 or revoke, a license of an applicant or licensee, or (ii) censure, warn, or fine any licensed
101.10 assessor, or any other person employed by an assessment jurisdiction or contracting with
101.11 an assessment jurisdiction for the purpose of valuing or classifying property for property
101.12 tax purposes, for any of the following causes or acts:

101.13 (1) failure to complete required training;

101.14 (2) inefficiency or neglect of duty;

101.15 (3) failure to comply with the Code of Conduct and Ethics for Licensed Minnesota
101.16 Assessors adopted by the board pursuant to Laws 2005, First Special Session chapter 3,
101.17 article 1, section 38;

101.18 (4) conviction of a crime involving moral turpitude;

101.19 (5) failure to faithfully and fully perform his or her duties through malfeasance,
101.20 misfeasance, or nonfeasance; or

101.21 (6) any other cause or act that in the board's opinion warrants a refusal to issue a license
101.22 or the imposition of a sanction provided under this subdivision.

101.23 (b) When appropriate for the level of infraction, a written warning must be given to
101.24 assessors who have no prior identified infractions. The warning must identify the infraction
101.25 and, as appropriate, detail future expectations of performance and behavior. Fines must not
101.26 exceed \$1,000 for the first occurrence and must not exceed \$3,000 for each occurrence
101.27 thereafter, and suspensions must not exceed one year for each occurrence, depending in
101.28 each case upon the severity of the infraction and the level of negligence or intent. The
101.29 commissioner of revenue shall give notice to an applicant or licensee of the commissioner's
101.30 recommendation that the board impose sanctions or refuse to grant or renew a license. An
101.31 action by the board to impose a ~~sanction~~ fine, to suspend or revoke a license, or to refuse
101.32 to grant or renew a license is subject to review in a contested case hearing under chapter

102.1 14. A licensee must submit a request for a hearing to the board within 30 days of the notice
102.2 date of the commissioner's recommendation for sanctions or for refusal to grant or renew
102.3 a license.

102.4 **EFFECTIVE DATE.** This section is effective for sanctions or refusals to grant or renew
102.5 a license recommended by the commissioner of revenue after June 30, 2018.

102.6 Sec. 3. Minnesota Statutes 2017 Supplement, section 272.115, subdivision 1, is amended
102.7 to read:

102.8 Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5, 6, or 7,
102.9 whenever any real estate is sold for a consideration in excess of ~~\$1,000~~ \$3,000, whether by
102.10 warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor,
102.11 grantee or the legal agent of either shall file a certificate of value with the county auditor
102.12 in the county in which the property is located when the deed or other document is presented
102.13 for recording. Contract for deeds are subject to recording under section 507.235, subdivision
102.14 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration
102.15 thereof, paid or to be paid, including the amount of any lien or liens assumed. The items
102.16 and value of personal property transferred with the real property must be listed and deducted
102.17 from the sale price. The certificate of value shall include the classification to which the
102.18 property belongs for the purpose of determining the fair market value of the property, and
102.19 shall include any proposed change in use of the property known to the person filing the
102.20 certificate that could change the classification of the property. The certificate shall include
102.21 financing terms and conditions of the sale which are necessary to determine the actual,
102.22 present value of the sale price for purposes of the sales ratio study. If the property is being
102.23 acquired as part of a like-kind exchange under section 1031 of the Internal Revenue Code
102.24 of 1986, as amended through December 31, 2006, that must be indicated on the certificate.
102.25 The commissioner of revenue shall promulgate administrative rules specifying the financing
102.26 terms and conditions which must be included on the certificate. The certificate of value
102.27 must include the Social Security number or the federal employer identification number of
102.28 the grantors and grantees. However, a married person who is not an owner of record and
102.29 who is signing a conveyance instrument along with the person's spouse solely to release
102.30 and convey their marital interest, if any, in the real property being conveyed is not a grantor
102.31 for the purpose of the preceding sentence. A statement in the deed that is substantially in
102.32 the following form is sufficient to allow the county auditor to accept a certificate for filing
102.33 without the Social Security number of the named spouse: "(Name) claims no ownership
102.34 interest in the real property being conveyed and is executing this instrument solely to release
102.35 and convey a marital interest, if any, in that real property." The identification numbers of

103.1 the grantors and grantees are private data on individuals or nonpublic data as defined in
103.2 section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or
103.3 nonpublic data may be disclosed to the commissioner of revenue for purposes of tax
103.4 administration. The information required to be shown on the certificate of value is limited
103.5 to the information required as of the date of the acknowledgment on the deed or other
103.6 document to be recorded.

103.7 **EFFECTIVE DATE.** This section is effective for certificates of value filed after
103.8 December 31, 2018.

103.9 Sec. 4. Minnesota Statutes 2016, section 287.21, subdivision 1, is amended to read:

103.10 Subdivision 1. **Determination of tax.** (a) A tax is imposed on each deed or instrument
103.11 by which any real property in this state is granted, assigned, transferred, or otherwise
103.12 conveyed. The tax applies against the net consideration. For purposes of the tax, the
103.13 conversion of a corporation to a limited liability company, a limited liability company to a
103.14 corporation, a partnership to a limited partnership, a limited partnership to another limited
103.15 partnership or other entity, or a similar conversion of one entity to another does not grant,
103.16 assign, transfer, or convey real property.

103.17 (b) The tax is determined in the following manner: (1) when transfers are made by
103.18 instruments pursuant to (i) consolidations or mergers, or (ii) designated transfers, the tax is
103.19 \$1.65; (2) when there is no consideration or when the consideration, exclusive of the value
103.20 of any lien or encumbrance remaining thereon at the time of sale, is ~~\$500~~ \$3,000 or less,
103.21 the tax is \$1.65; or (3) when the consideration, exclusive of the value of any lien or
103.22 encumbrance remaining at the time of sale, exceeds ~~\$500~~ \$3,000, the tax is .0033 of the net
103.23 consideration.

103.24 (c) If, within six months from the date of a designated transfer, an ownership interest in
103.25 the grantee entity is transferred by an initial owner to any person or entity with the result
103.26 that the designated transfer would not have been a designated transfer if made to the grantee
103.27 entity with its subsequent ownership, then a tax is imposed at .0033 of the net consideration
103.28 for the designated transfer. If the subsequent transfer of ownership interests was reasonably
103.29 expected at the time of the designated transfer, the applicable penalty under section 287.31,
103.30 subdivision 1, must be paid. The deed tax imposed under this paragraph is due within 30
103.31 days of the subsequent transfer that caused the tax to be imposed under this paragraph.
103.32 Involuntary transfers of ownership shall not be considered transfers of ownership under this
103.33 paragraph. The commissioner may adopt rules defining the types of transfers to be considered
103.34 involuntary.

104.1 (d) The tax is due at the time a taxable deed or instrument is presented for recording,
 104.2 except as provided in paragraph (c). The commissioner may require the tax to be documented
 104.3 in a manner prescribed by the commissioner, and may require that the documentation be
 104.4 attached to and recorded as part of the deed or instrument. The county recorder or registrar
 104.5 of titles shall accept the attachment for recording as part of the deed or instrument and may
 104.6 not require, as a condition of recording a deed or instrument, evidence that a transfer is a
 104.7 designated transfer in addition to that required by the commissioner. Such an attachment
 104.8 shall not, however, provide actual or constructive notice of the information contained therein
 104.9 for purposes of determining any interest in the real property. The commissioner shall
 104.10 prescribe the manner in which the tax due under paragraph (c) is to be paid and may require
 104.11 grantees of designated transfers to file with the commissioner subsequent statements verifying
 104.12 that the tax provided under paragraph (c) does not apply.

104.13 **EFFECTIVE DATE.** This section is effective for deeds recorded after December 31,
 104.14 2018.

104.15 **ARTICLE 6**

104.16 **DEPARTMENT OF REVENUE; MISCELLANEOUS; POLICY CHANGES**

104.17 Section 1. Minnesota Statutes 2016, section 270B.08, subdivision 2, is amended to read:

104.18 Subd. 2. **Revocation or cancellation.** When a taxpayer's sales tax permit has been
 104.19 revoked or canceled under section 270C.722 or 297A.84, the commissioner may disclose
 104.20 to any person data identifying the holder of the revoked or canceled permit, ~~stating~~ the basis
 104.21 for the revocation or cancellation, the date of the revocation or cancellation, and ~~stating~~
 104.22 ~~whether the~~ if a revoked or canceled permit has been reinstated, the date upon which the
 104.23 permit was reinstated.

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

104.25 Sec. 2. Minnesota Statutes 2016, section 297A.84, is amended to read:

104.26 **297A.84 PERMITS ISSUED AND NOT ISSUED; CANCELLATION.**

104.27 **Subdivision 1. Definitions.** (a) The following definitions apply for the purposes of this
 104.28 section.

104.29 (b) "Applicant" means an individual, corporation, or partnership. Applicant also includes
 104.30 any officer of a corporation or member of a partnership.

105.1 (c) "Delinquent sales tax" means tax not paid by the date the tax was due and payable
105.2 under section 289A.20, subdivision 4, or an assessment not paid if the applicant has been
105.3 issued an order assessing sales and use tax under section 270C.33, subdivision 4.

105.4 Subd. 2. **Permits issued.** Except as provided in subdivision 3, the commissioner shall
105.5 must issue a permit to each applicant who has complied with section 297A.83, and with
105.6 section 297A.92 if security is required. A person is considered to have a permit if the person
105.7 has a Minnesota tax identification number issued by the commissioner that is currently
105.8 active for taxes imposed by this chapter. A permit is valid until canceled or revoked. It is
105.9 not assignable and is valid only for the person in whose name it is granted and for the
105.10 transaction of business at the places designated on the permit.

105.11 Subd. 3. **Permits not issued.** (a) Except as provided in paragraph (b), the commissioner
105.12 must not issue a permit to an applicant if the applicant is liable for delinquent sales tax.

105.13 (b) The commissioner must issue a permit to an applicant if an appeal period of an order
105.14 assessing sales tax under section 270C.33, subdivision 5, has not ended. The commissioner
105.15 may cancel a permit issued under this paragraph in the manner provided in subdivision 4
105.16 if the applicant owes delinquent sales tax after the appeal period has ended.

105.17 Subd. 4. **Nonconforming permits; cancellation; reissue.** (a) If the commissioner issues
105.18 a permit that does not conform with the requirements of this section or applicable rules, the
105.19 commissioner may cancel the permit upon notice to the permit holder. The notice must be
105.20 served by first class and certified mail at the permit holder's last known address. The
105.21 cancellation is effective immediately.

105.22 (b) If a permit holder shows that a canceled permit was issued in conformance with the
105.23 requirements of this section and applicable rules, the commissioner must reissue the permit.

105.24 **EFFECTIVE DATE.** This section is effective for permit applications filed after
105.25 December 31, 2018.

105.26 Sec. 3. Minnesota Statutes 2016, section 297A.85, is amended to read:

105.27 **297A.85 CANCELLATION OF PERMITS.**

105.28 The commissioner may cancel a permit if one of the following conditions occurs:

105.29 (1) the permit holder has not filed a sales or use tax return for at least one year;

105.30 (2) the permit holder has not reported any sales or use tax liability on the permit holder's
105.31 returns for at least two years;

105.32 (3) the permit holder requests cancellation of the permit; ~~or~~

106.1 (4) the permit is subject to cancellation ~~pursuant to~~ under section 270C.722, subdivision
106.2 2, paragraph (a); or

106.3 (5) the permit is subject to cancellation under section 289A.84.

106.4 **EFFECTIVE DATE.** This section is effective for permit applications filed after
106.5 December 31, 2018.

106.6 **ARTICLE 7**

106.7 **DEPARTMENT OF REVENUE; PARTNERSHIP TAX; POLICY CHANGES**

106.8 Section 1. Minnesota Statutes 2017 Supplement, section 270C.445, subdivision 6, is
106.9 amended to read:

106.10 Subd. 6. **Enforcement; administrative order; penalties; cease and desist.** (a) The
106.11 commissioner may impose an administrative penalty of not more than \$1,000 per violation
106.12 of subdivision 3 or 5, or section 270C.4451, provided that a penalty may not be imposed
106.13 for any conduct for which a tax preparer penalty is imposed under section 289A.60,
106.14 subdivision 13. The commissioner may terminate a tax preparer's authority to transmit
106.15 returns electronically to the state, if the commissioner determines the tax preparer engaged
106.16 in a pattern and practice of violating this section. Imposition of a penalty under this paragraph
106.17 is subject to the contested case procedure under chapter 14. The commissioner shall collect
106.18 the penalty in the same manner as the income tax. There is no right to make a claim for
106.19 refund under section 289A.50 of the penalty imposed under this paragraph. Penalties imposed
106.20 under this paragraph are public data.

106.21 (b) In addition to the penalty under paragraph (a), if the commissioner determines that
106.22 a tax preparer has violated subdivision 3 or 5, or section 270C.4451, the commissioner may
106.23 issue an administrative order to the tax preparer requiring the tax preparer to cease and
106.24 desist from committing the violation. The administrative order may include an administrative
106.25 penalty provided in paragraph (a).

106.26 (c) If the commissioner issues an administrative order under paragraph (b), the
106.27 commissioner must send the order to the tax preparer addressed to the last known address
106.28 of the tax preparer.

106.29 (d) A cease and desist order under paragraph (b) must:

106.30 (1) describe the act, conduct, or practice committed and include a reference to the law
106.31 that the act, conduct, or practice violates; and

107.1 (2) provide notice that the tax preparer may request a hearing as provided in this
107.2 subdivision.

107.3 (e) Within 30 days after the commissioner issues an administrative order under paragraph
107.4 (b), the tax preparer may request a hearing to review the commissioner's action. The request
107.5 for hearing must be made in writing and must be served on the commissioner at the address
107.6 specified in the order. The hearing request must specifically state the reasons for seeking
107.7 review of the order. The date on which a request for hearing is served by mail is the postmark
107.8 date on the envelope in which the request for hearing is mailed.

107.9 (f) If a tax preparer does not timely request a hearing regarding an administrative order
107.10 issued under paragraph (b), the order becomes a final order of the commissioner and is not
107.11 subject to review by any court or agency.

107.12 (g) If a tax preparer timely requests a hearing regarding an administrative order issued
107.13 under paragraph (b), the hearing must be commenced within ten days after the commissioner
107.14 receives the request for a hearing.

107.15 (h) A hearing timely requested under paragraph (e) is subject to the contested case
107.16 procedure under chapter 14, as modified by this subdivision. The administrative law judge
107.17 must issue a report containing findings of fact, conclusions of law, and a recommended
107.18 order within ten days after the completion of the hearing, the receipt of late-filed exhibits,
107.19 or the submission of written arguments, whichever is later.

107.20 (i) Within five days of the date of the administrative law judge's report issued under
107.21 paragraph (h), any party aggrieved by the administrative law judge's report may submit
107.22 written exceptions and arguments to the commissioner. Within 15 days after receiving the
107.23 administrative law judge's report, the commissioner must issue an order vacating, modifying,
107.24 or making final the administrative order.

107.25 (j) The commissioner and the tax preparer requesting a hearing may by agreement
107.26 lengthen any time periods prescribed in paragraphs (g) to (i).

107.27 (k) An administrative order issued under paragraph (b) is in effect until it is modified
107.28 or vacated by the commissioner or an appellate court. The administrative hearing provided
107.29 by paragraphs (e) to (i) and any appellate judicial review as provided in chapter 14 constitute
107.30 the exclusive remedy for a tax preparer aggrieved by the order.

107.31 (l) The commissioner may impose an administrative penalty, in addition to the penalty
107.32 under paragraph (a), up to \$5,000 per violation of a cease and desist order issued under
107.33 paragraph (b). Imposition of a penalty under this paragraph is subject to the contested case

108.1 procedure under chapter 14. Within 30 days after the commissioner imposes a penalty under
108.2 this paragraph, the tax preparer assessed the penalty may request a hearing to review the
108.3 penalty order. The request for hearing must be made in writing and must be served on the
108.4 commissioner at the address specified in the order. The hearing request must specifically
108.5 state the reasons for seeking review of the order. The cease and desist order issued under
108.6 paragraph (b) is not subject to review in a proceeding to challenge the penalty order under
108.7 this paragraph. The date on which a request for hearing is served by mail is the postmark
108.8 date on the envelope in which the request for hearing is mailed. If the tax preparer does not
108.9 timely request a hearing, the penalty order becomes a final order of the commissioner and
108.10 is not subject to review by any court or agency. A penalty imposed by the commissioner
108.11 under this paragraph may be collected and enforced by the commissioner as an income tax
108.12 liability. There is no right to make a claim for refund under section 289A.50 of the penalty
108.13 imposed under this paragraph. A penalty imposed under this paragraph is public data.

108.14 (m) If a tax preparer violates a cease and desist order issued under paragraph (b), the
108.15 commissioner may terminate the tax preparer's authority to transmit returns electronically
108.16 to the state. Termination under this paragraph is public data.

108.17 (n) A cease and desist order issued under paragraph (b) is public data when it is a final
108.18 order.

108.19 (o) Notwithstanding any other law, the commissioner may impose a penalty or take other
108.20 action under this subdivision against a tax preparer, with respect to a return, within the
108.21 period to assess tax on that return as provided by ~~section~~ sections 289A.38 to 289A.384.

108.22 (p) Notwithstanding any other law, the imposition of a penalty or any other action against
108.23 a tax preparer under this subdivision, other than with respect to a return, must be taken by
108.24 the commissioner within five years of the violation of statute.

108.25 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
108.26 31, 2017, except that for partnerships that make an election under Code of Federal
108.27 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
108.28 to the same tax periods to which the election relates.

108.29 Sec. 2. Minnesota Statutes 2017 Supplement, section 289A.31, subdivision 1, is amended
108.30 to read:

108.31 Subdivision 1. **Individual income, fiduciary income, mining company, corporate**
108.32 **franchise, and entertainment taxes.** (a) Individual income, fiduciary income, mining

109.1 company, and corporate franchise taxes, and interest and penalties, must be paid by the
109.2 taxpayer upon whom the tax is imposed, except in the following cases:

109.3 (1) the tax due from a decedent for that part of the taxable year in which the decedent
109.4 died during which the decedent was alive and the taxes, interest, and penalty due for the
109.5 prior years must be paid by the decedent's personal representative, if any. If there is no
109.6 personal representative, the taxes, interest, and penalty must be paid by the transferees, as
109.7 defined in section 270C.58, subdivision 3, to the extent they receive property from the
109.8 decedent;

109.9 (2) the tax due from an infant or other incompetent person must be paid by the person's
109.10 guardian or other person authorized or permitted by law to act for the person;

109.11 (3) the tax due from the estate of a decedent must be paid by the estate's personal
109.12 representative;

109.13 (4) the tax due from a trust, including those within the definition of a corporation, as
109.14 defined in section 290.01, subdivision 4, must be paid by a trustee; and

109.15 (5) the tax due from a taxpayer whose business or property is in charge of a receiver,
109.16 trustee in bankruptcy, assignee, or other conservator, must be paid by the person in charge
109.17 of the business or property so far as the tax is due to the income from the business or property.

109.18 (b) Entertainment taxes are the joint and several liability of the entertainer and the
109.19 entertainment entity. The payor is liable to the state for the payment of the tax required to
109.20 be deducted and withheld under section 290.9201, subdivision 7, and is not liable to the
109.21 entertainer for the amount of the payment.

109.22 (c) The taxes imposed under sections 289A.35, paragraph (b), 289A.383, subdivision
109.23 3, and 290.0922 on partnerships are the joint and several liability of the partnership and the
109.24 general partners.

109.25 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
109.26 31, 2017, except that for partnerships that make an election under Code of Federal
109.27 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
109.28 to the same tax periods to which the election relates.

109.29 Sec. 3. Minnesota Statutes 2017 Supplement, section 289A.37, subdivision 2, is amended
109.30 to read:

109.31 Subd. 2. **Erroneous refunds.** (a) Except as provided in paragraph (b), an erroneous
109.32 refund occurs when the commissioner issues a payment to a person that exceeds the amount

110.1 the person is entitled to receive under law. An erroneous refund is considered an
110.2 underpayment of tax on the date issued.

110.3 (b) To the extent that the amount paid does not exceed the amount claimed by the
110.4 taxpayer, an erroneous refund does not include the following:

110.5 (1) any amount of a refund or credit paid pursuant to a claim for refund filed by a
110.6 taxpayer, including but not limited to refunds of claims made under section 290.06,
110.7 subdivision 23; 290.067; 290.0671; 290.0672; 290.0674; 290.0675; 290.0677; 290.068;
110.8 290.0681; or 290.0692; or chapter 290A; or

110.9 (2) any amount paid pursuant to a claim for refund of an overpayment of tax filed by a
110.10 taxpayer.

110.11 (c) The commissioner may make an assessment to recover an erroneous refund at any
110.12 time within two years from the issuance of the erroneous refund. If all or part of the erroneous
110.13 refund was induced by fraud or misrepresentation of a material fact, the assessment may
110.14 be made at any time.

110.15 (d) Assessments of amounts that are not erroneous refunds under paragraph (b) must be
110.16 conducted under ~~section~~ sections 289A.38 to 289A.384.

110.17 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
110.18 31, 2017, except that for partnerships that make an election under Code of Federal
110.19 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
110.20 to the same tax periods to which the election relates.

110.21 Sec. 4. Minnesota Statutes 2016, section 289A.38, subdivision 10, is amended to read:

110.22 Subd. 10. **Incorrect determination of federal adjusted gross income.** Notwithstanding
110.23 any other provision of this chapter, if a taxpayer whose net income is determined under
110.24 section 290.01, subdivision 19, omits from income an amount that will under the Internal
110.25 Revenue Code extend the statute of limitations for the assessment of federal income taxes,
110.26 or otherwise incorrectly determines the taxpayer's federal adjusted gross income resulting
110.27 in adjustments by the Internal Revenue Service, then the period of assessment and
110.28 determination of tax will be that under the Internal Revenue Code. When a change is made
110.29 to federal income during the extended time provided under this subdivision, the provisions
110.30 under ~~subdivisions 7 to 9~~ sections 289A.381 to 289A.384 regarding additional extensions
110.31 apply.

110.32 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
110.33 31, 2017, except that for partnerships that make an election under Code of Federal

111.1 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
111.2 to the same tax periods to which the election relates.

111.3 **Sec. 5. [289A.381] DEFINITIONS; PARTNERSHIPS; FEDERAL ADJUSTMENTS.**

111.4 **Subdivision 1. Definitions relating to federal adjustments.** Unless otherwise specified,
111.5 the definitions in this section apply for the purposes of sections 289A.381 to 289A.385.

111.6 **Subd. 2. Administrative adjustment request.** "Administrative adjustment request"
111.7 means an administrative adjustment request filed by a partnership under section 6227 of
111.8 the Internal Revenue Code.

111.9 **Subd. 3. Audited partnership.** "Audited partnership" means a partnership subject to a
111.10 federal adjustment resulting from a partnership-level audit.

111.11 **Subd. 4. Corporate partner.** "Corporate partner" means a partner that is subject to tax
111.12 under section 290.02.

111.13 **Subd. 5. Direct partner.** "Direct partner" means a partner that holds an immediate legal
111.14 ownership interest in a partnership or pass-through entity.

111.15 **Subd. 6. Exempt partner.** "Exempt partner" means a partner that is exempt from taxes
111.16 on its net income under section 290.05, subdivision 1.

111.17 **Subd. 7. Federal adjustment.** "Federal adjustment" means any change in an amount
111.18 calculated under the Internal Revenue Code, whether to income, gross estate, a credit, an
111.19 item of preference, or any other item that is used by a taxpayer to compute a tax administered
111.20 under this chapter for the reviewed year whether that change results from action by the
111.21 Internal Revenue Service or other competent authority, including a partnership-level audit,
111.22 or the filing of an amended federal return, federal refund claim, or an administrative
111.23 adjustment request by the taxpayer.

111.24 **Subd. 8. Federal adjustments report.** "Federal adjustments report" includes a method
111.25 or form prescribed by the commissioner for use by a taxpayer to report federal adjustments,
111.26 including an amended Minnesota tax return or a uniform multistate report.

111.27 **Subd. 9. Federal partnership representative.** "Federal partnership representative"
111.28 means the person the partnership designates for the taxable year as the partnership's
111.29 representative, or the person the Internal Revenue Service has appointed to act as the
111.30 partnership representative, pursuant to section 6223(a) of the Internal Revenue Code.

111.31 **Subd. 10. Final determination date.** (a) "Final determination date" means:

112.1 (1) for a federal adjustment arising from an audit by the Internal Revenue Service or
112.2 other competent authority, the first day on which no federal adjustment arising from that
112.3 audit remains to be finally determined, whether by agreement, or, if appealed or contested,
112.4 by a final decision with respect to which all rights of appeal have been waived or exhausted;

112.5 (2) for a federal adjustment arising from the filing of an amended federal return, a federal
112.6 refund claim, or the filing by a partnership of an administrative adjustment request, the day
112.7 which the amended return, refund claim, or administrative adjustment request was filed; or

112.8 (3) for agreements required to be signed by the Internal Revenue Service and the taxpayer,
112.9 the date on which the last party signed the agreement.

112.10 Subd. 11. **Final federal adjustment.** "Final federal adjustment" means a federal
112.11 adjustment for which the final determination date for that federal adjustment has passed.

112.12 Subd. 12. **Indirect partner.** "Indirect partner" means either:

112.13 (1) a partner in a partnership or pass-through entity that itself holds an immediate legal
112.14 ownership interest in another partnership or pass-through entity; or

112.15 (2) a partner in a partnership or pass-through entity that holds an indirect interest in
112.16 another partnership or pass-through entity through another indirect partner.

112.17 Subd. 13. **Partner.** "Partner" means a person that holds an interest directly or indirectly
112.18 in a partnership or other pass-through entity.

112.19 Subd. 14. **Partnership.** The term "partnership" has the meaning provided under section
112.20 7701(a)(2) of the Internal Revenue Code.

112.21 Subd. 15. **Partnership-level audit.** "Partnership-level audit" means an examination by
112.22 the Internal Revenue Service at the partnership level pursuant to subtitle F, chapter 63,
112.23 subchapter C, of the Internal Revenue Code, which results in federal adjustments including
112.24 reallocation adjustments and adjustments to partnership-related items.

112.25 Subd. 16. **Pass-through entity.** "Pass-through entity" means an entity, other than a
112.26 partnership, that is not subject to the tax imposed under section 290.02. The term pass-through
112.27 entity includes but is not limited to S corporations, estates, and trusts other than grantor
112.28 trusts.

112.29 Subd. 17. **Reallocation adjustment.** "Reallocation adjustment" means a federal
112.30 adjustment, or final federal adjustment, that changes the shares of items of partnership
112.31 income, gain, loss, expense, or credit allocated to partners. The term positive reallocation
112.32 adjustment means reallocation adjustments that would increase state taxable income for

113.1 partners, and the term negative reallocation adjustment means reallocation adjustments that
113.2 would decrease state taxable income for partners.

113.3 Subd. 18. **Resident partner.** "Resident partner" means an individual partner or individual
113.4 indirect partner who is a resident of Minnesota under section 290.01, subdivision 7.

113.5 Subd. 19. **Reviewed year.** "Reviewed year" means the taxable year of a partnership that
113.6 is subject to a partnership-level audit from which federal adjustments arise.

113.7 Subd. 20. **Tiered partner.** "Tiered partner" means any partner that is a partnership or
113.8 pass-through entity.

113.9 Subd. 21. **Unrelated business taxable income.** "Unrelated business taxable income"
113.10 has the same meaning as defined in section 512 of the Internal Revenue Code.

113.11 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
113.12 31, 2017, except that for partnerships that make an election under Code of Federal
113.13 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
113.14 to the same tax periods to which the election relates.

113.15 Sec. 6. **[289A.382] REPORTING FEDERAL ADJUSTMENTS; GENERAL RULE.**

113.16 (a) Within 180 days of a final determination date, a taxpayer must file a federal adjustment
113.17 report with the commissioner reporting all final federal adjustments by the Internal Revenue
113.18 Service or other competent authority.

113.19 (b) Within 180 days of a final determination date, a taxpayer must file a federal adjustment
113.20 report with the commissioner reporting any federal adjustments reported by the taxpayer
113.21 to the Internal Revenue Service, including but not limited to:

113.22 (1) federal refund claims;

113.23 (2) a change reported on a timely filed amended federal income tax return; and

113.24 (3) a change reported on an amended return filed pursuant to section 6225(c) of the
113.25 Internal Revenue Code.

113.26 (c) In the case of a final federal adjustment arising from a partnership-level audit or an
113.27 administrative adjustment request filed by a partnership under section 6227 of the Internal
113.28 Revenue Code, a taxpayer must report adjustments as provided for under section 289A.383,
113.29 and not this section.

113.30 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
113.31 31, 2017, except that for partnerships that make an election under Code of Federal

114.1 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
114.2 to the same tax periods to which the election relates.

114.3 **Sec. 7. [289A.383] REPORTING AND PAYMENT REQUIREMENTS.**

114.4 **Subdivision 1. State partnership representative.** (a) With respect to an action required
114.5 or permitted to be taken by a partnership under this section, or in a proceeding under section
114.6 270C.35 or 271.06, the state partnership representative for the reviewed year has the sole
114.7 authority to act on behalf of the partnership, and its direct partners and indirect partners are
114.8 bound by those actions.

114.9 (b) The state partnership representative for the reviewed year is the partnership's federal
114.10 partnership representative unless the partnership, in a form and manner prescribed by the
114.11 commissioner, designates another person as its state partnership representative.

114.12 **Subd. 2. Reporting and payment requirements for partnerships and tiered partners.**

114.13 (a) Unless an audited partnership makes the election in subdivision 3, then, for all final
114.14 federal adjustments the audited partnership must comply with paragraph (b) and each direct
114.15 partner of the audited partnership, other than a tiered partner, must comply with paragraph
114.16 (c).

114.17 (b) No later than 90 days after the final determination date, the audited partnership must:

114.18 (1) file a completed federal adjustment report, including all partner-level information
114.19 required under section 289A.12, subdivision 3, with the commissioner;

114.20 (2) notify each of its direct partners of their distributive share of the adjustments;

114.21 (3) file an amended composite report for all direct partners who were included in a
114.22 composite return under section 289A.08, subdivision 7, in the reviewed year, and pay the
114.23 additional amount that would have been due had the federal adjustments been reported
114.24 properly as required; and

114.25 (4) file amended withholding reports for all direct partners who were or should have
114.26 been subject to nonresident withholding under section 290.92, subdivision 4b, in the reviewed
114.27 year, and pay the additional amount that would have been due had the federal adjustments
114.28 been reported properly as required.

114.29 (c) No later than 180 days after the final determination date, each direct partner, other
114.30 than a tiered partner, that is subject to a tax administered under this chapter, other than the
114.31 sales tax, must:

115.1 (1) file a federal adjustment report reporting their distributive share of the adjustments
115.2 reported to them under paragraph (b), clause (2); and

115.3 (2) pay any additional amount of tax due as if the final federal adjustment had been
115.4 properly reported, plus any penalty and interest due under this chapter, and less any credit
115.5 for related amounts paid or withheld and remitted on behalf of the direct partner under
115.6 paragraph (b), clauses (3) and (4).

115.7 Subd. 3. **Election; partnership or tiered partners pay.** (a) An audited partnership may
115.8 make an election under this subdivision to pay its assessment at the entity level. If an audited
115.9 partnership makes an election to pay its assessment at the entity level it must:

115.10 (1) no later than 90 days after the final determination date, file a completed federal
115.11 adjustment report, including the residency information for all individual direct partners, and
115.12 information pertaining to all other partners as prescribed by the commissioner, and notify
115.13 the commissioner that it is making the election under this subdivision; and

115.14 (2) no later than 180 days after the final determination date, pay an amount, determined
115.15 as follows, in lieu of taxes on partners:

115.16 (i) exclude from final federal adjustments and any positive reallocation adjustments the
115.17 distributive share of these adjustments made to an exempt partner that is not unrelated
115.18 business taxable income;

115.19 (ii) exclude from final federal adjustments and any positive reallocation adjustments the
115.20 distributive share of these adjustments made to a partner that has filed a federal adjustment
115.21 report and paid the applicable tax, as required under subdivision 2, for the distributive share
115.22 of adjustments reported on a federal return under section 6225(c) of the Internal Revenue
115.23 Code;

115.24 (iii) allocate at the partner level using section 290.17, subdivision 1, all final federal
115.25 adjustments and positive reallocation adjustments attributable to resident direct partners for
115.26 the reviewed year;

115.27 (iv) allocate and apportion at the partnership level using sections 290.17 to 290.20 all
115.28 remaining final federal adjustments and positive reallocation adjustments for the reviewed
115.29 year;

115.30 (v) determine the total distributive share of the allocated and apportioned final federal
115.31 adjustments and positive reallocation adjustments determined in items (iii) and (iv) that are
115.32 attributable to:

115.33 (A) resident partners;

- 116.1 (B) corporate partners and exempt partners; and
- 116.2 (C) the total distributive share amount allocated to all other partners;
- 116.3 (vi) for the total distributive share of net final federal adjustments plus positive
- 116.4 reallocation adjustments attributed to corporate partners and exempt partners under item
- 116.5 (v), subitem (B), multiply the total by the highest tax rate in section 290.06, subdivision 1,
- 116.6 for the reviewed year, and calculate interest and penalties as applicable under this chapter;
- 116.7 (vii) for the total distributive share of net final federal adjustments plus positive
- 116.8 reallocation adjustments attributable to resident partners, and all other partners under item
- 116.9 (v), subitems (A) and (C), multiply the total by the highest tax rate in section 290.06,
- 116.10 subdivision 2c, for the reviewed year, and calculate interest and penalties as applicable
- 116.11 under this chapter; and
- 116.12 (viii) add the amount determined in item (vi) to the amount determined in item (vii),
- 116.13 and pay all applicable taxes, penalties, and interest to the commissioner.
- 116.14 (b) An audited partnership may not make an election under this subdivision to report:
- 116.15 (1) a federal adjustment, including a positive reallocation adjustment, that results in
- 116.16 unitary business income to a corporate partner required to file as a member of a combined
- 116.17 report under section 290.17, subdivision 4; or
- 116.18 (2) any final federal adjustments resulting from an administrative adjustment request.
- 116.19 **Subd. 4. Tiered partners and indirect partners.** (a) Each tiered partner and each
- 116.20 indirect partner of an audited partnership that reported final federal adjustments pursuant
- 116.21 to subdivision 2, paragraph (b), clause (1), or this subdivision, must:
- 116.22 (1) within 90 days of the report comply with the filing, reporting, and payment
- 116.23 requirements of subdivision 2, paragraph (b); or
- 116.24 (2) make the election under subdivision 3 as though it were the audited partnership.
- 116.25 (b) Each direct partner in a partnership making a report under paragraph (a) must, within
- 116.26 180 days of the report, comply with the filing, reporting, and payment requirements of
- 116.27 subdivision 2, paragraph (c).
- 116.28 (c) Notwithstanding the interim time requirements in this subdivision and subdivisions
- 116.29 2 and 3, all reports and payments required to be made by the tiered and indirect partners
- 116.30 under this section are required to be made within 90 days after the time for the filing and
- 116.31 furnishing of statements to tiered partners and their partners as established by the Internal
- 116.32 Revenue Service under section 6226 of the Internal Revenue Code.

117.1 Subd. 5. **Effects of election by partnership or tiered partner and payment of amount**
117.2 **due.** (a) Unless the commissioner determines otherwise, the election under subdivision 3
117.3 is irrevocable.

117.4 (b) If an audited partnership or tiered partner properly reports and pays an amount
117.5 determined in subdivision 3, the amount will be treated as paid in lieu of taxes owed by the
117.6 partnership's direct partners on the same final federal adjustments. The direct partners and
117.7 indirect partners of the partnership who are not resident partners may not take any deduction
117.8 or credit for this amount or claim a refund of the amount in this state.

117.9 (c) Nothing in this subdivision precludes resident partners from claiming a credit against
117.10 taxes paid under section 290.06, on any amounts paid by the audited partnership or tiered
117.11 partners on the resident partner's behalf to another state or local tax jurisdiction.

117.12 Subd. 6. **Failure of partnership or tiered partner to report or pay.** Nothing in this
117.13 section prevents the commissioner from assessing partners or indirect partners for taxes
117.14 they owe in the event that, for any reason, a partnership or tiered partner fails to timely
117.15 make any report or payment required by this section.

117.16 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
117.17 31, 2017, except that for partnerships that make an election under Code of Federal
117.18 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
117.19 to the same tax periods to which the election relates.

117.20 Sec. 8. **[289A.384] ASSESSMENT OF TAX, INTEREST, PENALTIES, AND**
117.21 **ADDITIONAL AMOUNTS.**

117.22 Subdivision 1. **Assessment of additional tax, interest, and penalties.** The commissioner
117.23 may assess additional tax, interest, and penalties following a final federal adjustment:

117.24 (1) arising from an audit by the Internal Revenue Service, including a partnership-level
117.25 audit;

117.26 (2) reported by the taxpayer on an amended federal tax return; or

117.27 (3) as part of an administrative adjustment request on or before the dates provided in
117.28 this section.

117.29 Subd. 2. **Timely and untimely reported federal adjustments.** If a taxpayer files a
117.30 federal adjustment report, within or after the periods prescribed in section 289A.382 or
117.31 289A.383, the commissioner may assess additional Minnesota amounts related to the federal
117.32 adjustments including in-lieu-of amounts, taxes, interest, and penalties at the later of:

118.1 (1) the expiration of the period of limitations in section 289A.38; or

118.2 (2) the expiration of the one-year period following the date of the filing with the
118.3 commissioner of the federal adjustments report.

118.4 Subd. 3. **Unreported reported federal adjustments.** If the taxpayer fails to file a federal
118.5 adjustments report, the commissioner may assess additional amounts related to the federal
118.6 adjustments including in-lieu-of amounts, taxes, penalties, and interest, at the later of:

118.7 (1) the expiration of the period of limitations in section 289A.38; or

118.8 (2) the expiration of the six-year period following the final determination date.

118.9 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
118.10 31, 2017, except that for partnerships that make an election under Code of Federal
118.11 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
118.12 to the same tax periods to which the election relates.

118.13 Sec. 9. **[289A.385] CLAIMS FOR REFUND OR CREDITS OF STATE TAX**
118.14 **ARISING FROM FINAL FEDERAL ADJUSTMENTS MADE BY THE INTERNAL**
118.15 **REVENUE SERVICE.**

118.16 Notwithstanding the general period of limitations on claims for refund in section 289A.40,
118.17 taxpayers subject to the reporting requirements of sections 289A.382 and 289A.383 may
118.18 file claims for refund related to federal adjustments made by the Internal Revenue Service
118.19 on or before the last day for the assessment of tax under section 289A.384.

118.20 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
118.21 31, 2017, except that for partnerships that make an election under Code of Federal
118.22 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
118.23 to the same tax periods to which the election relates.

118.24 Sec. 10. Minnesota Statutes 2016, section 289A.42, is amended to read:

118.25 **289A.42 CONSENT TO EXTEND STATUTE.**

118.26 Subdivision 1. **Extension agreement.** If before the expiration of time prescribed in
118.27 sections 289A.38 to 289A.384 and 289A.40 for the assessment of tax or the filing of a claim
118.28 for refund, both the commissioner and the taxpayer have consented in writing to the
118.29 assessment or filing of a claim for refund after that time, the tax may be assessed or the
118.30 claim for refund filed at any time before the expiration of the agreed-upon period. The
118.31 period may be extended by later agreements in writing before the expiration of the period

119.1 previously agreed upon. The taxpayer and the commissioner may also agree to extend the
119.2 period for collection of the tax.

119.3 Subd. 2. **Federal extensions.** When a taxpayer consents to an extension of time for the
119.4 assessment of federal withholding or income taxes, the period in which the commissioner
119.5 may recompute the tax is also extended, notwithstanding any period of limitations to the
119.6 contrary, as follows:

119.7 (1) for the periods provided in section ~~289A.38, subdivisions 8 and 9;~~ 289A.384,
119.8 subdivisions 2 and 3.

119.9 (2) ~~for six months following the expiration of the extended federal period of limitations~~
119.10 ~~when no change is made by the federal authority. If no change is made by the federal~~
119.11 ~~authority, and, but for this subdivision, the commissioner's time period to adjust the tax has~~
119.12 ~~expired, and if the commissioner has completed a field audit of the taxpayer, no additional~~
119.13 ~~changes resulting in additional tax due or a refund may be made. For purposes of this~~
119.14 ~~subdivision, "field audit" has the meaning given it in section 289A.38, subdivision 9.~~

119.15 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
119.16 31, 2017, except that for partnerships that make an election under Code of Federal
119.17 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
119.18 to the same tax periods to which the election relates.

119.19 Sec. 11. Minnesota Statutes 2016, section 289A.60, subdivision 24, is amended to read:

119.20 Subd. 24. **Penalty for failure to notify of federal change.** If a person fails to report to
119.21 the commissioner a change or correction of the person's federal return in the manner and
119.22 time prescribed in ~~section 289A.38, subdivision 7~~ sections 289A.382 and 289A.383, there
119.23 must be added to the tax an amount equal to ten percent of the amount of any underpayment
119.24 of Minnesota tax attributable to the federal change.

119.25 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
119.26 31, 2017, except that for partnerships that make an election under Code of Federal
119.27 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
119.28 to the same tax periods to which the election relates.

119.29 Sec. 12. Minnesota Statutes 2017 Supplement, section 290.31, subdivision 1, is amended
119.30 to read:

119.31 Subdivision 1. **Partners, not partnership, subject to tax.** Except as provided under
119.32 ~~section~~ sections 289A.35, paragraph (b), and 289A.383, subdivision 3, a partnership as such

120.1 shall not be subject to the income tax imposed by this chapter, but is subject to the tax
120.2 imposed under section 290.0922. Persons carrying on business as partners shall be liable
120.3 for income tax only in their separate or individual capacities.

120.4 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
120.5 31, 2017, except that for partnerships that make an election under Code of Federal
120.6 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
120.7 to the same tax periods to which the election relates.

120.8 Sec. 13. Minnesota Statutes 2016, section 297F.17, subdivision 6, is amended to read:

120.9 Subd. 6. **Time limit for bad debt refund.** Claims for refund must be filed with the
120.10 commissioner during the one-year period beginning with the timely filing of the taxpayer's
120.11 federal income tax return containing the bad debt deduction that is being claimed. Claimants
120.12 under this subdivision are subject to the notice requirements of ~~section 289A.38, subdivision~~
120.13 ~~7~~ sections 289A.382 and 289A.383.

120.14 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
120.15 31, 2017, except that for partnerships that make an election under Code of Federal
120.16 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
120.17 to the same tax periods to which the election relates.

120.18 Sec. 14. Minnesota Statutes 2016, section 297G.16, subdivision 7, is amended to read:

120.19 Subd. 7. **Time limit for a bad debt deduction.** Claims for refund must be filed with
120.20 the commissioner within one year of the filing of the taxpayer's income tax return containing
120.21 the bad debt deduction that is being claimed. Claimants under this subdivision are subject
120.22 to the notice requirements of ~~section 289A.38, subdivision 7~~ sections 289A.38 to 289A.384.

120.23 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
120.24 31, 2017, except that for partnerships that make an election under Code of Federal
120.25 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
120.26 to the same tax periods to which the election relates.

120.27 Sec. 15. Minnesota Statutes 2016, section 469.319, subdivision 4, is amended to read:

120.28 Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under chapter
120.29 290 or 297A or local taxes collected pursuant to section 297A.99, a business must file an
120.30 amended return with the commissioner of revenue and pay any taxes required to be repaid
120.31 within 30 days after becoming subject to repayment under this section. The amount required

121.1 to be repaid is determined by calculating the tax for the period or periods for which repayment
121.2 is required without regard to the exemptions and credits allowed under section 469.315.

121.3 (b) For the repayment of taxes imposed under chapter 297B, a business must pay any
121.4 taxes required to be repaid to the motor vehicle registrar, as agent for the commissioner of
121.5 revenue, within 30 days after becoming subject to repayment under this section.

121.6 (c) For the repayment of property taxes, the county auditor shall prepare a tax statement
121.7 for the business, applying the applicable tax extension rates for each payable year and
121.8 provide a copy to the business and to the taxpayer of record. The business must pay the
121.9 taxes to the county treasurer within 30 days after receipt of the tax statement. The business
121.10 or the taxpayer of record may appeal the valuation and determination of the property tax to
121.11 the Tax Court within 30 days after receipt of the tax statement.

121.12 (d) The provisions of chapters 270C and 289A relating to the commissioner's authority
121.13 to audit, assess, and collect the tax and to hear appeals are applicable to the repayment
121.14 required under paragraphs (a) and (b). The commissioner may impose civil penalties as
121.15 provided in chapter 289A, and the additional tax and penalties are subject to interest at the
121.16 rate provided in section 270C.40. The additional tax shall bear interest from 30 days after
121.17 becoming subject to repayment under this section until the date the tax is paid. Any penalty
121.18 imposed pursuant to this section shall bear interest from the date provided in section 270C.40,
121.19 subdivision 3, to the date of payment of the penalty.

121.20 (e) If a property tax is not repaid under paragraph (c), the county treasurer shall add the
121.21 amount required to be repaid to the property taxes assessed against the property for payment
121.22 in the year following the year in which the auditor provided the statement under paragraph
121.23 (c).

121.24 (f) For determining the tax required to be repaid, a reduction of a state or local sales or
121.25 use tax is deemed to have been received on the date that the good or service was purchased
121.26 or first put to a taxable use. In the case of an income tax or franchise tax, including the credit
121.27 payable under section 469.318, a reduction of tax is deemed to have been received for the
121.28 two most recent tax years that have ended prior to the date that the business became subject
121.29 to repayment under this section. In the case of a property tax, a reduction of tax is deemed
121.30 to have been received for the taxes payable in the year that the business became subject to
121.31 repayment under this section and for the taxes payable in the prior year.

121.32 (g) The commissioner may assess the repayment of taxes under paragraph (d) any time
121.33 within two years after the business becomes subject to repayment under subdivision 1, or
121.34 within any period of limitations for the assessment of tax under ~~section 289A.38~~ sections

122.1 289A.38 to 289A.384, whichever period is later. The county auditor may send the statement
 122.2 under paragraph (c) any time within three years after the business becomes subject to
 122.3 repayment under subdivision 1.

122.4 (h) A business is not entitled to any income tax or franchise tax benefits, including
 122.5 refundable credits, for any part of the year in which the business becomes subject to
 122.6 repayment under this section nor for any year thereafter. Property is not exempt from tax
 122.7 under section 272.02, subdivision 64, for any taxes payable in the year following the year
 122.8 in which the property became subject to repayment under this section nor for any year
 122.9 thereafter. A business is not eligible for any sales tax benefits beginning with goods or
 122.10 services purchased or first put to a taxable use on the day that the business becomes subject
 122.11 to repayment under this section.

122.12 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
 122.13 31, 2017, except that for partnerships that make an election under Code of Federal
 122.14 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
 122.15 to the same tax periods to which the election relates.

122.16 Sec. 16. **REPEALER.**

122.17 Minnesota Statutes 2016, section 289A.38, subdivisions 7, 8, and 9, are repealed.

122.18 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
 122.19 31, 2017, except that for partnerships that make an election under Code of Federal
 122.20 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
 122.21 to the same tax periods to which the election relates.

122.22 **ARTICLE 8**

122.23 **DEPARTMENT OF REVENUE; INDIVIDUAL INCOME AND CORPORATE** 122.24 **FRANCHISE TAXES; TECHNICAL CHANGES**

122.25 Section 1. Minnesota Statutes 2016, section 289A.38, subdivision 7, is amended to read:

122.26 Subd. 7. **Federal tax changes.** (a) If the amount of income, items of tax preference,
 122.27 deductions, or credits for any year of a taxpayer, or the wages paid by a taxpayer for any
 122.28 period, as reported to the Internal Revenue Service is changed or corrected by the
 122.29 commissioner of Internal Revenue or other officer of the United States or other competent
 122.30 authority, or where a renegotiation of a contract or subcontract with the United States results
 122.31 in a change in income, items of tax preference, deductions, credits, or withholding tax, or,
 122.32 in the case of estate tax, where there are adjustments to the taxable estate, the taxpayer shall
 122.33 report the change or correction or renegotiation results in writing to the commissioner. The

123.1 report must be submitted within 180 days after the final determination and must be in the
 123.2 form of either an amended Minnesota estate, withholding tax, corporate franchise tax, or
 123.3 income tax return conceding the accuracy of the federal determination or a letter detailing
 123.4 how the federal determination is incorrect or does not change the Minnesota tax. An amended
 123.5 Minnesota income tax return must be accompanied by an amended property tax refund
 123.6 return, if necessary. A taxpayer filing an amended federal tax return must also file a copy
 123.7 of the amended return with the commissioner of revenue within 180 days after filing the
 123.8 amended return.

123.9 (b) For the purposes of paragraph (a), a change or correction includes any case where a
 123.10 taxpayer reaches a closing agreement or compromise with the Internal Revenue Service
 123.11 under section 7121 or 7122 of the Internal Revenue Code.

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

123.13 Sec. 2. Minnesota Statutes 2017 Supplement, section 290.0137, is amended to read:

123.14 **290.0137 ACCELERATED RECOGNITION OF CERTAIN INSTALLMENT**
 123.15 **SALE GAINS.**

123.16 (a) In the case of a nonresident individual or a person who becomes a nonresident
 123.17 individual during the tax year, taxable net income shall include the ~~allocable~~ amount realized
 123.18 upon a sale of the assets of, or any interest in, an S corporation or partnership that operated
 123.19 in Minnesota during the year of sale, including any income or gain to be recognized in future
 123.20 years pursuant to an installment sale method of reporting under the Internal Revenue Code.

123.21 (1) For the purposes of this paragraph, an individual who becomes a nonresident of
 123.22 Minnesota in any year after an installment sale is required to recognize the full amount of
 123.23 any income or gain described in this paragraph on the individual's final Minnesota resident
 123.24 tax return to the extent that such income has not been recognized in a prior year.

123.25 (2) For the purposes of this section, "realized" has the meaning given in section 1001(b)
 123.26 of the Internal Revenue Code.

123.27 (3) For the purposes of this section, "installment sale" means any installment sale under
 123.28 section 453 of the Internal Revenue Code and any other sale that is reported utilizing a
 123.29 method of accounting authorized under subchapter E of the Internal Revenue Code that
 123.30 allows taxpayers to delay reporting or recognizing a realized gain until a future year.

123.31 ~~(4) For the purposes of this section, "allocable amount" means the full amount to be~~
 123.32 ~~apportioned to Minnesota under section 290.191 or 290.20, or the full amount to be assigned~~
 123.33 ~~to Minnesota under section 290.17.~~

124.1 (b) Notwithstanding paragraph (a), nonresident taxpayers may elect to defer recognizing
124.2 unrecognized installment sale gains by making an election under this paragraph. The election
124.3 must be filed on a form to be determined or prescribed by the commissioner and must be
124.4 filed by the due date of the individual income tax return, including any extension. Electing
124.5 taxpayers must make an irrevocable agreement to:

124.6 (1) file Minnesota tax returns in all subsequent years when gains from the installment
124.7 sales are recognized and reported to the Internal Revenue Service;

124.8 (2) allocate gains to the state of Minnesota as though the gains were realized in the year
124.9 of sale under section 290.17, 290.191, or 290.20; and

124.10 (3) include all relevant federal tax documents reporting the installment sale with
124.11 subsequent Minnesota tax returns.

124.12 (c) Income or gain recognized for Minnesota purposes pursuant to paragraph (a) must
124.13 be excluded from taxable net income in any future year that the taxpayer files a Minnesota
124.14 tax return to the extent that the income or gain has already been subject to tax pursuant to
124.15 paragraph (a).

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

124.17 Sec. 3. Minnesota Statutes 2016, section 290.06, subdivision 2c, is amended to read:

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

124.22 (1) On the first \$35,480, 5.35 percent;

124.23 (2) On all over \$35,480, but not over \$140,960, 7.05 percent;

124.24 (3) On all over \$140,960, but not over \$250,000, 7.85 percent;

124.25 (4) On all over \$250,000, 9.85 percent.

124.26 Married individuals filing separate returns, estates, and trusts must compute their income
124.27 tax by applying the above rates to their taxable income, except that the income brackets
124.28 will be one-half of the above amounts after the adjustment required in subdivision 2d.

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

124.31 (1) On the first \$24,270, 5.35 percent;

125.1 (2) On all over \$24,270, but not over \$79,730, 7.05 percent;

125.2 (3) On all over \$79,730, but not over \$150,000, 7.85 percent;

125.3 (4) On all over \$150,000, 9.85 percent.

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

125.7 (1) On the first \$29,880, 5.35 percent;

125.8 (2) On all over \$29,880, but not over \$120,070, 7.05 percent;

125.9 (3) On all over \$120,070, but not over \$200,000, 7.85 percent;

125.10 (4) On all over \$200,000, 9.85 percent.

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

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

125.22 (1) the numerator is the individual's Minnesota source federal adjusted gross income as
125.23 defined in section 62 of the Internal Revenue Code and increased by:

125.24 (i) the additions required under ~~section~~ sections 290.0131, subdivisions 2 and 6 to 11,
125.25 and 290.0137, paragraph (a); and reduced by

125.26 (ii) the Minnesota assignable portion of the subtraction for United States government
125.27 interest under section 290.0132, subdivision 2, ~~and~~ the subtractions under ~~section~~ sections
125.28 290.0132, subdivisions 9, 10, 14, 15, 17, and 18, and 290.0137, paragraph (c), after applying
125.29 the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

125.30 (2) the denominator is the individual's federal adjusted gross income as defined in section
125.31 62 of the Internal Revenue Code, increased by:

126.1 (i) the amounts specified in section additions required under sections 290.0131,
126.2 subdivisions 2 and 6 to 11, and 290.0137, paragraph (a); and reduced by

126.3 (ii) the amounts specified in section subtractions under sections 290.0132, subdivisions
126.4 2, 9, 10, 14, 15, 17, and 18, and 290.0137, paragraph (c).

126.5 **EFFECTIVE DATE.** The amendment to paragraph (a) is effective for taxable years
126.6 beginning after December 31, 2017. The amendment to paragraph (e) is effective the day
126.7 following final enactment.

126.8 Sec. 4. Minnesota Statutes 2016, section 290.06, subdivision 2d, is amended to read:

126.9 Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after
126.10 December 31, 2013, the minimum and maximum dollar amounts for each rate bracket for
126.11 which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage
126.12 determined under paragraph (b). For the purpose of making the adjustment as provided in
126.13 this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets
126.14 as they existed for taxable years beginning after December 31, 2012, and before January 1,
126.15 2014. The rate applicable to any rate bracket must not be changed. The dollar amounts
126.16 setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate
126.17 brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in
126.18 \$5, it must be rounded up to the nearest \$10 amount.

126.19 (b) The commissioner shall adjust the rate brackets and by the percentage determined
126.20 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section
126.21 1(f)(3)(B) the word "2012" shall be substituted for the word "1992." For 2014, the
126.22 commissioner shall then determine the percent change from the 12 months ending on August
126.23 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from
126.24 the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the
126.25 year preceding the taxable year. The commissioner shall determine the rate bracket for
126.26 married filing separate returns after this adjustment is done. The rate bracket for married
126.27 filing separate must be one-half of the rate bracket for married filing joint. The determination
126.28 of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall
126.29 not be subject to the Administrative Procedure Act contained in chapter 14.

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

126.32 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
126.33 31, 2017.

127.1 Sec. 5. Minnesota Statutes 2016, section 290.92, subdivision 28, is amended to read:

127.2 Subd. 28. **Payments to horse racing license holders.** Effective with payments made
127.3 after April 1, 1988, any holder of a license issued by the Minnesota Racing Commission
127.4 who makes a payment for personal or professional services to a holder of a class C license
127.5 issued by the commission, except an amount paid as a purse, shall deduct from the payment
127.6 and withhold 6.25 percent of the amount as Minnesota withholding tax when the amount
127.7 paid to that individual by the same person during the calendar year exceeds \$600. For
127.8 purposes of the provisions of this section, a payment to any person which is subject to
127.9 withholding under this subdivision must be treated as if the payment was a wage paid by
127.10 an employer to an employee. Every individual who is to receive a payment which is subject
127.11 to withholding under this subdivision shall furnish the license holder with a statement, made
127.12 under the penalties of perjury, containing the name, address, and Social Security account
127.13 number of the person receiving the payment. No withholding is required if the individual
127.14 presents a signed certificate from the individual's employer which states that the individual
127.15 is an employee of that employer. A nonresident individual who holds a class C license must
127.16 be treated as an athlete for purposes of applying the provisions of subdivision 4a and section
127.17 290.17, subdivision 2~~(1)(b)(ii)~~(a)(2)(ii).

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

127.19 Sec. 6. Minnesota Statutes 2017 Supplement, section 462D.03, subdivision 2, is amended
127.20 to read:

127.21 Subd. 2. **Designation of qualified beneficiary.** (a) The account holder must designate
127.22 a first-time home buyer as the qualified beneficiary of the account ~~by April 15 of the year~~
127.23 in a form and manner prescribed by the commissioner following the taxable year in which
127.24 the account was established. The account holder may be the qualified beneficiary. The
127.25 account holder may change the designated qualified beneficiary at any time, but no more
127.26 than one qualified beneficiary may be designated for an account at any one time. For purposes
127.27 of the one beneficiary restriction, a married couple qualifies as one beneficiary. Changing
127.28 the designated qualified beneficiary of an account does not affect computation of the ten-year
127.29 period under section 462D.06, subdivision 2.

127.30 (b) The commissioner shall establish a process for account holders to notify the state
127.31 that permits recording of the account, the account holder or holders, any transfers under
127.32 section 462D.04, subdivision 2, and the designated qualified beneficiary for each account.
127.33 This may be done upon filing the account holder's income tax return or in any other way
127.34 the commissioner determines to be appropriate.

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

128.2 **ARTICLE 9**

128.3 **DEPARTMENT OF REVENUE; SALES AND USE TAXES; TECHNICAL CHANGES**

128.4 Section 1. Minnesota Statutes 2016, section 297A.68, subdivision 17, is amended to read:

128.5 Subd. 17. **Ships used in interstate commerce; other vessels.** Repair, replacement, and
128.6 rebuilding parts and materials, and lubricants, for the following are exempt:

128.7 (1) ships or vessels used or to be used principally in interstate or foreign commerce ~~are~~
128.8 ~~exempt;~~ and

128.9 (2) vessels with a gross registered tonnage of at least 3,000 tons ~~are exempt.~~

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

128.11 Sec. 2. Minnesota Statutes 2016, section 297A.68, subdivision 44, is amended to read:

128.12 Subd. 44. **Greater Minnesota business expansions.** (a) Purchases and use of tangible
128.13 personal property or taxable services by a qualified business, ~~as defined in section 116J.8738,~~
128.14 are exempt if:

128.15 (1) the commissioner of employment and economic development certifies to the
128.16 commissioner of revenue, in a format approved by the commissioner of revenue, that the
128.17 qualified business meets the requirements under section 116J.8738;

128.18 (2) the business subsidy agreement provides that the exemption under this subdivision
128.19 applies;

128.20 ~~(2)~~ (3) the property or services are primarily used or consumed at the facility in greater
128.21 Minnesota identified in the business subsidy agreement; and

128.22 ~~(3)~~ (4) the purchase was made and delivery received during the duration of the
128.23 certification of the business as a qualified business under section 116J.8738 business subsidy
128.24 agreement.

128.25 (b) Purchase and use of construction materials and supplies used or consumed in, and
128.26 equipment incorporated into, the construction of improvements to real property in greater
128.27 Minnesota are exempt if the improvements after completion of construction are to be used
128.28 in the conduct of the trade or business of the qualified business, ~~as defined in section~~
128.29 ~~116J.8738~~ and the commissioner of employment and economic development certifies to
128.30 the commissioner of revenue, in a format approved by the commissioner of revenue, that

129.1 the qualified business meets the requirements under section 116J.8738. This exemption
129.2 applies regardless of whether the purchases are made by the business or a contractor.

129.3 (c) The exemptions under this subdivision apply to a local sales and use tax.

129.4 (d) The tax on purchases imposed under this subdivision must be imposed and collected
129.5 as if the rate under section 297A.62 applied, and then refunded in the manner provided in
129.6 section 297A.75. The total amount refunded for a facility over the certification period is
129.7 limited to the amount listed in the business subsidy agreement. No more than \$7,000,000
129.8 may be refunded in a fiscal year for all purchases under this subdivision. Refunds must be
129.9 allocated on a first-come, first-served basis. If more than \$7,000,000 of eligible claims are
129.10 made in a fiscal year, claims by qualified businesses carry over to the next fiscal year, and
129.11 the commissioner of revenue must first allocate refunds to qualified businesses eligible for
129.12 a refund in the preceding fiscal year. Any portion of the balance of funds allocated for
129.13 refunds under this paragraph does not cancel and shall be carried forward to and available
129.14 for refunds in subsequent fiscal years. Notwithstanding section 297A.75, subdivision 4, for
129.15 an eligible refund claim that carries over to a subsequent fiscal year, the interest on the
129.16 amount carried over must be paid on the refund no sooner than from 90 days after July 1
129.17 of the fiscal year in which funds are available for the eligible claim.

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

129.19 Sec. 3. Minnesota Statutes 2016, section 297A.71, subdivision 45, is amended to read:

129.20 Subd. 45. **Biopharmaceutical manufacturing facility.** (a) Materials and supplies used
129.21 or consumed in, capital equipment incorporated into, and privately owned infrastructure in
129.22 support of the construction, improvement, or expansion of a biopharmaceutical manufacturing
129.23 facility in the state are exempt if the commissioner of employment and economic
129.24 development certifies to the commissioner of revenue that the following criteria are met:

129.25 (1) the facility is used for the manufacturing of biologics;

129.26 (2) the total capital investment made at the facility exceeds \$50,000,000; and

129.27 (3) the facility creates and maintains at least 190 full-time equivalent positions at the
129.28 facility. These positions must be new jobs in Minnesota and not the result of relocating jobs
129.29 that currently exist in Minnesota.

129.30 (b) The tax must be imposed and collected as if the rate under section 297A.62 applied,
129.31 and refunded in the manner provided in section 297A.75.

130.1 (c) To be eligible for a refund, the owner of the biopharmaceutical manufacturing facility
130.2 must:

130.3 (1) initially apply to the ~~Department~~ commissioner of employment and economic
130.4 development for certification no later than one year from the final completion date of
130.5 construction, improvement, or expansion of the facility; and

130.6 (2) for each year that the owner of the biopharmaceutical manufacturing facility applies
130.7 for a refund, the ~~owner~~ commissioner must have received written certification from the
130.8 ~~Department~~ commissioner of employment and economic development that the facility has
130.9 met the criteria of paragraph (a).

130.10 (d) The refund is to be paid annually at a rate of 25 percent of the total allowable refund
130.11 payable to date, with the commissioner making annual payments of the remaining refund
130.12 until all of the refund has been paid.

130.13 (e) For purposes of this subdivision, "biopharmaceutical" and "biologics" are
130.14 interchangeable and mean medical drugs or medicinal preparations produced using
130.15 technology that uses biological systems, living organisms, or derivatives of living organisms
130.16 to make or modify products or processes for specific use. The medical drugs or medicinal
130.17 preparations include but are not limited to proteins, antibodies, nucleic acids, and vaccines.

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

130.19 Sec. 4. Minnesota Statutes 2016, section 297A.77, is amended by adding a subdivision to
130.20 read:

130.21 **Subd. 5. Records must be kept.** Every person liable for any tax imposed by this chapter,
130.22 or for the collection thereof, shall keep such records, render such statements, make such
130.23 returns, and comply with such rules, as the commissioner may from time to time prescribe.

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

130.25 **ARTICLE 10**

130.26 **DEPARTMENT OF REVENUE; TOBACCO TAXES; TECHNICAL CHANGES**

130.27 Section 1. Minnesota Statutes 2016, section 297F.01, subdivision 19, is amended to read:

130.28 Subd. 19. **Tobacco products.** (a) "Tobacco products" means any product containing,
130.29 made, or derived from tobacco that is intended for human consumption, whether chewed,
130.30 smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, or
130.31 any component, part, or accessory of a tobacco product, including, but not limited to, cigars;

131.1 cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking
131.2 tobacco; snuff; snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing
131.3 tobacco; shorts; refuse scraps, clippings, cuttings and sweepings of tobacco, and other kinds
131.4 and forms of tobacco; but does not include cigarettes as defined in this section. Tobacco
131.5 products includes vapor products. Tobacco products excludes any tobacco product that has
131.6 been approved by the United States Food and Drug Administration for sale as a tobacco
131.7 cessation product, as a tobacco dependence product, or for other medical purposes, and is
131.8 being marketed and sold solely for such an approved purpose.

131.9 (b) Except for the imposition of tax under section 297F.05, subdivisions 3 and 4, tobacco
131.10 products includes a premium cigar, as defined in subdivision 13a.

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

131.12 Sec. 2. Minnesota Statutes 2016, section 297F.01, is amended by adding a subdivision to
131.13 read:

131.14 Subd. 22b. Vapor products. (a) "Vapor products" means any cartridge, bottle, or other
131.15 package that contains nicotine made or derived from tobacco, that is in a solution that is
131.16 consumed, or meant to be consumed, through the use of a heating element, power source,
131.17 electronic circuit, or other electronic, chemical, or mechanical means that produces vapor
131.18 from the nicotine. This paragraph expires December 31, 2018.

131.19 (b) Beginning January 1, 2019, "vapor products" means any cartridge, bottle, or other
131.20 package that contains nicotine, including nicotine produced from sources other than tobacco,
131.21 that is in a solution that is consumed, or meant to be consumed, through the use of a heating
131.22 element, power source, electronic circuit, or other electronic, chemical, or mechanical means
131.23 that produces vapor from the nicotine.

131.24 (c) Vapor products includes any electronic cigarette, electronic cigar, electronic cigarillo,
131.25 electronic pipe, or similar product or device, and any batteries, heating elements, or other
131.26 components, parts, or accessories sold with and meant to be used in the consumption of the
131.27 nicotine solution.

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

131.29 Sec. 3. Minnesota Statutes 2016, section 297F.01, subdivision 23, is amended to read:

131.30 Subd. 23. **Wholesale sales price.** "Wholesale sales price" means the price at which a
131.31 distributor purchases a tobacco product. Wholesale sales price includes the applicable federal
131.32 excise tax, freight charges, or packaging costs, regardless of whether they were included in

132.1 the purchase price. Wholesale sales price of a vapor product does not include the cost of a
 132.2 product, device, component, part, or accessory described in subdivision 22b that is sold
 132.3 with a nicotine solution if the distributor sells the cartridge of nicotine solution separately
 132.4 and can isolate the cost of the product, device, component, part, or accessory.

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

132.6 **ARTICLE 11**

132.7 **DEPARTMENT OF REVENUE; PROPERTY TAXES; TECHNICAL CHANGES**

132.8 Section 1. Minnesota Statutes 2016, section 270C.85, subdivision 2, is amended to read:

132.9 Subd. 2. **Powers and duties.** The commissioner shall have and exercise the following
 132.10 powers and duties in administering the property tax laws:;

132.11 ~~(a)~~ (1) confer with, advise, and give the necessary instructions and directions to local
 132.12 assessors and local boards of review throughout the state as to their duties under the laws
 132.13 of the state;;

132.14 ~~(b)~~ (2) direct proceedings, actions, and prosecutions to be instituted to enforce the laws
 132.15 relating to the liability and punishment of public officers and officers and agents of
 132.16 corporations for failure or negligence to comply with the provisions of the property tax
 132.17 laws, and cause complaints to be made against local assessors, members of boards of
 132.18 equalization, members of boards of review, or any other assessing or taxing officer, to the
 132.19 proper authority, for their removal from office for misconduct or negligence of duty;;

132.20 ~~(c)~~ (3) require county attorneys to assist in the commencement of prosecutions in actions
 132.21 or proceedings for removal, forfeiture, and punishment, for violation of the property tax
 132.22 laws in their respective districts or counties;;

132.23 ~~(d)~~ (4) require town, city, county, and other public officers to report and certify
 132.24 information, at the parcel level or in the aggregate, as to the assessment and taxation of real
 132.25 and personal property, and such other information as may be needful in the work of the
 132.26 commissioner, ~~in such form as the commissioner may prescribe.~~ The commissioner shall
 132.27 prescribe the content, format, manner, and time of filing of all required reports and
 132.28 certifications;

132.29 ~~(e)~~ (5) transmit to the governor, on or before the third Monday in December of each
 132.30 even-numbered year, and to each member of the legislature, on or before November 15 of
 132.31 each even-numbered year, the report of the department for the preceding years, showing all

133.1 the taxable property subject to the property tax laws and the value of the same, in tabulated
133.2 form;

133.3 ~~(f)~~ (6) inquire into the methods of assessment and taxation and ascertain whether the
133.4 assessors faithfully discharge their duties; and

133.5 ~~(g)~~ (7) assist local assessors in determining the estimated market value of industrial
133.6 special-use property. For purposes of this ~~paragraph~~ clause, "industrial special-use property"
133.7 means property that:

133.8 ~~(1)~~ (i) is designed and equipped for a particular type of industry;

133.9 ~~(2)~~ (ii) is not easily adapted to some other use due to the unique nature of the facilities;

133.10 ~~(3)~~ (iii) has facilities totaling at least 75,000 square feet in size; and

133.11 ~~(4)~~ (iv) has a total estimated market value of \$10,000,000 or greater based on the
133.12 assessor's preliminary determination.

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

133.14 Sec. 2. Minnesota Statutes 2017 Supplement, section 270C.89, subdivision 1, is amended
133.15 to read:

133.16 Subdivision 1. **Initial report.** Each county assessor shall file by ~~April 1~~ with the
133.17 commissioner a copy of ~~the abstract~~ preliminary assessment information that the
133.18 commissioner may require under section 270C.85, subdivision 2, clause (4), that will be
133.19 acted upon by the local and county boards of review. ~~The abstract must list the real and~~
133.20 personal property in the county itemized by assessment districts. The assessor of each county
133.21 in the state shall file with the commissioner, within ten working days following final action
133.22 of the local board of review or equalization and within five days following final action of
133.23 the county board of equalization, any changes made by the local or county board. ~~The~~
133.24 ~~information must be filed in the manner prescribed by the commissioner.~~

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

133.26 Sec. 3. Minnesota Statutes 2016, section 270C.89, subdivision 2, is amended to read:

133.27 Subd. 2. **Final report.** The final ~~abstract of assessments~~ assessment information after
133.28 adjustments by the State Board of Equalization and inclusion of any omitted property shall
133.29 be ~~submitted~~ reported to the commissioner ~~on or before September 1 of each calendar year~~
133.30 under section 270C.85, subdivision 2, clause (4). ~~The final abstract must separately report~~
133.31 ~~the captured tax capacity of tax increment financing districts under section 469.177,~~

134.1 ~~subdivision 2, the areawide net tax capacity contribution values determined under sections~~
 134.2 ~~276A.05, subdivision 1, and 473F.07, subdivision 1, and the value subject to the power line~~
 134.3 ~~credit under section 273.42.~~

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

134.5 Sec. 4. Minnesota Statutes 2016, section 270C.91, is amended to read:

134.6 **270C.91 RECORD OF PROCEEDINGS CHANGING NET TAX CAPACITY;**
 134.7 **DUTIES OF COUNTY AUDITOR.**

134.8 A record of all proceedings of the commissioner affecting any change in the net tax
 134.9 capacity of any property, as revised by the State Board of Equalization, shall be kept by the
 134.10 commissioner and a copy thereof, duly certified, shall be mailed each year to the auditor of
 134.11 each county wherein such property is situated, on or before June 30 ~~or 30 days after~~
 134.12 ~~submission of the abstract required by section 270C.89, whichever is later.~~ This record shall
 134.13 specify the amounts or amount, or both, added to or deducted from the net tax capacity of
 134.14 the real property of each of the several towns and cities, and of the real property not in towns
 134.15 or cities, also the percent or amount of both, added to or deducted from the several classes
 134.16 of personal property in each of the towns and cities, and also the amount added to or deducted
 134.17 from the assessment of any person. The county auditor shall add to or deduct from such
 134.18 tract or lot, or portion thereof, of any real property in the county the required percent or
 134.19 amount, or both, on the net tax capacity thereof as it stood after equalized by the county
 134.20 board, adding in each case a fractional sum of 50 cents or more, and deducting in each case
 134.21 any fractional sum of less than 50 cents, so that no net tax capacity of any separate tract or
 134.22 lot shall contain any fraction of a dollar; and add to, or deduct from, the several classes of
 134.23 personal property in the county the required percent or amount, or both, on the net tax
 134.24 capacity thereof as it stood after equalized by the county board, adding or deducting in
 134.25 manner aforesaid any fractional sum so that no net tax capacity of any separate class of
 134.26 personal property shall contain a fraction of a dollar, and add to or deduct from assessment
 134.27 of any person, as they stood after equalization by the county board, the required amounts
 134.28 to agree with the assessments as returned by the commissioner.

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

134.30 Sec. 5. Minnesota Statutes 2016, section 273.061, subdivision 9, is amended to read:

134.31 Subd. 9. **Additional general duties.** Additional duties of the county assessor ~~shall be~~
 134.32 are as follows:

135.1 (1) to make all assessments, based upon the appraised values reported by the local
135.2 assessors or assistants and the county assessor's own knowledge of the value of the property
135.3 assessed;

135.4 (2) to personally view and determine the value of any property ~~which~~ that because of
135.5 its type or character may be difficult for the local assessor to appraise;

135.6 (3) to make all changes ordered by the local boards of review, relative to the net tax
135.7 capacity of the property of any individual, firm or corporation after notice has been given
135.8 and hearings held as provided by law;

135.9 (4) to enter all assessments in the assessment books, furnished by the county auditor,
135.10 with each book and the tabular statements for each book in correct balance;

135.11 (5) to prepare all assessment cards, charts, maps and any other forms prescribed by the
135.12 commissioner of revenue;

135.13 (6) to attend the meeting of the county board of equalization; to investigate and report
135.14 on any assessment ordered by said board; to enter all changes made by said board in the
135.15 assessment books and prepare ~~the abstract of assessments for the commissioner of revenue~~
135.16 information reported to the commissioner under section 270C.85, subdivision 2, clause (4);
135.17 to enter all changes made by the State Board of Equalization in the assessment books; to
135.18 deduct all exemptions authorized by law from each assessment and certify to the county
135.19 auditor the taxable value of each parcel of land, as described and listed in the assessment
135.20 books by the county auditor, and the taxable value of the personal property of each person,
135.21 firm, or corporation assessed;

135.22 (7) to investigate and make recommendations relative to all applications for the abatement
135.23 of taxes or applications for the reduction of the net tax capacity of any property; and

135.24 (8) to perform all other duties relating to the assessment of property for the purpose of
135.25 taxation which may be required by the commissioner of revenue.

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

135.27 Sec. 6. Minnesota Statutes 2017 Supplement, section 273.0755, is amended to read:

135.28 **273.0755 TRAINING AND EDUCATION OF PROPERTY TAX PERSONNEL.**

135.29 (a) Beginning with the four-year period starting on July 1, 2000, every person licensed
135.30 by the state Board of Assessors at the Accredited Minnesota Assessor level or higher, shall
135.31 successfully complete a weeklong Minnesota laws course sponsored by the Department of

136.1 Revenue at least once in every four-year period. An assessor need not attend the course if
136.2 they successfully pass the test for the course.

136.3 (b) The commissioner of revenue may require that each county, and each city for which
136.4 the city assessor performs the duties of county assessor, have ~~(i)~~ (1) a person on the assessor's
136.5 staff who is certified by the Department of Revenue in sales ratio calculations, ~~(ii)~~ (2) an
136.6 officer or employee who is certified by the Department of Revenue in tax calculations, and
136.7 ~~(iii)~~ (3) an officer or employee who is certified by the Department of Revenue in the proper
136.8 preparation of ~~abstracts of assessment. The commissioner of revenue may require that each~~
136.9 ~~county have an officer or employee who is certified by the Department of Revenue in the~~
136.10 ~~proper preparation of abstracts of tax lists~~ information reported to the commissioner under
136.11 section 270C.85, subdivision 2, clause (4). Certifications under this paragraph expire after
136.12 four years.

136.13 (c) Beginning with the four-year educational licensing period starting on July 1, 2004,
136.14 every Minnesota assessor licensed by the State Board of Assessors must attend and participate
136.15 in a seminar that focuses on ethics, professional conduct and the need for standardized
136.16 assessment practices developed and presented by the commissioner of revenue. This
136.17 requirement must be met at least once in every subsequent four-year period. This requirement
136.18 applies to all assessors licensed for one year or more in the four-year period.

136.19 (d) When the commissioner of revenue determines that an individual or board that
136.20 performs functions related to property tax administration has performed those functions in
136.21 a manner that is not uniform or equitable, the commissioner may require that the individual
136.22 or members of the board complete supplemental training. The commissioner may not require
136.23 that an individual complete more than 32 hours of supplemental training pursuant to this
136.24 paragraph. If the individual is required to complete supplemental training due to that
136.25 individual's membership on a local or county board of appeal and equalization, the
136.26 commissioner may not require that the individual complete more than two hours of
136.27 supplemental training.

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

136.29 Sec. 7. Minnesota Statutes 2016, section 273.113, subdivision 3, is amended to read:

136.30 Subd. 3. **Reimbursement for lost revenue.** The county auditor shall certify to the
136.31 commissioner of revenue, ~~as part of the abstracts of tax lists required to be filed with the~~
136.32 ~~commissioner~~ under section ~~275.29~~ 270C.85, subdivision 2, clause (4), the amount of tax
136.33 lost to the county from the property tax credit under subdivision 2. Any prior year adjustments
136.34 must also be certified ~~in the abstracts of tax lists.~~ The commissioner of revenue shall review

137.1 the certifications to determine their accuracy. The commissioner may make the changes in
137.2 the certification that are considered necessary or return a certification to the county auditor
137.3 for corrections. The commissioner shall reimburse each taxing district, other than school
137.4 districts, for the taxes lost. The payments must be made at the time provided in section
137.5 473H.10 for payment to taxing jurisdictions in the same proportion that the ad valorem tax
137.6 is distributed. Reimbursements to school districts must be made as provided in section
137.7 273.1392. The amount necessary to make the reimbursements under this section is annually
137.8 appropriated from the general fund to the commissioner of revenue.

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

137.10 Sec. 8. Minnesota Statutes 2016, section 273.119, subdivision 2, is amended to read:

137.11 Subd. 2. **Reimbursement for lost revenue.** The county may transfer money from the
137.12 county conservation account created in section 40A.152 to the county revenue fund to
137.13 reimburse the fund for the cost of the property tax credit. The county auditor shall certify
137.14 to the commissioner of revenue, ~~as part of the abstracts of tax lists required to be filed with~~
137.15 ~~the commissioner~~ under section ~~275.29~~ 270C.85, subdivision 2, clause (4), the amount of
137.16 tax lost to the county from the property tax credit under subdivision 1 and the extent that
137.17 the tax lost exceeds funds available in the county conservation account. Any prior year
137.18 adjustments must also be certified ~~in the abstracts of tax lists~~. The commissioner of revenue
137.19 shall review the certifications to determine their accuracy. The commissioner may make
137.20 the changes in the certification that are considered necessary or return a certification to the
137.21 county auditor for corrections. The commissioner shall reimburse each taxing district, other
137.22 than school districts, from the Minnesota conservation fund under section 40A.151 for the
137.23 taxes lost in excess of the county account. The payments must be made at the time provided
137.24 in section 473H.10, subdivision 3, for payment to taxing jurisdictions in the same proportion
137.25 that the ad valorem tax is distributed.

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

137.27 Sec. 9. Minnesota Statutes 2016, section 273.1231, subdivision 3, is amended to read:

137.28 Subd. 3. **Disaster or emergency area.** (a) "Disaster or emergency area" means a
137.29 geographic area for which:

137.30 (1)(i) the president of the United States, the secretary of agriculture, or the administrator
137.31 of the Small Business Administration has determined that a disaster exists pursuant to federal
137.32 law, or

138.1 (ii) a local emergency has been declared pursuant to section 12.29; and

138.2 (2) an application by the local unit of government requesting property tax relief under
138.3 this section has been received by the governor and approved by the executive council.

138.4 (b) The executive council must not approve an application unless:

138.5 (1) a completed disaster survey is included; and

138.6 (2) within the boundaries of the applicant, (i) the average damage for the buildings that
138.7 are damaged is at least \$5,000, and (ii) either at least 25 taxable buildings were damaged,
138.8 or the total dollar amount of damage to all taxable buildings equals or exceeds one percent
138.9 of the total taxable market value of buildings for the applicant as reported to the commissioner
138.10 of revenue under section ~~270C.89, subdivision 2~~ 270C.85, subdivision 2, clause (4), for the
138.11 assessment in the year prior to the year of the damage.

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

138.13 Sec. 10. Minnesota Statutes 2016, section 273.136, subdivision 2, is amended to read:

138.14 Subd. 2. **Reduction amounts submitted to county.** The commissioner of revenue shall
138.15 determine, not later than April 1 of each year, the amount of reduction resulting from section
138.16 273.135 in each county containing a tax relief area as defined by section 273.134, paragraph
138.17 (b), basing determinations on a review of ~~abstracts of tax lists submitted by the county~~
138.18 ~~auditors pursuant to section 275.29~~ information reported to the commissioner under section
138.19 270C.85, subdivision 2, clause (4). The commissioner may make changes ~~in the abstracts~~
138.20 ~~of tax lists~~ as deemed necessary. The commissioner of revenue, after such review, shall
138.21 submit to the St. Louis County auditor, on or before April 15, the amount of the first half
138.22 payment payable hereunder and on or before September 15 the amount of the second half
138.23 payment.

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

138.25 Sec. 11. Minnesota Statutes 2017 Supplement, section 273.1384, subdivision 2, is amended
138.26 to read:

138.27 Subd. 2. **Agricultural homestead market value credit.** Property classified as agricultural
138.28 homestead under section 273.13, subdivision 23, paragraph (a), is eligible for an agricultural
138.29 credit. The credit is computed using the property's agricultural credit market value, defined
138.30 for this purpose as the property's market value excluding the market value of the house,
138.31 garage, and immediately surrounding one acre of land. The credit is equal to 0.3 percent of
138.32 the first \$115,000 of the property's agricultural credit market value plus 0.1 percent of the

139.1 property's agricultural credit market value in excess of \$115,000, subject to a maximum
139.2 credit of \$490 for a full agricultural homestead. In the case of property that is classified as
139.3 part homestead and part nonhomestead solely because not all the owners occupy or farm
139.4 the property, not all the owners have qualifying relatives occupying or farming the property,
139.5 or solely because not all the spouses of owners occupy the property, the credit is computed
139.6 on the amount of agricultural credit market value corresponding to the percentage of
139.7 homestead, and the maximum credit equals \$490 multiplied by the percentage of homestead.
139.8 The percentage of homestead is equal to 100 divided by the number of owners of the property,
139.9 or, in the case of a trust, the number of grantors of the trust that owns the property.

139.10 **EFFECTIVE DATE.** This section is effective for taxes payable in 2019 and thereafter.

139.11 Sec. 12. Minnesota Statutes 2016, section 273.1384, subdivision 3, is amended to read:

139.12 Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions
139.13 allowed under subdivision 2 within the county for each taxes payable year and shall certify
139.14 that amount to the commissioner of revenue ~~as a part of the abstracts of tax lists submitted~~
139.15 ~~by the county auditors under section 275.29~~ under section 270C.85, subdivision 2, clause
139.16 (4). Any prior year adjustments shall also be certified ~~on the abstracts of tax lists~~. The
139.17 commissioner shall review the certifications for accuracy, and may make such changes as
139.18 are deemed necessary, or return the certification to the county auditor for correction. The
139.19 credit under this section must be used to proportionately reduce the net tax capacity-based
139.20 property tax payable to each local taxing jurisdiction as provided in section 273.1393.

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

139.22 Sec. 13. Minnesota Statutes 2017 Supplement, section 273.1387, subdivision 3, is amended
139.23 to read:

139.24 Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions
139.25 allowed under this section within the county for each taxes payable year and shall certify
139.26 that amount to the commissioner of revenue ~~as a part of the abstracts of tax lists submitted~~
139.27 ~~under section 275.29~~ under section 270C.85, subdivision 2, clause (4). Any prior year
139.28 adjustments shall also be certified ~~on the abstracts of tax lists~~. The commissioner shall
139.29 review the certifications for accuracy, and may make such changes as are deemed necessary,
139.30 or return the certification to the county auditor for correction. The credit under this section
139.31 must be used to reduce the school district net tax capacity-based property tax as provided
139.32 in section 273.1393.

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

140.1 Sec. 14. Minnesota Statutes 2016, section 273.18, is amended to read:

140.2 **273.18 LISTING, VALUATION, AND ASSESSMENT OF EXEMPT PROPERTY**
140.3 **BY COUNTY AUDITORS.**

140.4 (a) In every sixth year after the year 2010, the county auditor shall enter the description
140.5 of each tract of real property exempt by law from taxation, with the name of the owner, and
140.6 the assessor shall value and assess the same in the same manner that other real property is
140.7 valued and assessed, and shall designate in each case the purpose for which the property is
140.8 used.

140.9 (b) ~~For purposes of the apportionment of fire state aid under section 69.021, subdivision~~
140.10 ~~7,~~ The county auditor shall include ~~on the abstract of assessment of exempt real property~~
140.11 ~~filed under this section~~ in the exempt property information that the commissioner may
140.12 require under section 270C.85, subdivision 2, clause (4), the total number of acres of all
140.13 natural resources lands for which in lieu payments are made under sections 477A.11 to
140.14 477A.14. The assessor shall estimate its market value, provided that if the assessor is not
140.15 able to estimate the market value of the land on a per parcel basis, the assessor shall furnish
140.16 the commissioner of revenue with an estimate of the average value per acre of this land
140.17 within the county.

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

140.19 Sec. 15. Minnesota Statutes 2016, section 274.14, is amended to read:

140.20 **274.14 LENGTH OF SESSION; RECORD.**

140.21 The board must meet after the second Friday in June on at least one meeting day and
140.22 may meet for up to ten consecutive meeting days. The actual meeting dates must be contained
140.23 on the valuation notices mailed to each property owner in the county as provided in section
140.24 273.121. For this purpose, "meeting days" is defined as any day of the week excluding
140.25 Sunday. At the board's discretion, "meeting days" may include Saturday. No action taken
140.26 by the county board of review after June 30 is valid, except for corrections permitted in
140.27 sections 273.01 and 274.01. The county auditor shall keep an accurate record of the
140.28 proceedings and orders of the board. The record must be published like other proceedings
140.29 of county commissioners. A copy of the published record must be sent to the commissioner
140.30 of revenue, ~~with the abstract of assessment required by section 274.16~~ within five days
140.31 following final action of the county board of equalization.

140.32 For counties that conduct either regular board of review meetings or open book meetings,
140.33 at least one of the meeting days must include a meeting that does not end before 7:00 p.m.

141.1 For counties that require taxpayer appointments for the board of review, appointments must
141.2 include some available times that extend until at least 7:00 p.m. The county may have a
141.3 Saturday meeting in lieu of, or in addition to, the extended meeting times under this
141.4 paragraph.

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

141.6 Sec. 16. Minnesota Statutes 2016, section 274.16, is amended to read:

141.7 **274.16 CORRECTED LISTS, ~~ABSTRACTS~~.**

141.8 The county assessor or, in Ramsey County, the official designated by the board of county
141.9 commissioners shall calculate the changes of the assessment lists determined by the county
141.10 board of equalization, and make corrections accordingly, in the real or personal lists, or
141.11 both, and shall make ~~duplicate abstracts~~ duplicates of them. One must be filed in the assessor's
141.12 office, and one must be forwarded to the commissioner of revenue as provided in section
141.13 270C.89.

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

141.15 Sec. 17. Minnesota Statutes 2017 Supplement, section 275.025, subdivision 1, is amended
141.16 to read:

141.17 Subdivision 1. **Levy amount.** The state general levy is levied against
141.18 commercial-industrial property and seasonal residential recreational property, as defined
141.19 in this section. The state general levy for commercial-industrial property is \$784,590,000
141.20 for taxes payable in 2018 and thereafter. The state general levy for seasonal-recreational
141.21 property is \$44,190,000 for taxes payable in 2018 and thereafter. The tax under this section
141.22 is not treated as a local tax rate under section 469.177 and is not the levy of a governmental
141.23 unit under chapters 276A and 473F.

141.24 The commissioner shall increase or decrease the preliminary or final rate for a year as
141.25 necessary to account for errors and tax base changes that affected a preliminary or final rate
141.26 for either of the two preceding years. Adjustments are allowed to the extent that the necessary
141.27 information is available to the commissioner at the time the rates for a year must be certified,
141.28 and for the following reasons:

141.29 (1) an erroneous report of taxable value by a local official;

141.30 (2) an erroneous calculation by the commissioner; and

142.1 (3) an increase or decrease in taxable value for commercial-industrial or seasonal
142.2 residential recreational property reported ~~on the abstracts of tax lists submitted under section~~
142.3 ~~275.29 that was not reported on the abstracts of assessment submitted under section 270C.89~~
142.4 to the commissioner under section 270C.85, subdivision 2, clause (4), for the same year.

142.5 The commissioner may, but need not, make adjustments if the total difference in the tax
142.6 levied for the year would be less than \$100,000.

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

142.8 Sec. 18. Minnesota Statutes 2016, section 290B.09, subdivision 1, is amended to read:

142.9 Subdivision 1. **Determination; payment.** The county auditor shall determine the total
142.10 current year's deferred amount of property tax under this chapter in the county, and ~~submit~~
142.11 ~~report~~ those amounts ~~as part of the abstracts of tax lists submitted by the county auditors~~
142.12 ~~under section 275.29~~ to the commissioner under section 270C.85, subdivision 2, clause (4).

142.13 The commissioner may make changes ~~in the abstracts of tax lists~~ as deemed necessary. The
142.14 commissioner of revenue, after such review, shall pay the deferred amount of property tax
142.15 to each county treasurer on or before August 31.

142.16 The county treasurer shall distribute as part of the October settlement the funds received
142.17 as if they had been collected as a part of the property tax.

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

142.19 Sec. 19. Minnesota Statutes 2016, section 469.177, subdivision 1, is amended to read:

142.20 Subdivision 1. **Original net tax capacity.** (a) Upon or after adoption of a tax increment
142.21 financing plan, the auditor of any county in which the district is situated shall, upon request
142.22 of the authority, certify the original net tax capacity of the tax increment financing district
142.23 and that portion of the district overlying any subdistrict as described in the tax increment
142.24 financing plan and shall certify in each year thereafter the amount by which the original net
142.25 tax capacity has increased or decreased as a result of a change in tax exempt status of
142.26 property within the district and any subdistrict, reduction or enlargement of the district or
142.27 changes pursuant to subdivision 4. The auditor shall certify the amount within 30 days after
142.28 receipt of the request and sufficient information to identify the parcels included in the district.
142.29 The certification relates to the taxes payable year as provided in subdivision 6.

142.30 (b) If the classification under section 273.13 of property located in a district changes to
142.31 a classification that has a different assessment ratio, the original net tax capacity of that

143.1 property must be redetermined at the time when its use is changed as if the property had
143.2 originally been classified in the same class in which it is classified after its use is changed.

143.3 (c) The amount to be added to the original net tax capacity of the district as a result of
143.4 previously tax exempt real property within the district becoming taxable equals the net tax
143.5 capacity of the real property as most recently assessed pursuant to ~~section 273.18~~ information
143.6 reported to the commissioner under section 270C.85, subdivision 2, clause (4), or, if that
143.7 assessment was made more than one year prior to the date of title transfer rendering the
143.8 property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If
143.9 improvements are made to tax exempt property after the municipality approves the district
143.10 and before the parcel becomes taxable, the assessor shall, at the request of the authority,
143.11 separately assess the estimated market value of the improvements. If the property becomes
143.12 taxable, the county auditor shall add to original net tax capacity, the net tax capacity of the
143.13 parcel, excluding the separately assessed improvements. If substantial taxable improvements
143.14 were made to a parcel after certification of the district and if the property later becomes tax
143.15 exempt, in whole or part, as a result of the authority acquiring the property through
143.16 foreclosure or exercise of remedies under a lease or other revenue agreement or as a result
143.17 of tax forfeiture, the amount to be added to the original net tax capacity of the district as a
143.18 result of the property again becoming taxable is the amount of the parcel's value that was
143.19 included in original net tax capacity when the parcel was first certified. The amount to be
143.20 added to the original net tax capacity of the district as a result of enlargements equals the
143.21 net tax capacity of the added real property as most recently certified by the commissioner
143.22 of revenue as of the date of modification of the tax increment financing plan pursuant to
143.23 section 469.175, subdivision 4.

143.24 (d) If the net tax capacity of a property increases because the property no longer qualifies
143.25 under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open
143.26 Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act,
143.27 chapter 473H, the Rural Preserve Property Tax Program under section 273.114, or because
143.28 platted, unimproved property is improved or market value is increased after approval of the
143.29 plat under section 273.11, subdivision 14a or 14b, the increase in net tax capacity must be
143.30 added to the original net tax capacity. If the net tax capacity of a property increases because
143.31 the property no longer qualifies for the homestead market value exclusion under section
143.32 273.13, subdivision 35, the increase in net tax capacity must be added to original net tax
143.33 capacity if the original construction of the affected home was completed before the date the
143.34 assessor certified the original net tax capacity of the district.

144.1 (e) The amount to be subtracted from the original net tax capacity of the district as a
144.2 result of previously taxable real property within the district becoming tax exempt or
144.3 qualifying in whole or part for an exclusion from taxable market value, or a reduction in
144.4 the geographic area of the district, shall be the amount of original net tax capacity initially
144.5 attributed to the property becoming tax exempt, being excluded from taxable market value,
144.6 or being removed from the district. If the net tax capacity of property located within the tax
144.7 increment financing district is reduced by reason of a court-ordered abatement, stipulation
144.8 agreement, voluntary abatement made by the assessor or auditor or by order of the
144.9 commissioner of revenue, the reduction shall be applied to the original net tax capacity of
144.10 the district when the property upon which the abatement is made has not been improved
144.11 since the date of certification of the district and to the captured net tax capacity of the district
144.12 in each year thereafter when the abatement relates to improvements made after the date of
144.13 certification. The county auditor may specify reasonable form and content of the request
144.14 for certification of the authority and any modification thereof pursuant to section 469.175,
144.15 subdivision 4.

144.16 (f) If a parcel of property contained a substandard building or improvements described
144.17 in section 469.174, subdivision 10, paragraph (e), that were demolished or removed and if
144.18 the authority elects to treat the parcel as occupied by a substandard building under section
144.19 469.174, subdivision 10, paragraph (b), or by improvements under section 469.174,
144.20 subdivision 10, paragraph (e), the auditor shall certify the original net tax capacity of the
144.21 parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated
144.22 market value of the parcel for the year in which the building or other improvements were
144.23 demolished or removed, but applying the classification rates for the current year.

144.24 (g) For a redevelopment district qualifying under section 469.174, subdivision 10,
144.25 paragraph (a), clause (4), as a qualified disaster area, the auditor shall certify the value of
144.26 the land as the original tax capacity for any parcel in the district that contains a building
144.27 that suffered substantial damage as a result of the disaster or emergency.

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

144.29 Sec. 20. **REPEALER.**

144.30 Minnesota Statutes 2016, section 275.29, is repealed.

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

145.1 **ARTICLE 12**145.2 **DEPARTMENT OF REVENUE; MISCELLANEOUS; TECHNICAL CHANGES**

145.3 Section 1. Minnesota Statutes 2016, section 272.02, subdivision 27, is amended to read:

145.4 Subd. 27. **Superior National Forest; recreational property for use by disabled**
145.5 **veterans with a disability.** Real and personal property is exempt if it is located in the
145.6 Superior National Forest, and owned or leased and operated by a nonprofit organization
145.7 that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue
145.8 Code and primarily used to provide recreational opportunities for ~~disabled~~ veterans with a
145.9 disability and their families.

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

145.11 Sec. 2. Minnesota Statutes 2016, section 272.02, subdivision 81, is amended to read:

145.12 Subd. 81. **Certain recreational property for disabled veterans with a disability.** Real
145.13 and personal property is exempt if it is located in a county in the metropolitan area with a
145.14 population of less than 500,000 according to the 2000 federal census, and owned or leased
145.15 and operated by a nonprofit organization, and primarily used to provide recreational
145.16 opportunities for ~~disabled~~ veterans with a disability and their families.

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

145.18 Sec. 3. Minnesota Statutes 2016, section 273.032, is amended to read:

145.19 **273.032 MARKET VALUE DEFINITION.**

145.20 (a) Unless otherwise provided, for the purpose of determining any property tax levy
145.21 limitation based on market value or any limit on net debt, the issuance of bonds, certificates
145.22 of indebtedness, or capital notes based on market value, any qualification to receive state
145.23 aid based on market value, or any state aid amount based on market value, the terms "market
145.24 value," "estimated market value," and "market valuation," whether equalized or unequalized,
145.25 mean the estimated market value of taxable property within the local unit of government
145.26 before any of the following or similar adjustments for:

145.27 (1) the market value exclusions under:

145.28 (i) section 273.11, subdivisions 14a and 14c (vacant platted land);

145.29 (ii) section 273.11, subdivision 16 (certain improvements to homestead property);

145.30 (iii) section 273.11, subdivisions 19 and 20 (certain improvements to business properties);

- 146.1 (iv) section 273.11, subdivision 21 (homestead property damaged by mold);
- 146.2 (v) section 273.13, subdivision 34 (homestead of a ~~disabled~~ veteran with a disability or
- 146.3 family caregiver); or
- 146.4 (vi) section 273.13, subdivision 35 (homestead market value exclusion); or
- 146.5 (2) the deferment of value under:
- 146.6 (i) the Minnesota Agricultural Property Tax Law, section 273.111;
- 146.7 (ii) the Aggregate Resource Preservation Law, section 273.1115;
- 146.8 (iii) the Minnesota Open Space Property Tax Law, section 273.112;
- 146.9 (iv) the rural preserves property tax program, section 273.114; or
- 146.10 (v) the Metropolitan Agricultural Preserves Act, section 473H.10; or
- 146.11 (3) the adjustments to tax capacity for:
- 146.12 (i) tax increment financing under sections 469.174 to 469.1794;
- 146.13 (ii) fiscal disparities under chapter 276A or 473F; or
- 146.14 (iii) powerline credit under section 273.425.
- 146.15 (b) Estimated market value under paragraph (a) also includes the market value of
- 146.16 tax-exempt property if the applicable law specifically provides that the limitation,
- 146.17 qualification, or aid calculation includes tax-exempt property.
- 146.18 (c) Unless otherwise provided, "market value," "estimated market value," and "market
- 146.19 valuation" for purposes of property tax levy limitations and calculation of state aid, refer
- 146.20 to the estimated market value for the previous assessment year and for purposes of limits
- 146.21 on net debt, the issuance of bonds, certificates of indebtedness, or capital notes refer to the
- 146.22 estimated market value as last finally equalized.
- 146.23 (d) For purposes of a provision of a home rule charter or of any special law that is not
- 146.24 codified in the statutes and that imposes a levy limitation based on market value or any limit
- 146.25 on debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market
- 146.26 value, the terms "market value," "taxable market value," and "market valuation," whether
- 146.27 equalized or unequalized, mean "estimated market value" as defined in paragraph (a).
- 146.28 **EFFECTIVE DATE.** This section is effective the day following final enactment.

147.1 Sec. 4. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 22, is amended
147.2 to read:

147.3 Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and
147.4 (c), real estate which is residential and used for homestead purposes is class 1a. In the case
147.5 of a duplex or triplex in which one of the units is used for homestead purposes, the entire
147.6 property is deemed to be used for homestead purposes. The market value of class 1a property
147.7 must be determined based upon the value of the house, garage, and land.

147.8 The first \$500,000 of market value of class 1a property has a net classification rate of
147.9 one percent of its market value; and the market value of class 1a property that exceeds
147.10 \$500,000 has a classification rate of 1.25 percent of its market value.

147.11 (b) Class 1b property includes homestead real estate or homestead manufactured homes
147.12 used for the purposes of a homestead by:

147.13 (1) any person who is blind as defined in section 256D.35, or the ~~blind~~ person who is
147.14 blind and the ~~blind person's~~ spouse of the person who is blind;

147.15 (2) any person who is permanently and totally disabled or by the ~~disabled~~ person with
147.16 a disability and the ~~disabled person's~~ spouse of the person with a disability; or

147.17 (3) the surviving spouse of a veteran who was permanently and totally disabled ~~veteran~~
147.18 homesteading a property classified under this paragraph for taxes payable in 2008.

147.19 Property is classified and assessed under clause (2) only if the government agency or
147.20 income-providing source certifies, upon the request of the homestead occupant, that the
147.21 homestead occupant satisfies the disability requirements of this paragraph, and that the
147.22 property is not eligible for the valuation exclusion under subdivision 34.

147.23 Property is classified and assessed under paragraph (b) only if the commissioner of
147.24 revenue or the county assessor certifies that the homestead occupant satisfies the requirements
147.25 of this paragraph.

147.26 Permanently and totally disabled for the purpose of this subdivision means a condition
147.27 which is permanent in nature and totally incapacitates the person from working at an
147.28 occupation which brings the person an income. The first \$50,000 market value of class 1b
147.29 property has a net classification rate of .45 percent of its market value. The remaining market
147.30 value of class 1b property is classified as class 1a or class 2a property, whichever is
147.31 appropriate.

147.32 (c) Class 1c property is commercial use real and personal property that abuts public
147.33 water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by

148.1 the Department of Natural Resources, and is devoted to temporary and seasonal residential
148.2 occupancy for recreational purposes but not devoted to commercial purposes for more than
148.3 250 days in the year preceding the year of assessment, and that includes a portion used as
148.4 a homestead by the owner, which includes a dwelling occupied as a homestead by a
148.5 shareholder of a corporation that owns the resort, a partner in a partnership that owns the
148.6 resort, or a member of a limited liability company that owns the resort even if the title to
148.7 the homestead is held by the corporation, partnership, or limited liability company. For
148.8 purposes of this paragraph, property is devoted to a commercial purpose on a specific day
148.9 if any portion of the property, excluding the portion used exclusively as a homestead, is
148.10 used for residential occupancy and a fee is charged for residential occupancy. Class 1c
148.11 property must contain three or more rental units. A "rental unit" is defined as a cabin,
148.12 condominium, townhouse, sleeping room, or individual camping site equipped with water
148.13 and electrical hookups for recreational vehicles. Class 1c property must provide recreational
148.14 activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill
148.15 or cross-country ski equipment; provide marina services, launch services, or guide services;
148.16 or sell bait and fishing tackle. Any unit in which the right to use the property is transferred
148.17 to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies
148.18 for class 1c even though it may remain available for rent. A camping pad offered for rent
148.19 by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of
148.20 the rental agreement, as long as the use of the camping pad does not exceed 250 days. If
148.21 the same owner owns two separate parcels that are located in the same township, and one
148.22 of those properties is classified as a class 1c property and the other would be eligible to be
148.23 classified as a class 1c property if it was used as the homestead of the owner, both properties
148.24 will be assessed as a single class 1c property; for purposes of this sentence, properties are
148.25 deemed to be owned by the same owner if each of them is owned by a limited liability
148.26 company, and both limited liability companies have the same membership. The portion of
148.27 the property used as a homestead is class 1a property under paragraph (a). The remainder
148.28 of the property is classified as follows: the first \$600,000 of market value is tier I, the next
148.29 \$1,700,000 of market value is tier II, and any remaining market value is tier III. The
148.30 classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25
148.31 percent. Owners of real and personal property devoted to temporary and seasonal residential
148.32 occupancy for recreation purposes in which all or a portion of the property was devoted to
148.33 commercial purposes for not more than 250 days in the year preceding the year of assessment
148.34 desiring classification as class 1c, must submit a declaration to the assessor designating the
148.35 cabins or units occupied for 250 days or less in the year preceding the year of assessment
148.36 by January 15 of the assessment year. Those cabins or units and a proportionate share of

149.1 the land on which they are located must be designated as class 1c as otherwise provided.

149.2 The remainder of the cabins or units and a proportionate share of the land on which they

149.3 are located must be designated as class 3a commercial. The owner of property desiring

149.4 designation as class 1c property must provide guest registers or other records demonstrating

149.5 that the units for which class 1c designation is sought were not occupied for more than 250

149.6 days in the year preceding the assessment if so requested. The portion of a property operated

149.7 as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5)

149.8 other nonresidential facility operated on a commercial basis not directly related to temporary

149.9 and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

149.10 (d) Class 1d property includes structures that meet all of the following criteria:

149.11 (1) the structure is located on property that is classified as agricultural property under

149.12 section 273.13, subdivision 23;

149.13 (2) the structure is occupied exclusively by seasonal farm workers during the time when

149.14 they work on that farm, and the occupants are not charged rent for the privilege of occupying

149.15 the property, provided that use of the structure for storage of farm equipment and produce

149.16 does not disqualify the property from classification under this paragraph;

149.17 (3) the structure meets all applicable health and safety requirements for the appropriate

149.18 season; and

149.19 (4) the structure is not salable as residential property because it does not comply with

149.20 local ordinances relating to location in relation to streets or roads.

149.21 The market value of class 1d property has the same classification rates as class 1a property

149.22 under paragraph (a).

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

149.24 Sec. 5. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 34, is amended

149.25 to read:

149.26 Subd. 34. **Homestead of ~~disabled~~ veteran with a disability or family caregiver.** (a)

149.27 All or a portion of the market value of property owned by a veteran and serving as the

149.28 veteran's homestead under this section is excluded in determining the property's taxable

149.29 market value if the veteran has a service-connected disability of 70 percent or more as

149.30 certified by the United States Department of Veterans Affairs. To qualify for exclusion

149.31 under this subdivision, the veteran must have been honorably discharged from the United

149.32 States armed forces, as indicated by United States Government Form DD214 or other official

149.33 military discharge papers.

150.1 (b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded,
150.2 except as provided in clause (2); and

150.3 (2) for a total (100 percent) and permanent disability, \$300,000 of market value is
150.4 excluded.

150.5 (c) If a ~~disabled~~ veteran with a disability qualifying for a valuation exclusion under
150.6 paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the
150.7 veteran the spouse holds the legal or beneficial title to the homestead and permanently
150.8 resides there, the exclusion shall carry over to the benefit of the veteran's spouse for the
150.9 current taxes payable year and for eight additional taxes payable years or until such time
150.10 as the spouse remarries, or sells, transfers, or otherwise disposes of the property, whichever
150.11 comes first. Qualification under this paragraph requires an application under paragraph (h),
150.12 and a spouse must notify the assessor if there is a change in the spouse's marital status,
150.13 ownership of the property, or use of the property as a permanent residence.

150.14 (d) If the spouse of a member of any branch or unit of the United States armed forces
150.15 who dies due to a service-connected cause while serving honorably in active service, as
150.16 indicated on United States Government Form DD1300 or DD2064, holds the legal or
150.17 beneficial title to a homestead and permanently resides there, the spouse is entitled to the
150.18 benefit described in paragraph (b), clause (2), for eight taxes payable years, or until such
150.19 time as the spouse remarries or sells, transfers, or otherwise disposes of the property,
150.20 whichever comes first.

150.21 (e) If a veteran meets the disability criteria of paragraph (a) but does not own property
150.22 classified as homestead in the state of Minnesota, then the homestead of the veteran's primary
150.23 family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify
150.24 for under paragraph (b).

150.25 (f) In the case of an agricultural homestead, only the portion of the property consisting
150.26 of the house and garage and immediately surrounding one acre of land qualifies for the
150.27 valuation exclusion under this subdivision.

150.28 (g) A property qualifying for a valuation exclusion under this subdivision is not eligible
150.29 for the market value exclusion under subdivision 35, or classification under subdivision 22,
150.30 paragraph (b).

150.31 (h) To qualify for a valuation exclusion under this subdivision a property owner must
150.32 apply to the assessor by July 1 of the first assessment year for which the exclusion is sought.
150.33 For an application received after July 1, the exclusion shall become effective for the following
150.34 assessment year. Except as provided in paragraph (c), the owner of a property that has been

151.1 accepted for a valuation exclusion must notify the assessor if there is a change in ownership
151.2 of the property or in the use of the property as a homestead.

151.3 (i) A first-time application by a qualifying spouse for the market value exclusion under
151.4 paragraph (d) must be made any time within two years of the death of the service member.

151.5 (j) For purposes of this subdivision:

151.6 (1) "active service" has the meaning given in section 190.05;

151.7 (2) "own" means that the person's name is present as an owner on the property deed;

151.8 (3) "primary family caregiver" means a person who is approved by the secretary of the
151.9 United States Department of Veterans Affairs for assistance as the primary provider of
151.10 personal care services for an eligible veteran under the Program of Comprehensive Assistance
151.11 for Family Caregivers, codified as United States Code, title 38, section 1720G; and

151.12 (4) "veteran" has the meaning given the term in section 197.447.

151.13 (k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion
151.14 under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit
151.15 under paragraph (b), clause (2), for eight tax years or until the spouse remarries
151.16 or sells, transfers, or otherwise disposes of the property if:

151.17 (1) the spouse files a first-time application within two years of the death of the service
151.18 member or by June 1, 2019, whichever is later;

151.19 (2) upon the death of the veteran, the spouse holds the legal or beneficial title to the
151.20 homestead and permanently resides there;

151.21 (3) the veteran met the honorable discharge requirements of paragraph (a); and

151.22 (4) the United States Department of Veterans Affairs certifies that:

151.23 (i) the veteran met the total (100 percent) and permanent disability requirement under
151.24 paragraph (b), clause (2); or

151.25 (ii) the spouse has been awarded dependency and indemnity compensation.

151.26 (l) The purpose of this provision of law providing a level of homestead property tax
151.27 relief for ~~gravely disabled~~ veterans with a disability, their primary family caregivers, and
151.28 their surviving spouses is to help ease the burdens of war for those among our state's citizens
151.29 who bear those burdens most heavily.

151.30 (m) By July 1, the county veterans service officer must certify the disability rating and
151.31 permanent address of each veteran receiving the benefit under paragraph (b) to the assessor.

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

152.2 Sec. 6. Minnesota Statutes 2016, section 289A.08, subdivision 6, is amended to read:

152.3 Subd. 6. **Returns of married persons.** ~~A husband and wife~~ Individuals who are married
152.4 to each other must file a joint Minnesota income tax return if they filed a joint federal income
152.5 tax return. If the ~~husband and wife~~ spouses have elected to file separate federal income tax
152.6 returns, they must file separate Minnesota income tax returns. This election to file a joint
152.7 or separate return must be changed if they change their election for federal purposes. In the
152.8 event taxpayers desire to change their election, the change must be done in the manner and
152.9 on the form prescribed by the commissioner.

152.10 The determination of whether an individual is married shall be made under the provisions
152.11 of section 7703 of the Internal Revenue Code.

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

152.13 Sec. 7. Minnesota Statutes 2016, section 289A.25, subdivision 1, is amended to read:

152.14 Subdivision 1. **Requirements to pay.** An individual, trust, S corporation, or partnership
152.15 must, when prescribed in subdivision 3, paragraph (b), make payments of estimated tax.
152.16 For individuals, the term "estimated tax" means the amount the taxpayer estimates is the
152.17 sum of the taxes imposed by chapter 290 for the taxable year. For trusts, S corporations,
152.18 and partnerships, the term estimated tax means the amount the taxpayer estimates is the
152.19 sum of the taxes for the taxable year imposed by chapter 290 and the composite income tax
152.20 imposed by section 289A.08, subdivision 7. If the individual is an infant or incompetent
152.21 person, the payments must be made by the individual's guardian. If joint payments on
152.22 estimated tax are made but a joint return is not made for the taxable year, the estimated tax
152.23 for that year may be treated as the estimated tax of either ~~the husband or the wife~~ spouse or
152.24 may be divided between them.

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

152.26 Sec. 8. Minnesota Statutes 2016, section 289A.31, subdivision 2, is amended to read:

152.27 Subd. 2. **Joint income tax returns.** (a) If a joint income tax return is made by ~~a husband~~
152.28 ~~and wife~~ spouses, the liability for the tax is joint and several. A spouse who qualifies for
152.29 relief from a liability attributable to an underpayment under section 6015(b) of the Internal
152.30 Revenue Code is relieved of the state income tax liability on the underpayment.

153.1 (b) In the case of individuals who were ~~a husband and wife~~ married as determined in
153.2 section 7703 of the Internal Revenue Code prior to the dissolution of their marriage or their
153.3 legal separation, or prior to the death of one of the individuals, for tax liabilities reported
153.4 on a joint or combined return, the liability of each person is limited to the proportion of the
153.5 tax due on the return that equals that person's proportion of the total tax due if ~~the husband~~
153.6 ~~and wife~~ each spouse filed separate returns for the taxable year. This provision is effective
153.7 only when the commissioner receives written notice of the marriage dissolution, legal
153.8 separation, or death of a spouse from the ~~husband or wife~~ surviving spouse. No refund may
153.9 be claimed by an ex-spouse, legally separated or widowed spouse for any taxes paid more
153.10 than 60 days before receipt by the commissioner of the written notice.

153.11 (c) A request for calculation of separate liability pursuant to paragraph (b) for taxes
153.12 reported on a return must be made within six years after the due date of the return. For
153.13 calculation of separate liability for taxes assessed by the commissioner under section 289A.35
153.14 or 289A.37, the request must be made within six years after the date of assessment. The
153.15 commissioner is not required to calculate separate liability if the remaining unpaid liability
153.16 for which recalculation is requested is \$100 or less.

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

153.18 Sec. 9. Minnesota Statutes 2016, section 289A.37, subdivision 6, is amended to read:

153.19 Subd. 6. **Order of assessment if joint income tax return.** If a joint income tax return
153.20 is filed by ~~a husband and wife~~ spouses, an order of assessment may be a single joint notice.
153.21 If the commissioner has been notified by either spouse that that spouse's address has changed
153.22 and if that spouse requests it, then, instead of the single joint notice mailed to the last known
153.23 address of the ~~husband and wife~~ spouses, a duplicate or original of the joint notice must be
153.24 sent to the requesting spouse at the address designated by the requesting spouse. The other
153.25 joint notice must be mailed to the other spouse at that spouse's last known address. An
153.26 assessment is not invalid for failure to send it to a spouse if the spouse actually receives the
153.27 notice in the same period as if it had been mailed to that spouse at the correct address or if
153.28 the spouse has failed to provide an address to the commissioner other than the last known
153.29 address.

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

153.31 Sec. 10. Minnesota Statutes 2016, section 290.0802, subdivision 2, is amended to read:

153.32 Subd. 2. **Subtraction.** (a) A qualified individual is allowed a subtraction from federal
153.33 taxable income of the individual's subtraction base amount. The excess of the subtraction

154.1 base amount over the taxable net income computed without regard to the subtraction for
154.2 the elderly or ~~disabled~~ a person with a disability under section 290.0132, subdivision 5,
154.3 may be used to reduce the amount of a lump sum distribution subject to tax under section
154.4 290.032.

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

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

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

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

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

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

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

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

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

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

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

154.21 Sec. 11. Minnesota Statutes 2016, section 290.0802, subdivision 3, is amended to read:

154.22 Subd. 3. **Restrictions; married couples.** Except in the case of ~~a husband and wife~~
154.23 spouses who live apart at all times during the taxable year, if the taxpayer is married at the
154.24 close of the taxable year, the subtraction under subdivision 2 is allowable only if the taxpayers
154.25 file joint federal and state income tax returns for the taxable year.

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

154.27 Sec. 12. Minnesota Statutes 2017 Supplement, section 290.091, subdivision 2, is amended
154.28 to read:

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

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

155.3 (1) the taxpayer's federal alternative minimum taxable income as defined in section
155.4 55(b)(2) of the Internal Revenue Code;

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

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

155.8 (ii) the medical expense deduction;

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

155.10 (iv) the impairment-related work expenses of a ~~disabled~~ person with a disability;

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

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

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

155.22 (6) the amount of addition required by section 290.0131, subdivisions 9 to 11;

155.23 less the sum of the amounts determined under the following:

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

155.25 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision
155.26 3, to the extent included in federal alternative minimum taxable income;

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

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

156.3 (v) the amount of the net operating loss allowed under section 290.095, subdivision 11,
156.4 paragraph (c).

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

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

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

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

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

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

156.16 Sec. 13. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 3, is amended
156.17 to read:

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

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

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

156.21 (i) all nontaxable income;

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

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

156.28 (iv) cash public assistance and relief;

156.29 (v) any pension or annuity (including railroad retirement benefits, all payments received
156.30 under the federal Social Security Act, Supplemental Security Income, and veterans benefits),

157.1 which was not exclusively funded by the claimant or spouse, or which was funded exclusively
157.2 by the claimant or spouse and which funding payments were excluded from federal adjusted
157.3 gross income in the years when the payments were made;

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

157.6 (vii) workers' compensation;

157.7 (viii) nontaxable strike benefits;

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

157.11 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of
157.12 1986, as amended through December 31, 1995;

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

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

157.21 (xiii) nontaxable scholarship or fellowship grants;

157.22 (xiv) the amount of deduction allowed under section 199 of the Internal Revenue Code;

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

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

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

157.29 In the case of an individual who files an income tax return on a fiscal year basis, the
157.30 term "federal adjusted gross income" shall mean federal adjusted gross income reflected in
157.31 the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced

158.1 by the amount of a net operating loss carryback or carryforward or a capital loss carryback
158.2 or carryforward allowed for the year.

158.3 (b) "Income" does not include:

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

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

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

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

158.13 (5) relief granted under this chapter;

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

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

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

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

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

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

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

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

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

158.28 (d) For purposes of this subdivision, the "exemption amount" means the exemption
158.29 amount under section 151(d) of the Internal Revenue Code for the taxable year for which
158.30 the income is reported; "retirement base amount" means the deductible amount for the
158.31 taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue

159.1 Code, adjusted for inflation as provided in section 219(b)(5)(C) of the Internal Revenue
159.2 Code, without regard to whether the claimant or spouse claimed a deduction; and "traditional
159.3 or Roth style retirement account or plan" means retirement plans under sections 401, 403,
159.4 408, 408A, and 457 of the Internal Revenue Code.

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

159.6 Sec. 14. Minnesota Statutes 2016, section 290A.03, subdivision 4, is amended to read:

159.7 Subd. 4. **Household.** "Household" means a claimant and an individual related to the
159.8 claimant as ~~husband or wife~~ the claimant's spouse who are domiciled in the same homestead.

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

159.10 Sec. 15. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 8, is amended
159.11 to read:

159.12 Subd. 8. **Claimant.** (a) "Claimant" means a person, other than a dependent, as defined
159.13 under sections 151 and 152 of the Internal Revenue Code disregarding section 152(b)(3)
159.14 of the Internal Revenue Code, who filed a claim authorized by this chapter and who was a
159.15 resident of this state as provided in chapter 290 during the calendar year for which the claim
159.16 for relief was filed.

159.17 (b) In the case of a claim relating to rent constituting property taxes, the claimant shall
159.18 have resided in a rented or leased unit on which ad valorem taxes or payments made in lieu
159.19 of ad valorem taxes, including payments of special assessments imposed in lieu of ad valorem
159.20 taxes, are payable at some time during the calendar year covered by the claim.

159.21 (c) "Claimant" shall not include a resident of a nursing home, intermediate care facility,
159.22 long-term residential facility, or a facility that accepts housing support payments whose
159.23 rent constituting property taxes is paid pursuant to the Supplemental Security Income
159.24 program under title XVI of the Social Security Act, the Minnesota supplemental aid program
159.25 under sections 256D.35 to 256D.54, the medical assistance program pursuant to title XIX
159.26 of the Social Security Act, or the housing support program under chapter 256I.

159.27 If only a portion of the rent constituting property taxes is paid by these programs, the
159.28 resident shall be a claimant for purposes of this chapter, but the refund calculated pursuant
159.29 to section 290A.04 shall be multiplied by a fraction, the numerator of which is income as
159.30 defined in subdivision 3, paragraphs (a) and (b), reduced by the total amount of income
159.31 from the above sources other than vendor payments under the medical assistance program
159.32 and the denominator of which is income as defined in subdivision 3, paragraphs (a) and (b),

160.1 plus vendor payments under the medical assistance program, to determine the allowable
160.2 refund pursuant to this chapter.

160.3 (d) Notwithstanding paragraph (c), if the claimant was a resident of the nursing home,
160.4 intermediate care facility, long-term residential facility, or facility for which the rent was
160.5 paid for the claimant by the housing support program for only a portion of the calendar year
160.6 covered by the claim, the claimant may compute rent constituting property taxes by
160.7 disregarding the rent constituting property taxes from the nursing home or facility and use
160.8 only that amount of rent constituting property taxes or property taxes payable relating to
160.9 that portion of the year when the claimant was not in the facility. The claimant's household
160.10 income is the income for the entire calendar year covered by the claim.

160.11 (e) In the case of a claim for rent constituting property taxes of a part-year Minnesota
160.12 resident, the income and rental reflected in this computation shall be for the period of
160.13 Minnesota residency only. Any rental expenses paid which may be reflected in arriving at
160.14 federal adjusted gross income cannot be utilized for this computation. When two individuals
160.15 of a household are able to meet the qualifications for a claimant, they may determine among
160.16 them as to who the claimant shall be. If they are unable to agree, the matter shall be referred
160.17 to the commissioner of revenue whose decision shall be final. If a homestead property owner
160.18 was a part-year Minnesota resident, the income reflected in the computation made pursuant
160.19 to section 290A.04 shall be for the entire calendar year, including income not assignable to
160.20 Minnesota.

160.21 (f) If a homestead is occupied by two or more renters, who are not ~~husband and wife~~
160.22 married to each other, the rent shall be deemed to be paid equally by each, and separate
160.23 claims shall be filed by each. The income of each shall be each renter's household income
160.24 for purposes of computing the amount of credit to be allowed.

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

160.26 Sec. 16. Minnesota Statutes 2016, section 290A.05, is amended to read:

160.27 **290A.05 COMBINED HOUSEHOLD INCOME.**

160.28 If a person occupies a homestead with another person ~~or persons~~ not related to the person
160.29 as ~~husband and wife~~ the person's spouse, excluding dependents, roomers or boarders on
160.30 contract, and has property tax payable with respect to the homestead, the household income
160.31 of the claimant or claimants for the purpose of computing the refund allowed by section
160.32 290A.04 shall include the total income received by the other persons residing in the
160.33 homestead. For purposes of this section, "dependent" includes a parent of the claimant or

161.1 spouse who lives in the claimant's homestead and does not have an ownership interest in
161.2 the homestead. If a person occupies a homestead with another person or persons not related
161.3 to the person as ~~husband and wife~~ the person's spouse or as dependents, the property tax
161.4 payable or rent constituting property tax shall be reduced as follows.

161.5 If the other person or persons are residing at the homestead under rental or lease
161.6 agreement, the amount of property tax payable or rent constituting property tax shall be that
161.7 portion not covered by the rental agreement.

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

161.9 Sec. 17. Minnesota Statutes 2016, section 290A.08, is amended to read:

161.10 **290A.08 ONE CLAIMANT PER HOUSEHOLD.**

161.11 Only one claimant per household per year is entitled to relief under this chapter. Payment
161.12 of the claim for relief may be made payable to the ~~husband and wife~~ spouses as one claimant.
161.13 The commissioner, upon written request, may issue separate checks, to the ~~husband and~~
161.14 ~~wife~~ spouses for one-half of the relief provided the original check has not been issued or
161.15 has been returned. Individuals related as ~~husband and wife~~ spouses who were married during
161.16 the year may elect to file a joint claim which shall include each spouse's income, rent
161.17 constituting property taxes, and property taxes payable. ~~Husbands and wives~~ Spouses who
161.18 were married for the entire year and were domiciled in the same household for the entire
161.19 year must file a joint claim. The maximum dollar amount allowable for a joint claim shall
161.20 not exceed the amount that one person could receive.

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

161.22 Sec. 18. Minnesota Statutes 2016, section 290A.09, is amended to read:

161.23 **290A.09 PROOF OF CLAIM.**

161.24 Every claimant shall supply to the commissioner of revenue, in support of the claim,
161.25 proof of eligibility under this chapter, including but not limited to amount of rent paid or
161.26 property taxes accrued, name and address of owner or managing agent of property rented,
161.27 changes in homestead, household membership, household income, size and nature of property
161.28 claimed as a homestead.

161.29 ~~Disabled~~ Persons with a disability filing claims shall submit proof of disability in the
161.30 form and manner as the commissioner may prescribe. The department may require
161.31 examination and certification by the claimant's physician or by a physician designated by
161.32 the commissioner. The cost of any examination shall be borne by the claimant, unless the

162.1 examination proves the disability, in which case the cost of the examination shall be borne
162.2 by the commissioner.

162.3 A determination of disability of a claimant by the Social Security Administration under
162.4 Title II or Title XVI of the Social Security Act shall constitute presumptive proof of disability.

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

162.6 Sec. 19. Minnesota Statutes 2016, section 297A.61, subdivision 18, is amended to read:

162.7 Subd. 18. ~~Disabled Person with a disability.~~ "Disabled Person with a disability" means
162.8 an individual who has a permanent and total disability as defined in section 273.13,
162.9 subdivision 22.

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

162.11 Sec. 20. Minnesota Statutes 2017 Supplement, section 297A.67, subdivision 6, is amended
162.12 to read:

162.13 Subd. 6. **Other exempt meals.** (a) Prepared food, candy, and soft drinks purchased for
162.14 and served exclusively to individuals who are 60 years of age or over and their spouses or
162.15 to ~~disabled~~ persons with a disability and their spouses by governmental agencies, nonprofit
162.16 organizations, or churches, or pursuant to any program funded in whole or in part through
162.17 United States Code, title 42, sections 3001 through 3045, wherever delivered, prepared, or
162.18 served, are exempt. Taxable food sold through vending machines is not exempt.

162.19 (b) Prepared food, candy, and soft drinks purchased for and served exclusively to children
162.20 who are less than 14 years of age or ~~disabled~~ children with a disability who are less than
162.21 16 years of age and who are attending a child care or early childhood education program,
162.22 are exempt if they are:

162.23 (1) purchased by a nonprofit child care facility that is exempt under section 297A.70,
162.24 subdivision 4, and that primarily serves families with income of 250 percent or less of
162.25 federal poverty guidelines; and

162.26 (2) prepared at the site of the child care facility.

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

163.1 Sec. 21. Minnesota Statutes 2016, section 297A.67, subdivision 12, is amended to read:

163.2 Subd. 12. **Parts and accessories used to make a motor vehicle ~~disabled~~ accessible**
163.3 **to a person with a disability**. Parts, accessories, and labor charges that are used solely to
163.4 modify a motor vehicle to make it ~~disabled~~ accessible to persons with a disability are exempt.

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

163.6 Sec. 22. Minnesota Statutes 2016, section 297A.70, subdivision 3, is amended to read:

163.7 Subd. 3. **Sales of certain goods and services to government.** (a) The following sales
163.8 to or use by the specified governments and political subdivisions of the state are exempt:

163.9 (1) repair and replacement parts for emergency rescue vehicles, fire trucks, and fire
163.10 apparatus to a political subdivision;

163.11 (2) machinery and equipment, except for motor vehicles, used directly for mixed
163.12 municipal solid waste management services at a solid waste disposal facility as defined in
163.13 section 115A.03, subdivision 10;

163.14 (3) chore and homemaking services to a political subdivision of the state to be provided
163.15 to elderly individuals or ~~disabled individuals~~ persons with a disability;

163.16 (4) telephone services to the Office of MN.IT Services that are used to provide
163.17 telecommunications services through the MN.IT services revolving fund;

163.18 (5) firefighter personal protective equipment as defined in paragraph (b), if purchased
163.19 or authorized by and for the use of an organized fire department, fire protection district, or
163.20 fire company regularly charged with the responsibility of providing fire protection to the
163.21 state or a political subdivision;

163.22 (6) bullet-resistant body armor that provides the wearer with ballistic and trauma
163.23 protection, if purchased by a law enforcement agency of the state or a political subdivision
163.24 of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

163.25 (7) motor vehicles purchased or leased by political subdivisions of the state if the vehicles
163.26 are exempt from registration under section 168.012, subdivision 1, paragraph (b), exempt
163.27 from taxation under section 473.448, or exempt from the motor vehicle sales tax under
163.28 section 297B.03, clause (12);

163.29 (8) equipment designed to process, dewater, and recycle biosolids for wastewater
163.30 treatment facilities of political subdivisions, and materials incidental to installation of that
163.31 equipment;

164.1 (9) the removal of trees, bushes, or shrubs for the construction and maintenance of roads,
164.2 trails, or firebreaks when purchased by an agency of the state or a political subdivision of
164.3 the state;

164.4 (10) purchases by the Metropolitan Council or the Department of Transportation of
164.5 vehicles and repair parts to equip operations provided for in section 174.90, including, but
164.6 not limited to, the Northstar Corridor Rail project; and

164.7 (11) purchases of water used directly in providing public safety services by an organized
164.8 fire department, fire protection district, or fire company regularly charged with the
164.9 responsibility of providing fire protection to the state or a political subdivision.

164.10 (b) For purposes of this subdivision, "firefighters personal protective equipment" means
164.11 helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including
164.12 pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls;
164.13 goggles; self-contained breathing apparatus; canister filter masks; personal alert safety
164.14 systems; spanner belts; optical or thermal imaging search devices; and all safety equipment
164.15 required by the Occupational Safety and Health Administration.

164.16 (c) For purchases of items listed in paragraph (a), clause (10), the tax must be imposed
164.17 and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded
164.18 in the manner provided in section 297A.75.

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

164.20 Sec. 23. Minnesota Statutes 2017 Supplement, section 297A.70, subdivision 4, is amended
164.21 to read:

164.22 Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph (b),
164.23 to the following "nonprofit organizations" are exempt:

164.24 (1) a corporation, society, association, foundation, or institution organized and operated
164.25 exclusively for charitable, religious, or educational purposes if the item purchased is used
164.26 in the performance of charitable, religious, or educational functions;

164.27 (2) any senior citizen group or association of groups that:

164.28 (i) in general limits membership to persons who are either age 55 or older, or ~~physically~~
164.29 ~~disabled~~ persons with a physical disability;

164.30 (ii) is organized and operated exclusively for pleasure, recreation, and other nonprofit
164.31 purposes, not including housing, no part of the net earnings of which inures to the benefit
164.32 of any private shareholders; and

165.1 (iii) is an exempt organization under section 501(c) of the Internal Revenue Code; and

165.2 (3) an organization that qualifies for an exemption for memberships under subdivision
165.3 12 if the item is purchased and used in the performance of the organization's mission.

165.4 For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery
165.5 owned by a religious organization.

165.6 (b) This exemption does not apply to the following sales:

165.7 (1) building, construction, or reconstruction materials purchased by a contractor or a
165.8 subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed
165.9 maximum price covering both labor and materials for use in the construction, alteration, or
165.10 repair of a building or facility;

165.11 (2) construction materials purchased by tax-exempt entities or their contractors to be
165.12 used in constructing buildings or facilities that will not be used principally by the tax-exempt
165.13 entities;

165.14 (3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2),
165.15 and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67,
165.16 subdivision 2, except wine purchased by an established religious organization for sacramental
165.17 purposes or as allowed under subdivision 9a; and

165.18 (4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except as
165.19 provided in paragraph (c).

165.20 (c) This exemption applies to the leasing of a motor vehicle as defined in section 297B.01,
165.21 subdivision 11, only if the vehicle is:

165.22 (1) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a
165.23 passenger automobile, as defined in section 168.002, if the automobile is designed and used
165.24 for carrying more than nine persons including the driver; and

165.25 (2) intended to be used primarily to transport tangible personal property or individuals,
165.26 other than employees, to whom the organization provides service in performing its charitable,
165.27 religious, or educational purpose.

165.28 (d) A limited liability company also qualifies for exemption under this subdivision if
165.29 (1) it consists of a sole member that would qualify for the exemption, and (2) the items
165.30 purchased qualify for the exemption.

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

166.1 Sec. 24. Minnesota Statutes 2016, section 297A.70, subdivision 16, is amended to read:

166.2 Subd. 16. **Camp fees.** Fees to camps or other recreation facilities are exempt for:

166.3 (1) services primarily for children, adults accompanying children, or persons with
166.4 ~~disabilities~~ a disability; or

166.5 (2) educational or religious activities;

166.6 ~~and~~ if the camp or facilities are owned and operated by an exempt organization under section
166.7 501(c)(3) of the Internal Revenue Code.

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

166.9 Sec. 25. Minnesota Statutes 2016, section 297A.71, subdivision 22, is amended to read:

166.10 Subd. 22. **Materials used to make residential property ~~disabled~~ accessible to persons**
166.11 **with a disability.** Building materials and equipment sold to, or stored, used, or consumed
166.12 by, a nonprofit organization are exempt if:

166.13 (1) the materials and equipment are used or incorporated into modifying an existing
166.14 residential structure to make it ~~disabled~~ accessible to persons with a disability; and

166.15 (2) the materials and equipment used in the modification would qualify for an exemption
166.16 under either subdivision 11 or 12 if made by the current owner of the residence.

166.17 For purposes of this subdivision, "nonprofit organization" means any nonprofit
166.18 corporation, society, association, foundation, or institution organized and operated exclusively
166.19 for charitable, religious, educational, or civic purposes; or a veterans' group exempt from
166.20 federal taxation under section 501(c), clause (19), of the Internal Revenue Code.

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

166.22 Sec. 26. Minnesota Statutes 2017 Supplement, section 297A.75, subdivision 1, is amended
166.23 to read:

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

166.27 (1) building materials for an agricultural processing facility exempt under section
166.28 297A.71, subdivision 13;

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

- 167.1 (3) building materials for correctional facilities under section 297A.71, subdivision 3;
- 167.2 (4) building materials used in a residence for ~~disabled~~ veterans with a disability exempt
167.3 under section 297A.71, subdivision 11;
- 167.4 (5) elevators and building materials exempt under section 297A.71, subdivision 12;
- 167.5 (6) materials and supplies for qualified low-income housing under section 297A.71,
167.6 subdivision 23;
- 167.7 (7) materials, supplies, and equipment for municipal electric utility facilities under
167.8 section 297A.71, subdivision 35;
- 167.9 (8) equipment and materials used for the generation, transmission, and distribution of
167.10 electrical energy and an aerial camera package exempt under section 297A.68, subdivision
167.11 37;
- 167.12 (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph
167.13 (a), clause (10);
- 167.14 (10) materials, supplies, and equipment for construction or improvement of projects and
167.15 facilities under section 297A.71, subdivision 40;
- 167.16 (11) materials, supplies, and equipment for construction, improvement, or expansion
167.17 of:
- 167.18 (i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014,
167.19 section 297A.71, subdivision 42;
- 167.20 (ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision
167.21 45;
- 167.22 (iii) a research and development facility exempt under Minnesota Statutes 2014, section
167.23 297A.71, subdivision 46; and
- 167.24 (iv) an industrial measurement manufacturing and controls facility exempt under
167.25 Minnesota Statutes 2014, section 297A.71, subdivision 47;
- 167.26 (12) enterprise information technology equipment and computer software for use in a
167.27 qualified data center exempt under section 297A.68, subdivision 42;
- 167.28 (13) materials, supplies, and equipment for qualifying capital projects under section
167.29 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);
- 167.30 (14) items purchased for use in providing critical access dental services exempt under
167.31 section 297A.70, subdivision 7, paragraph (c);

168.1 (15) items and services purchased under a business subsidy agreement for use or
168.2 consumption primarily in greater Minnesota exempt under section 297A.68, subdivision
168.3 44;

168.4 (16) building materials, equipment, and supplies for constructing or replacing real
168.5 property exempt under section 297A.71, subdivision 49; and

168.6 (17) building materials, equipment, and supplies for constructing or replacing real
168.7 property exempt under section 297A.71, subdivision 50, paragraph (b).

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

168.9 Sec. 27. Minnesota Statutes 2016, section 297B.01, subdivision 14, is amended to read:

168.10 Subd. 14. **Purchase price.** (a) "Purchase price" means the total consideration valued
168.11 in money for a sale, whether paid in money or otherwise. The purchase price excludes the
168.12 amount of a manufacturer's rebate paid or payable to the purchaser. If a motor vehicle is
168.13 taken in trade as a credit or as part payment on a motor vehicle taxable under this chapter,
168.14 the credit or trade-in value allowed by the person selling the motor vehicle shall be deducted
168.15 from the total selling price to establish the purchase price of the vehicle being sold and the
168.16 trade-in allowance allowed by the seller shall constitute the purchase price of the motor
168.17 vehicle accepted as a trade-in. The purchase price in those instances where the motor vehicle
168.18 is acquired by gift or by any other transfer for a nominal or no monetary consideration shall
168.19 also include the average value of similar motor vehicles, established by standards and guides
168.20 as determined by the motor vehicle registrar. The purchase price in those instances where
168.21 a motor vehicle is manufactured by a person who registers it under the laws of this state
168.22 shall mean the manufactured cost of such motor vehicle and manufactured cost shall mean
168.23 the amount expended for materials, labor, and other properly allocable costs of manufacture,
168.24 except that in the absence of actual expenditures for the manufacture of a part or all of the
168.25 motor vehicle, manufactured costs shall mean the reasonable value of the completed motor
168.26 vehicle.

168.27 (b) The term "purchase price" shall not include the portion of the value of a motor vehicle
168.28 due solely to modifications necessary to make the motor vehicle ~~disability~~ accessible to
168.29 persons with a disability.

168.30 (c) The term "purchase price" shall not include the transfer of a motor vehicle by way
168.31 of gift between a ~~husband and wife~~ spouses or parent and child, or to a nonprofit organization
168.32 as provided under subdivision 16, paragraph (c), clause (6), nor shall it include the transfer
168.33 of a motor vehicle by a guardian to a ward when there is no monetary consideration and the

169.1 title to such vehicle was registered in the name of the guardian, as guardian, only because
169.2 the ward was a minor.

169.3 (d) The term "purchase price" shall not include the transfer of a motor vehicle as a gift
169.4 between a foster parent and foster child. For purposes of this subdivision, a foster relationship
169.5 exists, regardless of the age of the child, if (1) a foster parent's home is or was licensed as
169.6 a foster family home under Minnesota Rules, parts 2960.3000 to 2960.3340, and (2) the
169.7 county verifies that the child was a state ward or in permanent foster care.

169.8 (e) There shall not be included in "purchase price" the amount of any tax imposed by
169.9 the United States upon or with respect to retail sales whether imposed upon the retailer or
169.10 the consumer.

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

169.12 Sec. 28. Minnesota Statutes 2017 Supplement, section 297B.01, subdivision 16, is amended
169.13 to read:

169.14 Subd. 16. **Sale, sells, selling, purchase, purchased, or acquired.** (a) "Sale," "sells,"
169.15 "selling," "purchase," "purchased," or "acquired" means any transfer of title of any motor
169.16 vehicle, whether absolutely or conditionally, for a consideration in money or by exchange
169.17 or barter for any purpose other than resale in the regular course of business.

169.18 (b) Any motor vehicle utilized by the owner only by leasing such vehicle to others or
169.19 by holding it in an effort to so lease it, and which is put to no other use by the owner other
169.20 than resale after such lease or effort to lease, shall be considered property purchased for
169.21 resale.

169.22 (c) The terms also shall include any transfer of title or ownership of a motor vehicle by
169.23 other means, for or without consideration, except that these terms shall not include:

169.24 (1) the acquisition of a motor vehicle by inheritance from or by bequest of, or
169.25 transfer-on-death of title by, a decedent who owned it;

169.26 (2) the transfer of a motor vehicle which was previously licensed in the names of two
169.27 or more joint tenants and subsequently transferred without monetary consideration to one
169.28 or more of the joint tenants;

169.29 (3) the transfer of a motor vehicle by way of gift from a limited used vehicle dealer
169.30 licensed under section 168.27, subdivision 4a, to an individual, when the transfer is with
169.31 no monetary or other consideration or expectation of consideration and the parties to the
169.32 transfer submit an affidavit to that effect at the time the title transfer is recorded;

170.1 (4) the transfer of a motor vehicle by gift between:

170.2 (i) spouses;

170.3 (ii) parents and a child; or

170.4 (iii) grandparents and a grandchild;

170.5 (5) the voluntary or involuntary transfer of a motor vehicle between ~~a husband and wife~~
170.6 spouses in a divorce proceeding; or

170.7 (6) the transfer of a motor vehicle by way of a gift to an organization that is exempt from
170.8 federal income taxation under section 501(c)(3) of the Internal Revenue Code when the
170.9 motor vehicle will be used exclusively for religious, charitable, or educational purposes.

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

170.11 Sec. 29. Laws 2017, First Special Session chapter 1, article 8, section 3, the effective date,
170.12 is amended to read:

170.13 **EFFECTIVE DATE.** This section is effective for (1) petitions and appeals filed after
170.14 June 30, 2017, for which notices of entry of order are mailed before July 1, 2018, and (2)
170.15 notices of entry of order mailed after June 30, 2018.

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

170.17 Delete the title and insert:

170.18 "A bill for an act

170.19 relating to taxation; making changes to conform with certain federal tax law
170.20 changes; adopting federal adjusted gross income as the starting point for calculating
170.21 individual income tax; making policy and technical changes to various tax-related
170.22 provisions including provisions related to the individual income tax, corporate
170.23 franchise tax, estate tax, sales and use tax, gross revenues tax, gross receipts tax,
170.24 property tax, partnership tax, tobacco tax, and other miscellaneous tax provisions;
170.25 making changes to the property tax refund program; providing for registration and
170.26 taxation of unmanned aircraft; modifying provisions related to local government
170.27 aid; appropriating money; amending Minnesota Statutes 2016, sections 116J.8737,
170.28 subdivisions 5, 12; 162.145, subdivision 3; 270.41, subdivision 3; 270B.08,
170.29 subdivision 2; 270C.85, subdivision 2; 270C.89, subdivision 2; 270C.91; 272.02,
170.30 subdivisions 27, 81; 273.032; 273.061, subdivision 9; 273.113, subdivision 3;
170.31 273.119, subdivision 2; 273.1231, subdivision 3; 273.136, subdivision 2; 273.1384,
170.32 subdivision 3; 273.18; 274.14; 274.16; 287.21, subdivision 1; 289A.08, subdivisions
170.33 1, 6, 7; 289A.25, subdivision 1; 289A.31, subdivision 2; 289A.37, subdivision 6;
170.34 289A.38, subdivisions 7, 10; 289A.42; 289A.60, subdivision 24; 290.01,
170.35 subdivision 22, by adding subdivisions; 290.0131, subdivisions 1, 3, by adding
170.36 subdivisions; 290.0132, subdivisions 1, 7, by adding subdivisions; 290.0133,
170.37 subdivision 6, by adding a subdivision; 290.0134, by adding subdivisions; 290.0136;
170.38 290.05, subdivision 3; 290.06, subdivisions 1, 2c, 2d, by adding a subdivision;
170.39 290.067, subdivision 2a; 290.0671, subdivision 7; 290.0672, subdivision 2;
170.40 290.0681, subdivisions 3, 4; 290.0685, subdivision 1, by adding a subdivision;
170.41 290.0802, subdivisions 2, 3; 290.091, subdivision 3; 290.0921, subdivision 8;

171.1 290.0922, subdivision 1; 290.095, subdivision 4; 290.21, by adding a subdivision;
171.2 290.34, by adding a subdivision; 290.92, subdivisions 1, 28; 290A.03, subdivisions
171.3 4, 12; 290A.04, subdivision 4; 290A.05; 290A.08; 290A.09; 290B.09, subdivision
171.4 1; 291.03, subdivisions 8, 10; 295.50, subdivisions 4, 9b, by adding subdivisions;
171.5 297A.61, subdivision 18; 297A.67, subdivision 12, by adding subdivisions;
171.6 297A.68, subdivisions 17, 25, 29, 44; 297A.70, subdivisions 3, 7, 16, by adding
171.7 subdivisions; 297A.71, subdivisions 22, 45, by adding subdivisions; 297A.77, by
171.8 adding a subdivision; 297A.84; 297A.85; 297B.01, subdivision 14; 297B.03;
171.9 297F.01, subdivisions 19, 23, by adding a subdivision; 297F.17, subdivision 6;
171.10 297G.16, subdivision 7; 360.013, by adding subdivisions; 360.55, by adding a
171.11 subdivision; 360.62; 469.177, subdivision 1; 469.316, subdivision 1; 469.317;
171.12 469.319, subdivision 4; 477A.013, subdivision 13; Minnesota Statutes 2017
171.13 Supplement, sections 270A.03, subdivision 5; 270C.445, subdivision 6; 270C.89,
171.14 subdivision 1; 272.115, subdivision 1; 273.0755; 273.13, subdivisions 22, 34;
171.15 273.1384, subdivision 2; 273.1387, subdivision 3; 275.025, subdivision 1; 289A.02,
171.16 subdivision 7; 289A.12, subdivision 14; 289A.31, subdivision 1; 289A.35; 289A.37,
171.17 subdivision 2; 290.01, subdivisions 4a, 19, 31; 290.0131, subdivision 10; 290.0132,
171.18 subdivisions 21, 26; 290.0133, subdivision 12; 290.0137; 290.05, subdivision 1;
171.19 290.067, subdivisions 1, 2b; 290.0671, subdivision 1; 290.0672, subdivision 1;
171.20 290.0681, subdivisions 1, 2; 290.0684, subdivisions 1, 2; 290.0686, subdivision
171.21 1; 290.091, subdivision 2; 290.17, subdivisions 2, 4; 290.31, subdivision 1;
171.22 290A.03, subdivisions 3, 8, 15; 291.005, subdivision 1; 291.03, subdivisions 9,
171.23 11; 297A.61, subdivision 3; 297A.67, subdivisions 6, 34; 297A.70, subdivisions
171.24 4, 20; 297A.75, subdivisions 1, 2, 3; 297B.01, subdivision 16; 297E.02, subdivision
171.25 3; 462D.03, subdivision 2; 462D.06, subdivisions 1, 2; 477A.03, subdivision 2a;
171.26 Laws 2017, First Special Session chapter 1, article 8, section 3; proposing coding
171.27 for new law in Minnesota Statutes, chapters 289A; 290; repealing Minnesota
171.28 Statutes 2016, sections 275.29; 289A.38, subdivisions 7, 8, 9; 290.01, subdivision
171.29 29a; 290.0131, subdivisions 7, 11, 12, 13; 290.0132, subdivisions 8, 19, 20;
171.30 290.0133, subdivisions 13, 14; 290.0921, subdivisions 1, 2, 3a, 4, 6; 290.10,
171.31 subdivision 2."