

Subject House omnibus tax bill

Authors Gomez

Analyst Justin Cope
Alexandra Haigler
Christopher Kleman
Jared Swanson
Sean Williams

Date May 2, 2023

Table of Contents

Article 1: Individual Income and Corporate Franchise Taxes	2
Article 2: Conformity.....	13
Article 3: Property Taxes.....	16
Article 4: Property Tax Aids, Credits, and Refunds.....	21
Article 5: Sales and Use Taxes.....	29
Article 6: Minerals Taxes.....	36
Article 7: Renter’s Credit.....	40
Article 8: Tax Increment Financing	46
Article 9: Local Taxes.....	55
Article 10: Public Finance.....	56
Article 11: Purpose Statements	58
Article 12: Miscellaneous.....	59
Article 13: Department of Revenue Policy and Technical: Income and Corporate Franchise	68
Article 14: Department of Revenue Policy and Technical: Fire and Police State Aids	70
Article 15: Department of Revenue Policy and Technical: Data Practices	75
Article 16: Department of Revenue Policy and Technical: Miscellaneous	77
Article 17: Grants Management	78

Article 1: Individual Income and Corporate Franchise Taxes

This article makes several changes related to individual income and corporate franchise taxes, including:

- creating a onetime refundable credit payment of \$550 for married couples filing joint returns and \$275 for single and other filers, plus \$275 per dependent for up to three dependents. The credit is based on 2021 incomes and returns;
- restructuring Minnesota’s working family credit to establish a Minnesota child credit of \$1,275 per child, which is jointly phased out with a \$500 credit based on the taxpayer’s earned income;
- allowing a 100 percent Social Security subtraction for married taxpayers with adjusted gross incomes (AGI) of \$100,000 or less, and single taxpayers with AGI of \$78,000 or less;
- establishing a new public pension subtraction, for pensions based on service for which the taxpayer did not earn credit towards Social Security. The subtraction is limited to \$25,000 and is phased out in the same manner as the Social Security subtraction;
- adding a fifth tier to the individual income tax, with a 10.85 percent rate, for income above \$1,000,000 for married couples filing joint returns and \$600,000 for single filers;
- imposing worldwide combined reporting under the corporate franchise tax;
- expanding the beginning farmer and film credits and establishing a manufactured home credit;
- making the student loan credit refundable, and increasing the maximum credit from \$500 to \$1,000;
- modifying the income definition used by the education credit and increasing the income-based phaseouts and maximums; and
- expanding the pass-through entity tax.

Section	Description – Article 1: Individual Income and Corporate Franchise Taxes
---------	--

1	General.
---	-----------------

	Updates a cross-reference to the working family credit to reflect the credit’s inclusion of a child credit component.
--	---

	Effective date: Tax year 2023 and thereafter.
--	--

2	Definitions.
---	---------------------

	Defines an “underserved farmer or rancher” as a veteran, limited resource producer, or individual living in a high poverty area, as those terms are defined by the United States Department of Agriculture. Also makes conforming changes to the prohibition on sales between spouses and family members due to the changes in section 3.
--	---

Section Description – Article 1: Individual Income and Corporate Franchise Taxes

Effective date: Tax year 2023 and thereafter.

3 Tax credit for owners of agricultural assets.

Increases the credit rate for land sales from five percent to eight percent (or 12 percent for underserved farmers or ranchers) and increases the maximum credit for these sales from \$32,000 to \$50,000. Also allows sales of land to a spouse or family member (brother, sister, ancestor, or lineal descendant) to qualify for the credit.

Effective date: Tax year 2023 and thereafter.

4 Authority; duties.

Creates a priority allocation for newly allocated credits, for underserved farmers or ranchers. Also makes a technical change to current law to accurately reference the ultimate priority for recertifications of the multiyear credit for rentals. In addition, a conforming change is made due to the sunset date changes in section 5.

Effective date: Tax year 2023 and thereafter.

5 Sunset.

Extends the sunset date from tax year 2024 to tax year 2031.

Effective date: Day following final enactment.

6 Definitions.

Modifies the definition of “film project” to allow the \$1,000,000 expenditure threshold to apply in any 12-month period instead of a taxable year.

Effective date: Tax year 2023 and thereafter.

7 Applications; allocations.

Increases the annual allocation for the film credit from \$4,950,000 per year to \$24,950,000 per year and makes a conforming change due to the effective date change in section 8.

For fiscal years 2024 and 2025, the increase in film credit allocations is limited to \$14,040,000 million relative to the February 2023 forecast base.

Effective date: Tax year 2023 and thereafter.

8 Expiration.

Moves the sunset date from tax year 2025 to tax year 2032.

Effective date: Tax year 2023 and thereafter.

Section Description – Article 1: Individual Income and Corporate Franchise Taxes

- 9 **Retrieval of contents.**
Updates a cross-reference to the working family credit to reflect the credit’s inclusion of a child credit component.

Effective date: Tax year 2023 and thereafter.
- 10 **Sexual harassment and abuse settlement; payment as severance or wages prohibited.**
Prohibits sexual harassment and abuse settlements between employees and employers to be provided as wages or severance pay.

Effective date: Day following final enactment.
- 11 **General information.**
Updates a cross-reference to the working family credit to reflect the credit’s inclusion of a child credit component.

Effective date: Tax year 2023 and thereafter.
- 12 **Payment options.**
Updates a cross-reference to the working family credit to reflect the credit’s inclusion of a child credit component.

Effective date: Tax year 2023 and thereafter.
- 13 **Composite income tax returns for nonresident partners, shareholders, and beneficiaries.**
Makes a conforming change due to the recodification for the definition of “income” in section 16.

Effective date: Tax year 2023 and thereafter.
- 14 **Pass-through entity tax.**
Makes a conforming change due to the recodification for the definition of “income” in section 16.

Makes clarifying changes regarding disregarded entities.

Allows tiered pass-through entities to elect to file and pay the PTE tax.

Requires the exclusion of any owner of a pass-through entity that is not a qualifying owner from the election requirements and clarifies that the election must be made

Section Description – Article 1: Individual Income and Corporate Franchise Taxes

by the owners who collectively hold a majority of the total ownership interests of qualifying owners.

Removes the requirement that the election may only be made if a qualifying owner's SALT deduction is limited federally and sunsets the PTE tax when the federal SALT deduction cap expires.

Effective date: Tax year 2023 and thereafter.

15 Reporting and payment requirements for partnerships and tiered partners.

Requires a partnership subject to a federal partnership level audit to report adjustments and file a new PTE tax return to account for the changes.

Effective date: Retroactive to tax year 2021.

16 Net income.

Recodifies the existing definitions of income for purposes of composite returns and the pass-through entity tax from chapter 289A to chapter 290.

Also allows 100 percent of resident qualifying owner's income to be used in calculating the pass-through entity tax.

Effective date: Tax year 2023 and thereafter.

17 Education expenses.

Updates a cross-reference to the K-12 credit, to account for the technical changes to the definitions section.

Effective date: Tax year 2023 and later.

18 Student loan discharges.

Permanently adopt (for taxable years after 2025) the American Rescue Plan Act (ARPA) exclusion for discharged student loans, by allowing a subtraction for discharged student loans which would qualify under the ARPA exclusion.

Effective date: Tax year 2023 and later.

19 Social security benefits.

Expands Minnesota's Social Security subtraction to allow taxpayers with adjusted gross income below \$100,000 (for married joint returns) or \$78,000 (for single or head of household returns) to subtract the full amount of the taxpayer's taxable Social Security benefits. This change switches the measure of income used to phase out the subtraction from provisional income to adjusted gross income.

Section Description – Article 1: Individual Income and Corporate Franchise Taxes

The subtraction would be phased down by ten percent for each \$2,000 of adjusted gross income in excess of the phaseouts mentioned above (for married joint taxpayers the phasedown is ten percent for each \$1,000 of AGI). The thresholds would be indexed for inflation.

Allows taxpayers to continue to claim the state subtraction amounts allowed under current law, if those amounts are greater than the new “simplified” approach established in the bill. The amounts for the “simplified” approach are not indexed for inflation.

Effective date: Tax year 2023 and later.

20 Deferred foreign income.

Technical correction to language in existing law relating to the subtraction for section 965 (deemed repatriation) income.

Effective date: Day following final enactment.

21 Damages for sexual harassment or abuse.

Provides a subtraction for damages received under a sexual harassment or abuse claim not deductible federally.

Effective date: Tax year 2023 and later.

22 Qualified retirement benefits.

Establishes a subtraction for a portion of public pension benefits. The subtraction would apply to pension benefits that were earned based on service for which the member or survivor did not earn Social Security benefits. The subtraction would apply to state or federal pension plans whose members do not qualify for Social Security benefits. The bill defines these benefits as “qualified benefits.”

The subtraction is limited to \$25,000 for married joint filers, and \$12,500 for other filers. The subtraction is phased out beginning at \$100,000 of AGI for married joint filers and \$78,000 for single and head of household filers. The subtraction is reduced by ten percent for each \$2,000 of adjusted gross income above those thresholds.

Effective date: Tax year 2023 and later.

23 Subpart F income.

Allows a subtraction for subpart F income for unitary businesses subject to worldwide combined reporting.

Effective date: Tax year 2024 and thereafter.

Section Description – Article 1: Individual Income and Corporate Franchise Taxes

- 24 Special deductions.**
Removes unnecessary reference to the participation exemption for section 965 income.
Effective date: Day following final enactment.
- 25 Deferred foreign income.**
Technical correction to language in existing law relating to the subtraction for section 965 (deemed repatriation) income.
Effective date: Day following final enactment.
- 26 Subpart F income.**
Allows a subtraction for subpart F income for unitary businesses subject to worldwide combined reporting.
Effective date: Tax year 2024 and thereafter.
- 27 Schedule of rates for individuals, estates, and trusts.**
Establishes a fifth tier on the individual income tax, with a rate of 10.85 percent. The tier would begin at \$1,000,000 for married taxpayers filing joint returns, \$600,000 for single filers, and \$800,000 for head of household filers.
Effective date: Tax year 2023 and later.
- 28 Inflation adjustment of brackets.**
Sets the statutory year to 2023 for the purposes of the brackets for inflation.
Effective date: Tax year 2024 and later.
- 29 Film production credit.**
Makes a conforming change to the sunset date for the film credit due to the changes in section 8.
Effective date: Day following final enactment.
- 30 Dependent care credit.**
Allows unmarried taxpayers with a newborn child who do not have dependent care expenses to claim the “newborn credit.” This credit deems the taxpayer to have paid the maximum amount of expenses for one dependent for the purposes of the credit.
Effective date: Tax year 2023 and later.

Section Description – Article 1: Individual Income and Corporate Franchise Taxes

31 Minnesota child and working family credit.

Restructures the Minnesota working family credit into a combined credit based on the taxpayer's earned income and number of qualifying children.

The bill makes three new groups of people eligible for the credits:

- Taxpayers who file with an individual taxpayer identification number (ITIN)
- Childless taxpayers who are 18, or who are 65 and older
- Taxpayers who have insufficient earned income to qualify for the federal earned income credit (who are allowed to claim the child credit)

The "child credit" component of the credit equals \$1,275 per child, with no cap on the number of eligible children.

The "working family" component of the credit equals four percent of the first \$12,500 of earned income, up to a maximum credit of \$500.

The combined amount is phased down beginning at \$36,000 of earned income or adjusted gross income (whichever is greater) for married joint filers, and \$28,000 for all other filers. The credit is reduced by nine percent of AGI/earned income above these thresholds.

The per-child amounts, earned income eligible for the credit, and phaseout thresholds would be indexed for inflation.

This section additionally permits (but does not require) the Department of Revenue (DOR) to establish a system of advance payments for the credit.

Effective date: Tax year 2023.

32 Minnesota education credit.

Subd. 1a. Definitions. Makes technical changes to restructure and clarify the language describing which expenses qualify for the credit.

Defines "dependent" and "exemption amount" for the purposes of the credit.

Subd. 2. Limitation. Shifts the income measure used to phase out the credit from household income to adjusted gross income (AGI).

Increases the phaseout threshold for the credit to \$70,000 of AGI, plus an additional amount based on the number of the taxpayer's children. For taxpayers with three dependents, the phaseout is increased by one dependent exemption amount (\$4,800 in TY 23). For taxpayers with four dependents, the phaseout is

Section Description – Article 1: Individual Income and Corporate Franchise Taxes

increased by two exemption amounts, and for taxpayers with five or more dependents, the phaseout is increased by three exemption amounts.

Increases the maximum credit from \$1,000 to \$1,500.

Subd. 3. Income. Strikes the definition of “income” currently used to phase out the credit.

Subd. 6. Inflation adjustment. Indexes the phaseout thresholds for inflation.

Effective date: Tax year 2023.

33 Credit allowed; current military service.

Makes the credit for military service available per calendar year, not taxable year.

Effective date: Tax year 2023.

34 Credit allowed.

Increases the maximum student loan credit from \$500 to \$1,000.

Effective date: Tax year 2023.

35 Credit refundable.

Makes the student loan credit refundable.

Effective date: Tax year 2023.

36 Credit allowed.

Eliminates the dependent test for the credit and restricts nonresidents from claiming the credit.

Effective date: Retroactive to tax year 2016.

37 Definitions.

“Certificate of birth resulting in stillbirth” means a printed certificate of stillbirth issued by the Minnesota Department of Health for a Minnesota birth or a similar certificate issued by another state or country if the birth occurs outside of Minnesota.

“Eligible individual” (i.e., individuals who will be allowed the credit) must be:

- a Minnesota resident or the nonresident spouse of a member of the military who is a Minnesota resident;

Section Description – Article 1: Individual Income and Corporate Franchise Taxes

- the individual who gave birth and is listed as a parent on the certificate of birth (or the first parent listed if there is no individual meeting this requirement); or
- for a stillbirth outside Minnesota for which no certificate of birth was issued, the individual who gave birth.

Stillbirth” is defined by reference to the statute that requires a fetal death report, for stillbirths occurring in Minnesota

Effective date: Retroactive to tax year 2016.

38 Credit for attaining master’s degrees in teacher’s licensure field.

Expands the credit for teachers attaining master’s degrees to cover degrees in special education.

To qualify, the degree must lead to licensure in one of the following areas:

- Developmental disabilities
- Early childhood special education
- Deaf and hard of hearing education
- Blind and visually impaired education
- Emotional or behavior disorders
- Autism spectrum disorders
- Learning disabilities

Effective date: Tax year 2023.

39 Credit for sales of manufactured home parks to cooperatives.

Establishes a credit for the seller of a manufactured home park to a manufactured home park cooperative equal to five percent of the amount of the sale. The credit would not be refundable but a five-year carryforward would be allowed. The credit would sunset for tax years in 2031.

Effective date: Tax year 2023 and thereafter.

40 Definitions.

Allows a subtraction under the individual alternative minimum tax for the proposed subtraction for sexual harassment and abuse settlements and public pension benefits.

Effective date: Tax year 2023 and thereafter.

Section Description – Article 1: Individual Income and Corporate Franchise Taxes

41 Unitary business principle.

Requires the income of foreign corporations that are unitary with a domestic corporation to be apportioned to Minnesota and the factors of a unitary foreign corporation to be included in the apportionment formula. Requires foreign corporations not subject to federal tax filing requirements to calculate net income as required under the Internal Revenue Code.

Effective date: Tax year 2024 and thereafter.

42 Foreign corporations and other foreign entities. (worldwide combined reporting)

Establishes administrative provisions for foreign profit and loss statements.

Effective date: Tax year 2024 and thereafter.

43 Controlled foreign corporations.

Makes a clarifying change to the subpart F rules and clarifies that nonunitary corporations will continue to be subject to the subpart F rules.

Effective date: Tax years 2024 and thereafter, except the clarifying change is effective the day following final enactment.

44 Film production credit.

Makes a conforming change to the sunset date for the film credit due to the changes in section 8.

Effective date: Day following final enactment.

45 Access to certain items.

Updates a cross-reference to the working family credit to reflect the credit's inclusion of a child credit component.

Effective date: Tax year 2023 and thereafter.

46 One-time refundable credit payment.

Subd. 1. Credit allowed; eligibility. Allows a one-time refundable credit payment, effective retroactively for tax year 2021. The credit is limited to individuals who were full- or part-year residents for tax year 2021, and is apportioned for part-year residents based on their Minnesota residency percentage.

The credit amount is \$550 for a married joint taxpayer and \$275 for a single filer, head of household, or married taxpayer filing a separate return.

Section Description – Article 1: Individual Income and Corporate Franchise Taxes

The credit amount is increased by \$275 per dependent, up to a maximum additional amount of \$825 (for three dependents).

The credit is limited to taxpayers with AGI below \$150,000 (for married joint returns) and \$75,000 (for other returns).

Subd. 2. Internal Revenue Code. Provides that the income tax definitions in chapter 290 apply to the credit.

Subd. 3. Data classification. Allows DOR to share nonpublic data or private data on individuals with vendors used to administer the credit.

Subd. 4. Credit not subject to recapture. Excludes the credit from revenue recapture.

Subd. 5. Not income. Specifies that the credit is not income for the purposes of certain public programs, including child care assistance, general assistance, housing support, the Minnesota family investment program and diversional work program, economic assistance programs, and medical assistance.

Subd. 6. Simplified filing process. Simplified filing process. Requires DOR to establish a simplified filing process to allow taxpayers without a filing requirement for tax year 2021 to file and claim the credit.

Subd. 7. Appropriation. Appropriates the amount necessary to make refunds based on the credit. The appropriation expires June 30, 2025.

Subd. 8. Distribution of refunds. Requires DOR to distribute refunds based on credit payments directly to taxpayers. Taxpayers who were eligible for a credit but did not file a tax year 2021 return could file and claim a credit according to the normal rules in section 289A.40. This allows taxpayers to file and claim a return for a refund within 3-½ years of the return's due date, plus any extensions of time granted for filing.

Effective date: Retroactively for tax year 2021.

47 **Subtraction for certain unemployment compensation.**

Provides an individual income tax subtraction for unemployment compensation received by teenagers pursuant to the 2021 Minnesota Court of Appeals decision in *Muse*. In 2021, the legislature conformed to the retroactive federal exclusion in the American Rescue Plan Act (ARPA) for unemployment compensation paid in 2020.

Effective date: Retroactively for tax year 2021 only.

Section Description – Article 1: Individual Income and Corporate Franchise Taxes

48 Extension of statute of limitations.

Provides an exception to the statute of limitations to allow taxpayers to amend returns due to the retroactive changes to the credit for parents of stillborn children.

Effective date: Day following final enactment.

49 Repealer.

Repeals an unnecessary definition for “deferred foreign income” and an unnecessary addition for estates and trusts, for certain special federal deductions related to international taxation.

Effective date: Day following final enactment.

Article 2: Conformity

This article adopts the federal Internal Revenue Code, as amended through March 1, 2023, which incorporates the changes in the SECURE 2.0 Act for state purposes.

In addition, this article makes changes to the federal conformity bill that is Laws 2023, chapter 1, by modifying the residency percentage calculation retroactively to include certain additions and subtractions enacted in that bill and by repealing the subtraction for excess business losses beginning in 2026.

SECURE 2.0 includes a number of broad changes to the way the Internal Revenue Code taxes retirement savings and income. Many of these changes do not affect state liability at all. Others affect liability by changing taxpayer behavior rather than the definition of taxable income—those changes were incorporated into the February forecast as a forecast adjustment. The changes the Department of Revenue has identified as having an effect on state liabilities are as follows:

SECURE 2.0 Section	Provision Summary
114	<p>Deferral of tax for sales of employer stock to employee stock ownership plan sponsored by an S corporation</p> <p>Under current law, an individual who owns stock of a nonpublicly traded C corporation and sells the stock to an employee stock ownership plan (ESOP) may defer the recognition of the gain on the sale under certain conditions. SECURE 2.0 expands this treatment to certain S corporation ESOPs.</p>

115	<p>Withdrawals for certain emergency expenses Allows individuals to take penalty-free distributions from tax-preferred retirement accounts to pay for “unforeseeable or immediate financial needs relating to personal or family emergency expenses.” Only one distribution per year of up to \$1,000 is allowed, and individuals may repay the distribution within three years. If a taxpayer makes such a repayment, the distribution is treated as a rollover distribution and not subject to tax.</p>
116	<p>Allow additional nonelective contributions to simple retirement accounts Under current law, employer contributions to SIMPLE retirement accounts are limited to two percent of compensation or three percent of employee elective deferral contributions. SECURE 2.0 allows employers to make additional contributions, up to the lesser of ten percent of compensation or \$5,000.</p>
126	<p>Special rules for certain distributions from long-term qualified tuition programs (529 plans) to Roth IRAs Allows beneficiaries of a section 529 qualified tuition plan to make tax- and penalty-free rollovers from the 529 plan to a Roth IRA.</p>
307	<p>Onetime election for qualified charitable distribution to split-interest entity; increase in qualified charitable distribution limitation Allows a onetime \$50,000 charitable distribution from an IRA to a “split-interest” entity, which the bill defines as certain charitable remainder annuity trusts, certain charitable remainder unitrusts, or certain charitable gift annuities. The bill also indexes for inflation the \$100,000 limitation on qualified charitable distributions.</p>
309	<p>Exclusion of disability-related first responder retirement payments Beginning in TY 2027, excludes from gross income certain service-connected disability pension payments. The exclusion applies to service as a law enforcement officer, firefighter, paramedic, or emergency medical technician.</p>
331	<p>Special rules for use of retirement funds in connection with qualified federally declared disasters Permanently allows taxpayers affected by a federally declared disaster to take a penalty-free distribution of up to \$22,000 from an employer retirement plan or IRA. The distribution is included ratably in gross income over three years. The provision additionally allows individuals who previously took a retirement account distribution to purchase their home to recontribute the amount withdrawn. The provision applies to individuals residing in a federally declared disaster area who sustained an economic loss as a result of the disaster.</p>
605	<p>Charitable contribution easements Disallows the charitable contribution deduction for a partnership making a qualified conservation contribution, if the value of the deduction exceeds 2.5 times the sum of each partner’s basis in the partnership. SECURE 2.0 provides exceptions to this limit for certain property held longer than three years, family partnerships, and contributions to preserve historic structures.</p>

Section Description – Article 2: Conformity

- 1 Internal Revenue Code.**
Updates the reference to the Internal Revenue Code for purposes of administration and compliance.
Effective date: When effective for federal purposes.
- 2 Net income.**
Updates the reference to the Internal Revenue Code for purposes of determining the starting point for Minnesota’s individual income and corporate franchise taxes.
Effective date: When effective for federal purposes.
- 3 Internal Revenue Code.**
Updates the reference to the Internal Revenue Code for purposes of determining the starting point for Minnesota’s individual income and corporate franchise taxes.
Effective date: When effective for federal purposes.
- 4 Schedule of rates for individuals, estates, and trusts.**
Amends the residency percentage formula to include the additions for business interest and net operating losses and the subtraction for net operating losses that were enacted in the federal conformity bill enacted January 12, 2023.
Effective date: Retroactive to tax year 2019 and thereafter.
- 5 Internal Revenue Code.**
Updates the reference to the Internal Revenue Code for purposes of the property tax refund.
Effective date: Taxes payable in 2024 and thereafter.
- 6 Scope.**
Updates the reference to the Internal Revenue Code for purposes of the estate tax.
Effective date: When effective for federal purposes.
- 7 Effective date.**
Amends the effective date for the residency percentage calculation in the federal conformity bill enacted January 12, 2023, to include the subtraction for business interest.
Effective date: Retroactive to tax year 2020 and thereafter.

Section Description – Article 2: Conformity

8 Repealer.

Repeals the excess business loss subtraction enacted in the federal conformity bill January 12, 2023.

Effective date: Day following final enactment.

Article 3: Property Taxes

This article makes several changes related to property taxes, including:

- reducing the net tax capacity for certain airport property;
- extending an exemption for property owned by the Minnesota Chippewa Tribe;
- establishing an exemption for an elderly living facility in Duluth;
- allowing certain community land trust property to receive the 4d classification;
- allowing property owners to qualify for homestead by providing an ITIN;
- allowing certain surviving spouses to apply for the market value exclusion for veterans with a disability;
- modifying the proposed property tax statement;
- increasing the value thresholds and the maximum exclusion amount for the homestead market value exclusion;
- modifying the senior deferral program; and
- extending the property tax levy authority for the Northwest Minnesota Multi-County Housing and Redevelopment Authority.

Section Description – Article 3: Property Taxes

1 Exempt property used by private entity for profit.

Extends the current exemption for certain hangars to those used for the manufacture of aircraft, provided that the hangar is at an airport that is not owned by either the Metropolitan Airports Commission or a city with a population of over 50,000. The section also provides for 12 years, a 50 percent reduction in net tax capacity for hangars used for the manufacture of aircraft and the check-in area of an airport, provided that the property is located at an airport owned by a city with a population greater than 50,000 but less than 150,000.

Effective date: This section is effective beginning with property taxes payable in 2024.

Section Description – Article 3: Property Taxes

2 Solar energy generating systems.

Requires real property to be classified as class 3a (commercial) if the property contains more than one solar energy generating system that cannot be combined with another system for the purposes of the solar energy production tax, and the systems in aggregate exceed one megawatt.

Effective date: This section is effective beginning with property taxes payable in 2024 and thereafter.

3 Certain property owned by an Indian Tribe.

Extends for an additional ten years a property tax exemption for a property in Minneapolis owned by the Minnesota Chippewa Tribe. The bill would also exempt the property from the requirement to file an exemption application every three years.

Effective date: This section is effective for property taxes payable in 2023 and thereafter.

4 Elderly living facility.

Establishes a property tax exemption for an elderly living facility in Duluth. Residents of the facility must be (i) at least 55 years of age, or (ii) disabled, and at least 30 percent of the units in the facility must be occupied by individuals whose income does not exceed 50 percent of the area median income.

Effective date: This section is effective beginning with taxes payable in 2023.

5 Community land trusts.

States that community land trust units that are owned and used as a homestead by the occupant can qualify for the 4d(2) property tax classification.

Effective date: This section is effective beginning with assessment year 2024 and thereafter.

6 Leasehold cooperatives.

Allows property owners to qualify for homestead and property tax refunds by providing an ITIN on a homestead application.

Effective date: This section is effective retroactively for homestead applications filed in 2023 and thereafter.

7 Homestead application.

Contains changes related to the ITIN provision.

Section Description – Article 3: Property Taxes

- Effective date:** This section is effective retroactively for homestead applications filed in 2023 and thereafter.
- 8 **Occupant list.**
Contains changes related to the ITIN provision.
- Effective date:** This section is effective for homestead data provided to the commissioner in 2024 and thereafter.
- 9 **Property lists.**
Contains changes related to the ITIN provision.
- Effective date:** This section is effective for homestead data provided to the commissioner in 2024 and thereafter.
- 10 **Homestead data.**
Contains changes related to the ITIN provision.
- Effective date:** This section is effective for homestead data provided to the commissioner in 2024 and thereafter.
- 11 **Agricultural homesteads; special provisions.**
Contains changes related to the ITIN provision.
- Effective date:** This section is effective retroactively for homestead applications filed in 2023 and thereafter.
- 12 **Private or nonpublic data.**
Contains changes related to the ITIN provision.
- Effective date:** This section is effective retroactively for homestead applications filed in 2023 and thereafter.
- 13 **Class 4.**
Sets the classification rate at 0.75 percent for any community land trust unit that is owned and used as a homestead by the occupant, provided that (i) the community land trust owns the real property on which the unit is located, and (ii) the unit owner is a member in good standing of the community land trust.
- Effective date:** This section is effective beginning with assessment year 2024 and thereafter.

Section Description – Article 3: Property Taxes

- 14 Homestead of veteran with a disability or family caregiver.**
Allows surviving spouses of veterans who died before receiving the 100 percent permanent disability exclusion to apply for the exclusion any time after the death of the veteran, regardless of when the veteran died. This section also allows surviving spouses to reapply for the exclusion if they had previously received the exclusion and had the exclusion expire.
Effective date: This section is effective beginning with assessment year 2023.
- 15 Homestead market value exclusion.**
Increases value thresholds and the maximum exclusion amount for the homestead market value exclusion. This section also allows certain community land trust property to receive the exclusion.
Effective date: This section is effective for assessment year 2024 and thereafter.
- 16 Class 1b homestead declaration 2009 and thereafter.**
Contains changes related to the ITIN provision.
Effective date: This section is effective retroactively for homestead applications filed in 2023 and thereafter.
- 17 Notice of proposed property taxes.**
Requires that the notice of proposed property tax statement, often called the truth in taxation (or TnT) statement, include the website of each local jurisdiction listed on the statement. If a jurisdiction does not have a website, this information is not required to be added to the statement.
Effective date: This section is effective beginning with property taxes payable in 2024.
- 18 Notice of proposed property taxes required supplemental information.**
Modifies the contents of the supplemental information included in the proposed property tax statement. Under current law, summary budget information for the county, city, and school district must be included on the statement for each parcel. This section would remove this summary budget information from the statement and require the statement to include the levy change for the county, each city in the county, and each school district in the county.
Effective date: This section is effective beginning with property taxes payable in 2024.

Section Description – Article 3: Property Taxes

19 Costs.

Allows counties the option to require local jurisdictions to reimburse the county for costs related to preparing and mailing the proposed property tax statement that are not reimbursed by the Department of Revenue, if the county chooses to do so. Under current law, local jurisdictions must reimburse the county for these costs.

Effective date: This section is effective beginning with property taxes payable in 2024.

20 Homestead.

Allows community land trust properties receiving the class 4d(2) classification to qualify for property tax refunds.

Effective date: This section is effective for refund claims based on taxes payable in 2025 and thereafter.

21 Program qualifications.

Increases from \$60,000 to \$96,000 the household income limit for the senior citizens' property tax deferral. The section also reduces from 15 to five the minimum number of years the homeowner must own and occupy the property to qualify.

Effective date: This section is effective for applications for deferral of taxes payable in 2024 and thereafter.

22 Excess-income certification by taxpayer.

Conforming change related to senior citizens' property tax deferral modifications.

Effective date: This section is effective for applications for deferral of taxes payable in 2024 and thereafter.

23 Resumption of eligibility certification by taxpayer.

Conforming change related to senior citizens' property tax deferral modifications.

Effective date: This section is effective for applications for deferral of taxes payable in 2024 and thereafter.

24 Determination by commissioner.

Conforming change related to senior citizens' property tax deferral modifications.

Effective date: This section is effective for applications for deferral of taxes payable in 2024 and thereafter.

Section Description – Article 3: Property Taxes

- 25 **Northwest Minnesota Multi-County Housing and Redevelopment Authority; levy authority.**
- Extends for ten years, until 2034, the property tax levy authority for the Northwest Minnesota Multi-County Housing and Redevelopment Authority. This allows the organization to levy up to 25 percent of the total permitted levy without the approval of the city or county within which the organization operates.
- Effective date:** This section is effective the day after the governing body of the organization and its chief clerical officer comply with the requirements of Minnesota Statutes, section 645.021, subdivision 2 and 3.

Article 4: Property Tax Aids, Credits, and Refunds

This article makes several changes related to state aids, credits, and refunds, including:

- modifying the local government aid (LGA) distribution formula;
- increasing both the LGA and CPA appropriations by \$100,000,000 and annually indexing these appropriations;
- establishing soil and water conservation district aid;
- establishing electric generation transition aid;
- increasing certain PILT payments;
- modifying the local homeless prevention aid;
- establishing the local affordable housing aid;
- providing temporary increases in property tax refunds; and
- providing aid penalty forgiveness to the cities of Echo and Morton.

Section Description – Article 4: Property Tax Aids, Credits, Refunds

- 1 **Payment; school districts.**
- Requires the electric generation transition aid in this article to be paid to school districts at the same time as other property tax related reimbursements.
- Effective date:** This section is effective July 1, 2024.
- 2 **Homeowners; homestead credit refund.**
- Reduces homestead credit refund co-pay percentages for all income ranges by five percentage points.
- Effective date:** This section is effective for refunds based on property taxes payable in 2024.

Section Description – Article 4: Property Tax Aids, Credits, Refunds

3 Inflation adjustment.

Specifies that the statutory year for the inflation adjustment for the homestead credit refund is 2023.

Effective date: This section is effective for refunds based on property taxes payable in 2024.

4 Population age 65 and over.

Defines population age 65 and over for the purposes of the LGA formula.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

5 Transformed population.

Defines transformed population for the purposes of the LGA formula. Transformed population is equal to the logarithm to the base 10 of the population and is used in the need factor formula for small cities.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

6 City revenue need.

Changes the city revenue need calculations for all cities. The new need formulas are:

Small cities (under 2,500)

$$Need = (220.877 \times transformed\ population) + 196.487$$

Medium cities (2,500-9,999)

$$Need = 1.15 \times ((6.667 \times pre - 1940\ housing\ percentage) + (9.215 \times commercial\ industrial\ utility\ percentage) + (16.081 \times peak\ population\ decline) + 497.308)$$

Large cities (10,000 or more)

$$Need = 1.15 \times ((8.572 \times pre - 1940\ housing\ percentage) + (11.494 \times city\ age\ index) + (5.719 \times commercial\ industrial\ utility\ percentage) + (9.484 \times peak\ population\ decline) + 293.056)$$

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

Section Description – Article 4: Property Tax Aids, Credits, Refunds

7 City age index.

Defines city age index for the purposes of the LGA formula. City age index is the share of a city's population age 65 and over and is used in the need factor formula for large cities.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

8 Commercial industrial utility percentage.

Defines commercial industrial utility percentage for the purposes of the LGA formula. Commercial industrial utility percentage is the share of a city's tax base classified as class 3 property and is used in the need factor formula for medium and large cities.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

9 Definitions.

References the definition for population age 65 and over in section 1 for the purposes of the county program aid (CPA) formula. The definitions are the same and the county program aid calculation is unchanged.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

10 City formula aid.

Removes a reference to certified aid adjustments, which are repealed in this article.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

11 City aid distribution.

Removes a reference to certified aid adjustments, which are repealed in this article. This section also eliminates outdated language.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

12 Cities.

Increases the LGA appropriation by \$100,000,000 to \$664,398,012, annually increases the appropriation, and eliminates outdated language.

Section Description – Article 4: Property Tax Aids, Credits, Refunds

- Effective date:** This section is effective for aids payable in calendar year 2024 and thereafter.
- 13 **Counties.**
Increases the CPA appropriation by \$100,000,000 to \$364,668,444, annually increases the appropriation, and eliminates outdated language. The appropriation increase is split proportionally between the need aid and tax base equalization aid appropriations.
Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.
- 14 **Inflation adjustment.**
Determines the annual percentage increase for the LGA and CPA appropriations. The first increase in the appropriations would occur for aids payable in 2026. The increase is equal to the sum of the percentage increase of an annual inflation measure plus the percentage increase of the total statewide city population. The annual change must be at least 2.5 percent but not greater than five percent.
Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.
- 15 **Types of land; payments.**
Increases from \$2 per acre to \$3 per acre PILT payments for county-administered and Department of Natural Resources-administered other natural resources land. This section also creates two additional PILT payment amounts for counties with a high proportion of acreage that qualifies for PILT. For counties where PILT eligible acreage is equal to or greater than 25 percent of the county’s total acreage, payments are increased by \$0.18 per acre of PILT eligible land. For counties where PILT eligible acreage is between ten and 25 percent of the county’s total acreage, payments are increased by \$0.08 per acre of PILT eligible land.
Effective date: This section is effective beginning with aids payable in 2024.
- 16 **Determination of appraised value.**
Prevents the appraised value of acquired natural resources land from decreasing from one appraisal to the next.
Effective date: This section is effective beginning with aids payable in 2024.
- 17 **Adjustment.**
Indexes to inflation PILT payment amounts for all natural resources lands.

Section Description – Article 4: Property Tax Aids, Credits, Refunds

Effective date: This section is effective beginning with aids payable in 2024.

18 Soil and water conservation district aid.

Establishes a new state aid program for soil and water conservation districts. The aid would distribute \$22,000,000 in 2023 and 2024, and \$14,000,000 annually thereafter. Of this amount, 70 percent would be distributed equally among all districts, 20 percent would be distributed according to each district's proportional share of nonpublic land, and ten percent would be distributed based on the cube root of each district's population.

Effective date: This section is effective beginning with aids payable in 2023.

19 Electric generation transition aid.

Establishes an electric generation transition aid for counties, cities, townships, and school districts that lose tax base when an electric generation plant is retired. The initial aid amount is equal to the tax base lost due to the retirement times the jurisdiction's tax rate in the year prior to the tax base loss. The aid is phased out over 20 years. The aid would be eliminated earlier than that if the jurisdiction recovers a sufficient amount of tax base.

Effective date: This section is effective for aids payable in 2024 and thereafter.

20 Local homeless prevention aid.

Adds Tribal governments to the distribution of local homeless prevention aid. This section also increases the overall annual appropriation for the aid to \$40,000,000 and pushes out the expiration of the aid to 2031. Of the overall aid amount, 12 percent would go to Tribal governments and 88 percent would be distributed to counties.

Effective date: This section is effective beginning with aids payable in 2023 and thereafter.

21 Mahnomen property tax reimbursement aid.

Codifies the Mahnomen County property tax reimbursement currently in session law. The section creates a state aid that pays the same amounts to the same jurisdictions as the session law currently distributes, except that the distribution to the city of Mahnomen is increased by \$160,000, an amount equal to the annual certified aid adjustment paid to the city, which is repealed in this article.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

Section Description – Article 4: Property Tax Aids, Credits, Refunds

22 Local affordable housing aid.

Establishes an aid program for Tribal Nations and local governments to develop and rehabilitate affordable housing; establishes a grant program for small cities not qualifying for aid; provides rules for distributing funds and administering the program; defines qualifying uses of the funds; appropriates money annually to the program.

Subd. 1. Purpose. States purpose to help Tribal Nations and local governments develop and preserve affordable housing.

Subd. 2. Definitions. Sets distribution factors for counties and for cities with populations over 10,000, based on each government unit's share of cost-burdened households paying more than 30 percent of their income towards housing.

Subd. 3. Distribution. Provides that counties will receive \$6,000 plus a proportionate share of the amount of money available to counties based on each county's number of cost-burdened households. Provides that cities with populations over 10,000 will receive a proportionate share of the amount of money available to cities based on each city's number of cost-burdened households.

Subd. 4. Grants to tier II cities. Establishes a grant program with the Minnesota Housing Finance Agency (MHFA) for cities with populations under 10,000; allows MHFA to create program guidelines and procedures.

Subd. 5. Qualifying projects. Defines a qualifying project as one to develop or rehabilitate housing affordable to families at or below 115 percent of the greater of state or area median income for homeownership projects, or at or below 80 percent of the greater of state or area median income for rental properties. These requirements mirror the project requirements of the economic development and housing challenge program. Allows for deviation from the income limits on rental housing in nonmetropolitan local governments that establish a need for workforce housing. Allows for Tribal Nations to spend money on rental assistance.

Subd. 6. Use of proceeds. Requires that distributed funds either be spent on a qualifying project or returned to DOR.

Subd. 7. Administration. Requires DOR to certify the amount available to cities and counties and to distribute funds; requires DOR to compute the amount necessary for MHFA to operate a \$3,400,000 fund for the grant program under subdivision 4; requires DOR to transfer money to MHFA and distribute aid under the program; requires cities and counties to report on use of the funds to MHFA

Section Description – Article 4: Property Tax Aids, Credits, Refunds

for certification that the funds were used for a qualifying project; requires cities and counties to return funds to DOR if they misspend funds, fail to report on use of funds, or fail to use funds; requires DOR to redistribute returned funds to cities and counties.

Subd. 8. County consultation with local governments. Requires counties to consult with the local governments where county projects are located.

Subd. 9. Appropriation. Appropriates \$24,000,000 from the general fund annually for distribution to counties; appropriates \$6,800,000 from the general fund annually for distribution to cities; appropriates \$4,200,000 from the general fund annually for distribution to Tribal Nations. In fiscal years 2024 and 2025 increases the amount appropriated to counties by \$10,200,000, to cities by \$3,000,000, and to Tribal Nations by \$1,800,000.

23 Mahnomen County; county, city, school district, property tax reimbursement.

Sets an expiration date for the Mahnomen County property tax reimbursement currently in session law. These reimbursements are codified and converted to a state aid in this article.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

24 Study of state-owned lakeshore.

Requires the commissioner of revenue, in consultation with the Department of Natural Resources and counties, to produce a report on valuation methods used to value acreage and shoreline areas within other natural resources land. A copy of the report must be provided to the taxes committees by January 31, 2025.

Effective date: This section is effective the day following final enactment.

25 Onetime increase in the renter's credit and homestead credit state refund.

Temporarily increases homestead credit refund and renter's credits for all claimants by 13.8 percent. This increase would apply to 2023 refunds only (based on rent paid in 2022 and property taxes payable in 2023).

For any individual claiming a renter or homeowner credit payable in 2023, the refund amount otherwise owed under state law is increased by 13.8 percent.

Effective date: Refunds based on property taxes payable in 2023 and rent paid in 2022.

Section Description – Article 4: Property Tax Aids, Credits, Refunds

26 Targeting property tax refund; temporary increase for property taxes payable in 2023.

Temporarily increases the additional “targeting” refund for homeowners who experienced large year-over-year property tax increases. Under current law, the refund applies to homeowners whose property tax refunds increase by more than 12 percent, and is limited to \$1,000. For refunds payable in 2023 only (based on 2023 property taxes payable), the refund would apply to homeowners with increases larger than six percent, and the maximum refund would be \$2,500.

Effective date: Refunds based on property taxes payable in 2023.

27 2021 aid penalty forgiveness; Echo.

Provides that the city of Echo will receive the portions of its 2021 local government aid and 2021 small cities assistance payment that were withheld, provided that the state auditor certifies that it received the city’s annual financial report for 2020. The total amount of withheld aid that would be paid to the city is \$46,060.

Effective date: This section is effective the day following final enactment.

28 2021 aid penalty forgiveness; Morton.

Provides that the city of Morton will receive the portions of its 2021 local government aid and 2021 small cities assistance payment that were withheld, provided that the state auditor certifies that it received the city’s annual financial report for 2020. The total amount of withheld aid that would be paid to the city is \$79,476.

Effective date: This section is effective the day following final enactment.

29 Repealer.

Repeals definitions of need factors no longer used in the LGA formula: percent of housing built between 1940 and 1970; household size; and jobs per capita in the city. This section repeals the definitions of sparsity adjustments, which are eliminated from the LGA formula. This section also repeals certified aid adjustments. Currently, the city of Mahnommen is the only city receiving a certified aid adjustment. This annual increase in LGA is replaced with an increase in property tax reimbursement aid established in this article.

This section also repeals the current utility valuation transition aid program. This is replaced by the electric generation transition aid established in this article.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

Article 5: Sales and Use Taxes

This article makes several changes related to sales tax, including:

- creating definitions of “cannabis,” “adult-use cannabis,” and “adult-use cannabis products;”
- expanding the exemption for nonprofit snowmobile clubs;
- expanding the exemption for baby products;
- creating a temporary sales tax holiday on school supplies;
- creating a temporary exemption for construction materials purchased by certain entities; and
- providing exemption of construction materials for certain cities, school districts, and the Minneapolis-St. Paul International Airport.

Section Description – Article 5: Sales and Use Taxes

1 Cannabis.

Creates a new definition of “cannabis” for the purposes of state sales tax. Defines “cannabis” as any species of the genus cannabis plant, or any mixture or preparation of any species of the genus cannabis plant, including whole plant extracts and resins.

Effective date: This section is effective the day following final enactment, unless a bill styled as H.F. 100 is enacted during the 2023 regular session, then this section does not take effect.

2 Adult-use cannabis.

Creates a new definition of “adult-use cannabis” for the purposes of state sales tax. Defines “adult-use cannabis” as cannabis, including cannabis extracts and resins, that produces or is advertised as producing intoxicating or mood-altering effects when consumed by any route of administration.

Adult-use cannabis does not include medical cannabis products defined under chapter 152.

Effective date: This section is effective the day following final enactment, unless a bill styled as H.F. 100 is enacted during the 2023 regular session, then this section does not take effect.

3 Adult-use cannabis product.

Creates a definition of “Adult-use cannabis product” for the purposes of state sales tax. Defines “adult-use cannabis product” as cannabis product that produces or is advertised as producing intoxicating or mood-altering effects when consumed by any route of administration.

Section Description – Article 5: Sales and Use Taxes

Adult-use cannabis products do not include medical cannabis products defined under chapter 152.

Effective date: This section is effective the day following final enactment, unless a bill styled as H.F. 100 is enacted during the 2023 regular session, then this section does not take effect.

4 Food and food ingredients.

Clarifies that adult-use cannabis and adult-use cannabis products are not included in the definition of “food and food products” within the sales tax chapter.

Effective date: This section is effective the day following final enactment, unless a bill styled as H.F. 100 is enacted during the 2023 regular session, then this section does not take effect.

5 Drugs; medical devices.

Clarifies that adult-use cannabis and adult-use cannabis products are not included in the definition of “drugs” within the sales tax chapter.

Effective date: This section is effective the day following final enactment, unless a bill styled as H.F. 100 is enacted during the 2023 regular session, then this section does not take effect.

6 Baby products.

Expands the current exemption on baby products to include wipes, cribs and bassinets, crib and bassinet mattresses, sheets, changing tables and pads, strollers, car seats, swings, bottle sterilizers, and eating utensils.

Effective date: This section is effective for sales and purchases made after June 30, 2023.

7 Sales of property used in a trade or business.

Allows a sale between the sole member of an LLC that is a disregarded entity and the LLC to qualify for the sales tax exemption for tangible property used in a trade or business that is not in the business of selling that property.

Effective date: This section is effective for sales and purchases made after June 30, 2023.

8 Sales to government.

Clarifies that the purchase by a government entity of adult-use cannabis and adult-use cannabis products is not exempt from state sales tax.

Section Description – Article 5: Sales and Use Taxes

Effective date: This section is effective the day following final enactment, unless a bill styled as H.F. 100 is enacted during the 2023 regular session, then this section does not take effect.

9 Sales to nonprofit groups.

Clarifies that the purchase by a nonprofit entity of adult-use cannabis or adult-use cannabis products is not exempt from state sales tax.

Effective date: This section is effective the day following final enactment, unless a bill styled as H.F. 100 is enacted during the 2023 regular session, then this section does not take effect.

10 Nursing homes and boarding care homes.

Clarifies that the purchase by nursing homes and boarding care homes of adult-use cannabis and adult-use cannabis products is not exempt from state sales tax.

Effective date: This section is effective the day following final enactment, unless a bill styled as H.F. 100 is enacted during the 2023 regular session, then this section does not take effect.

11 Nonprofit snowmobile clubs; machinery and equipment.

Expands the exemption that nonprofit snowmobile clubs receive on sales of grooming machines, attachments, and repair parts that are used primarily and directly for the grooming of state or grant-in-aid snowmobile trails to include materials and supplies used or consumed in and equipment incorporated into the construction, reconstruction, maintenance, or improvement of state or grant-in-aid snowmobile trails that are completed by the club.

The expansion of the exemption expires July 1, 2027.

Effective date: This section is effective for sales and purchases made after June 30, 2023, and before July 1, 2027.

12 Sales and use tax exemption; certain natural gas fees.

Provides a sales tax exemption for fees related to natural gas used as a primary source of residential heating during the period February 13 – February 17, 2021, but applied to customers' billing statements in the nonexempt months of May to October.

The fee must be separately stated on a billing statement and labeled as a fee subject to a cost recovery plan for increased natural gas prices during the period February 13

Section Description – Article 5: Sales and Use Taxes

– 17, 2021. The exemption is retroactive to fees applied to customers’ bills beginning September 1, 2021, through June 30, 2023.

Utilities would apply for a refund of sales taxes remitted during that period and then credit customers for sales taxes paid. The exemption would be upfront for the period July 1, 2023, through December 31, 2026.

Effective date: This section is effective retroactively for fees applied to sales and purchases of natural gas that are billed from September 1, 2021, to December 31, 2026.

13 Sales tax holiday; school supplies.

Establishes a temporary sales tax holiday for certain school supplies and book bags that will occur for sales made on August 15, 2023, through August 21, 2023. Provides a definition of “school supplies.”

Effective date: This section is effective the day following final enactment.

14 Temporary sales tax exemption for construction materials; certain entities.

Provides a temporary exemption for construction materials used or consumed in the construction, reconstruction, repair, maintenance, or improvement of buildings or facilities if purchased after June 30, 2021, and before January 1, 2025, for the following entities:

- school districts;
- local governments;
- libraries;
- nonprofit groups or hospitals;
- outpatient surgical centers;
- critical access dental providers;
- nursing homes; and
- boarding care homes.

Also provides an exemption for construction materials consumed in the construction, reconstruction, repair, maintenance, or improvements to roads, bridges, culverts, drinking water facilities, and wastewater facilities for school districts and local governments.

Tax is paid at the time of sale and then refunded. Claims for refunds of sales tax paid must be remitted to the commissioner after June 30, 2023, and before February 28, 2025.

Section Description – Article 5: Sales and Use Taxes

Effective date: This section is effective retroactively for sales and purchases made after June 30, 2021, and before January 1, 2025.

15 City of Chanhassen; sales tax exemption for construction materials.

Provides a refundable sales tax exemption on materials and supplies used in and equipment incorporated into the construction of a new city hall and senior center, city council chambers, and park amenities in the city of Chanhassen, provided the purchases occur after December 31, 2024, and before February 1, 2027.

Effective date: This section is effective the day following final enactment and applies to sales and purchases made after December 31, 2024, and before February 1, 2027.

16 City of Edina; sales tax exemption for construction materials.

Provides a refundable sales tax exemption on materials and supplies used in and equipment incorporated into the construction of a community health and safety center in the city of Edina, provided the purchases occur after December 31, 2024, and before January 1, 2026.

Effective date: This section is effective the day following final enactment and applies to sales and purchases made after December 31, 2024, and before January 1, 2026.

17 Ely Public Schools; sales tax exemption for construction materials.

Provides a retroactive, refundable sales tax exemption on materials and supplies used in and equipment incorporated into renovations and construction of an elementary school and high school in ISD No. 696, provided the purchases occur after May 1, 2019, and before July 1, 2021.

Effective date: This section is effective retroactively from May 2, 2019, and applies to sales and purchases made after May 1, 2019, and before July 1, 2021.

18 Hibbing Public Schools; sales tax exemption for construction materials.

Provides a retroactive, refundable sales tax exemption on materials and supplies used in and equipment incorporated into construction of an Early Childhood Family Education Center and improvements to an athletic facility in ISD No. 701, provided the purchases occur after May 1, 2019, and before July 1, 2021.

Effective date: This section is effective retroactively from May 2, 2019, and applies to sales and purchases made after May 1, 2019, and before July 1, 2021.

19 Minneapolis-St. Paul International Airport; sales tax exemption for construction materials.

Provides a refundable sales tax exemption on materials and supplies used in and equipment incorporated into the construction, reconstruction, repair, maintenance,

Section Description – Article 5: Sales and Use Taxes

or improvements to public infrastructure at the MSP International Airport if purchased by a contractor or subcontractor, provided the purchases occur after December 31, 2024, and before January 1, 2028.

Effective date: This section is effective the day following final enactment and applies to sales and purchases made after December 31, 2024, and before January 1, 2028.

20 City of Moorhead; sales tax exemption for construction materials.

Provides a refundable sales tax exemption on materials and supplies used in and equipment incorporated into construction, reconstruction, upgrade, expansion, renovation, or remodeling of a regional library and community center in the city of Moorhead, provided the purchases occur after December 31, 2024, and before April 1, 2027.

Effective date: This section is effective the day following final enactment and applies to sales and purchases made after December 31, 2024, and before April 1, 2027.

21 City of Oakdale; sales tax exemption for construction materials.

Provides a refundable sales tax exemption on materials and supplies used in and equipment incorporated into construction of a new public works facility in the city of Oakdale, provided the purchases occur after December 31, 2024, and before January 1, 2027.

Effective date: This section is effective the day following final enactment and applies to sales and purchases made after December 31, 2024, and before January 1, 2027.

22 City of Ramsey; sales tax exemption for construction materials.

Provides a refundable sales tax exemption on materials and supplies used in and equipment incorporated into the construction, reconstruction, upgrade, expansion, renovation, or remodeling of a new water treatment plant in the city of Ramsey, provided the purchases occur after December 31, 2024, and before January 1, 2026.

Effective date: This section is effective the day following final enactment and applies to sales and purchases made after December 31, 2024, and before January 1, 2026.

23 Red Lake County School District; sales tax exemption for construction materials.

Provides a retroactive, refundable sales tax exemption on materials and supplies used in and equipment incorporated into the construction of a new school in ISD No. 2906, provided the purchases occur after December 31, 2020, and before July 1, 2021, and after December 31, 2024, and before January 1, 2026.

Section Description – Article 5: Sales and Use Taxes

Effective date: This section is effective retroactively from January 1, 2021, and applies to sales and purchases made after December 31, 2020, and before July 1, 2021, and after December 31, 2024, and before January 1, 2026.

24 Red Rock Central School District; sales tax exemption for construction materials.

Provides a refundable sales tax exemption on materials and supplies used in and equipment incorporated into the construction of a new K-12 learning facility in ISD No. 2884, provided the purchases occur after December 31, 2024, and before July 1, 2025.

Effective date: This section is effective the day following final enactment and applies to sales and purchases made after December 31, 2024, and before July 1, 2025.

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

Provides a retroactive, refundable sales tax exemption on materials and supplies used in and equipment incorporated into the construction of two new elementary schools and one new high school in ISD No. 2909, provided the purchases occur after May 1, 2019, and before July 1, 2021.

Effective date: This section is effective retroactively from May 2, 2019, and applies to sales and purchases made after May 1, 2019, and before July 1, 2021.

26 City of Spring Grove; sales tax exemption for construction materials and capital equipment.

Provides a retroactive, refundable sales tax exemption for the following items used to repair, replace, or otherwise recover from damage caused by a fire in the city of Spring Grove:

- materials and supplies used in and equipment incorporated into the construction or replacement of real property; and
- capital equipment purchased to replace destroyed equipment.

Purchases must be made after December 22, 2022, and before January 1, 2028.

Effective date: This section is effective retroactively from December 23, 2022, and applies to sales and purchases made after December 22, 2022, and before January 1, 2028.

27 Springfield school district; sales tax exemption for construction materials.

Provides a refundable sales tax exemption on materials and supplies used in and equipment incorporated into the construction, renovation, and new additions to

Section Description – Article 5: Sales and Use Taxes

schools in Independent School District No. 85, Springfield, provided the purchases occur after December 31, 2024, and before July 1, 2025.

Effective date: This section is effective for sales and purchases made after December 31, 2024, and before July 1, 2025.

28 City of Wayzata; sales tax exemption for construction materials.

Provides a retroactive, refundable sales tax exemption on materials and supplies used in and equipment incorporated into the following projects in the city of Wayzata provided the purchases occur after March 31, 2020, and before July 1, 2021:

- expansion and remodeling of Depot Park;
- construction of community docks for access to Lake Minnetonka;
- construction of a lakeside boardwalk;
- shoreline restoration;
- restoration of the Section Foreman House, including addition of a learning center;
- construction of Eco Park, including shoreline restoration, marsh and water quality improvement, a pier expansion, and creation of eco-living classrooms;
- construction of a public plaza, including a 9/11 memorial, water display, and gathering space;
- trail construction; and
- railroad crossing construction.

Effective date: This section is effective retroactively to January 1, 2021, and applies to sales and purchases made after December 31, 2020, and before July 1, 2021.

29 City of Woodbury; sales tax exemption for construction materials.

Provides a refundable sales tax exemption on materials and supplies used in and equipment incorporated into construction, renovation, or remodeling of the Central Park project in the city of Woodbury, provided the purchases occur after December 31, 2024, and before January 1, 2026.

Effective date: This section is effective for sales and purchases made after December 31, 2024, and before January 1, 2026.

Article 6: Minerals Taxes

This article makes several changes related to minerals taxation, including:

- expanding the definition of the taconite assistance area;
- converting the net proceeds tax into a gross proceeds tax;
- modifying the distribution of the gross proceeds tax;
- changing the production tax distribution amounts to certain accounts; and
- providing a onetime transfer from the property tax relief account.

Section Description – Article 6: Minerals Taxes

1 Property subject to taconite production tax or gross proceeds tax.

Conforming change related to section 4.

Effective date: This section is effective beginning with assessment year 2023.

2 Taconite assistance area.

Expands the taconite assistance area to include a school district that contains a municipality which is (1) located in a county which is already partially included in the taconite assistance area, and (2) where the active mining of nonferrous materials is occurring. Areas included in this expansion of the taconite assistance area would be eligible for production tax distributions, and any gross proceeds tax generated in the area would be distributed within the taconite assistance area, rather than going to the general fund.

Effective date: This section is effective for taxable years beginning after December 31, 2022.

3 Taconite, other ores, metals, or minerals; production materials.

Conforming change related to section 4.

Effective date: This section is effective the day following final enactment.

4 Gross proceeds on mining.

Converts the net proceeds tax on nonferrous mining to a gross proceeds tax. This conversion eliminates the deductions under present law for the expenses of converting raw materials to marketable ores. The tax rate is reduced from two percent to 0.4 percent. This section also establishes a \$2,000,000 minimum payment for mining operations which have received all required permits to mine nonferrous materials but have not begun mining.

Effective date: This section is effective for taxable years beginning after December 31, 2022.

5 Within taconite assistance area.

Changes the distribution of the gross proceeds tax. This section also directs ten percent of the gross proceeds tax to Aurora, Babbitt, Ely, Hoyt Lakes, Biwabik, and Embarrass Township, for the first five years that distributions of the tax are made.

Section Description – Article 6: Minerals Taxes

The remaining 90 percent would be distributed as outlined in the table below. This section would change the distributions within the taconite assistance area as follows:

	Current Law	Proposed Changes
City/town where mining or processing occur	5%	5%* *If the mining or concentrating occur in the Mesabi East School District, then this 5% is distributed to Aurora, Babbitt, Ely, Hoyt Lakes, Biwabik, and Embarrass Township.
Taconite municipal aid account	10%	10%
School district where mining or processing occur	10%	10%
Group of Iron Range school districts	20%	20%
County where mining or processing occur	20%	10%
St. Louis County (property tax relief account)	20%	5%
Iron Range Resources and Rehabilitation	5%	20%
Douglas J. Johnson Economic Protection Trust Fund	3%	3%
Taconite Environmental Protection Fund	7%	7%
Commissioner of IRR for capital improvements to Giants Ridge Recreation Area	NA	10%

Effective date: This section is effective for distributions beginning after December 31, 2022.

6 Distribution date.

Conforming change related to section 4.

Effective date: This section is effective the day following final enactment.

Section Description – Article 6: Minerals Taxes

7 Counties.

Keeps the production tax distribution to counties at 21.05 cents per taxable ton. Under current law, this distribution would increase to 26.06 cents per taxable ton beginning in 2024.

Effective date: This section is effective the day following final enactment.

8 Iron Range school consolidation and cooperatively operated school account.

Keeps the production tax distribution to the school consolidation account at ten cents per taxable ton. Under current law, this distribution would decrease to five cents per taxable ton beginning in 2024.

Effective date: This section is effective the day following final enactment.

9 Transfer.

Annually distributes \$3,500,000 of the production tax revenues from the Douglas J. Johnson Economic Protection Trust Fund and any excess production tax revenues in that account to the Iron Range resources and rehabilitation account.

Effective date: This section is effective beginning with production year 2023.

10 Temporary loan authority.

Conforming change related to section 4.

Effective date: This section is effective the day following final enactment.

11 Transfer 2023 distribution only; Douglas J. Johnson Economic Protection Trust Fund.

Provides a onetime transfer of \$3,500,000 from the Douglas. J. Johnson Economic Protection Trust Fund to the Iron Range school consolidation and cooperatively operated school account.

Effective date: This section is effective the day following final enactment and applies only to the 2023 distribution.

12 Transfer 2023 distribution only.

Provides a onetime transfer of any excess from the property tax relief account to the Iron Range resources and rehabilitation account, up to \$6,000,000. This section also requires the commissioner of Iron Range resources and rehabilitation to distribute this transferred amount for a variety of purposes.

Section Description – Article 6: Minerals Taxes

Effective date: This section is effective the day following final enactment and applies only to the 2023 distribution.

Article 7: Renter’s Credit

This article converts the Minnesota renter’s credit into a refundable income tax credit, and changes the income measure used to calculate the credit from “household income” to adjusted gross income.

Rather than filing for a renter’s credit on a separate form and receiving a credit payment in August or September, a claimant would file for and receive the credit during the normal income tax filing period.

Section Description – Article 7: Renter’s Credit

1 - 2 Designation of renter’s credit payments for the state elections campaign account.

Allows taxpayers filing a simplified return to designate a portion of their refund for the state elections fund.

Effective date: Taxable years beginning after December 31, 2023.

3 General.

Removes a reference to the renter’s credit which is unnecessary because the credit is a part of the income tax.

Effective date: Taxable years beginning after December 31, 2023.

4 County assessors; homestead classification and renter’s credit.

Updates a cross-reference to reflect the renter’s credit’s new location in statute.

Effective date: This section is effective for refunds based on rent paid in 2024.

5 Disclosure to commissioner of human services.

Updates a cross-reference to reflect the renter’s credit’s new location in statute.

Effective date: Taxable years beginning after December 31, 2023.

6 Definitions.

Adds the simplified renter’s credit form to the definition of “returns” for the purposes of statutes governing tax preparation.

Section Description – Article 7: Renter’s Credit

- Effective date:** Taxable years beginning after December 31, 2023.
- 7 **Standards of conduct.**
Applies rules requiring tax preparers to accurately report income information to the renter’s credit.
- Effective date:** Taxable years beginning after December 31, 2023.
- 8 **Simplified filing process for taxpayers without a filing requirement.**
Requires DOR to establish a simplified individual income tax form to allow individuals who do not have an individual income tax filing requirement to file and claim refundable credits, including the renter’s credit, child and working family credit, education credit, student loan credit, and dependent care credit.
- Effective date:** Taxable years beginning after December 31, 2023.
- 9 **Property tax refund claims.**
Removes a reference to the renter’s credit which is unnecessary because the credit is a part of the income tax.
- Effective date:** This section is effective for refunds based on rent paid in 2024.
- 10 **Property tax refund.**
Removes a reference to the renter’s credit which is unnecessary because the credit is a part of the income tax.
- Effective date:** This section is effective for refunds based on rent paid in 2024.
- 11 **Property tax refunds under chapter 290A.**
Removes a reference to the renter’s credit which is unnecessary because the credit is a part of the income tax.
- Effective date:** This section is effective for refunds based on rent paid in 2024.
- 12 **Penalties relating to property tax refunds.**
Updates a cross-reference to reflect the renter’s credit’s new location in statute.
- Effective date:** This section is effective for refunds based on rent paid in 2024.
- 13 **Penalties for tax preparers.**
Updates a cross-reference to reflect the renter’s credit’s new location in statute.

Section Description – Article 7: Renter’s Credit

Effective date: This section is effective for taxable years beginning after December 31, 2023.

14 Preparer identification number.

Updates a cross-reference to reflect the renter’s credit’s new location in statute.

Effective date: This section is effective for taxable years beginning after December 31, 2023.

15 Renter’s credit.

Establishes the renter’s credit as a refundable income tax credit.

Subd. 1. Definitions. Defines the following terms, for the purposes of the credit. These definitions are the same as those currently coded in chapter 290A—the list below shows the source of the new language in current law.

- Dependent (currently coded in § 290A.03, subd. 8)
- Disability (§ 290A.03, subd. 10)
- Exemption amount (§ 290A.03, subd. 3, paragraph (d), clause (1))
- Gross rent (§ 290A.03, subd. 12)
- Homestead (defined by cross-reference to § 290A.03, subd. 6)
- Household (defined by cross-reference to § 290A.03, subd. 4)
- Household income (§ 290A.03, subd. 5)
- Income: new language converting the income measure used for the credit to adjusted gross income
- Rent constituting property taxes (§ 290A.03, subd. 11)

Subd. 2. Credit allowed. Establishes the income tax credit used to calculate the credit. Specifies that the credit is refundable and appropriates the amount needed to pay refunds.

Subd. 3. Renters. Specifies the amount of the credit allowed, as a function of the taxpayer’s income and property taxes paid. The credit calculation table is based on the February 2023 forecast for refunds payable in 2025 (based on rent paid in 2024).

Requires that the credit be adjusted for inflation. Requires the commissioner to publish a table showing the refund amount at various levels of rent constituting property taxes and incomes. Paragraphs (b) and (c) are identical to section 290A.04, subd. 3 and 4.

Subd. 4. Owner or managing agent to furnish rent certificate. Requires property owners to provide certificates of rent paid to renters, by January 31 of the filing

Section Description – Article 7: Renter’s Credit

period, rather than March 31 as is required under current law. Other than the date change, this is substantively identical to existing law in section 290A.19.

Subd. 5. Eligibility; residency. Provides rules specifying which taxpayers are eligible for a credit. This is substantively identical to existing law in section 290A.03, subd. 8, paragraphs (a), (b), and (e), but the language has been rewritten to follow income tax drafting practices.

Subd. 6. Residents of nursing homes, intermediate care facilities, long-term care facilities, or facilities accepting housing support services. Provides rules for calculating credits for residents in certain health facilities. This is substantively identical to existing law in section 290A.03, subd. 8, paragraphs (c) and (d), but the language has been rewritten to follow income tax drafting practices.

Subd. 7. Credit for unmarried taxpayers residing in the same household. Provides rules for unmarried taxpayers residing in the same household. This is substantively identical to existing law in section 290A.03, subd. 8, paragraph (f), but the language has been rewritten to follow income tax drafting practices.

Subd. 8. One claimant per household. Stipulates that only one taxpayer per household may claim a credit. This is substantively identical to existing law in section 290A.08, but the language has been rewritten to follow income tax drafting practices.

Subd. 9. Proof of claim. Provides rules by which taxpayers may prove a credit claim. This is substantively identical to existing law in section 290A.09, but the language has been rewritten to follow income tax drafting practices.

Subd. 10. No relief in certain cases. Disallows credits if a claimant received tenancy primarily for the purposes of claiming a renter’s credit. This is substantively identical to existing law in section 290A.13, but the language has been rewritten to follow income tax drafting practices.

Subd. 11. Appropriation. Appropriates the funds necessary to pay refunds.

Effective date: This section is effective for refunds based on rent paid in 2024.

16 - 18 Striking obsolete language in chapter 290A.

Removes references to the renter’s credit which are unnecessary because the credit is a part of the income tax.

Effective date: This section is effective for refunds based on rent paid in 2024.

Section Description – Article 7: Renter’s Credit

- 19 **Claimant.**
Strikes language in chapter 290A that is moved to the income tax chapter.
Effective date: This section is effective for refunds based on rent paid in 2024.
- 20 **Gross rent.**
Strikes language in the chapter 290A definition of “gross rent.” This language is moved to chapter 290 in the bill.
Effective date: This section is effective for refunds based on rent paid in 2024.
- 21 **Property taxes payable.**
Strikes a definition of “manufactured home” from the definition of “property taxes payable.” The bill adds this as a standalone definition in the following section.
Effective date: This section is effective for refunds based on rent paid in 2024.
- 22 **Manufactured home.**
Moves a definition of “manufactured home” out of the definition of property taxes payable.
Effective date: This section is effective for refunds based on rent paid in 2024.
- 23 **Refund.**
Removes references to the renter’s credit which are unnecessary because the credit is a part of the income tax.
Effective date: This section is effective for refunds based on rent paid in 2024.
- 24 **Additional refund.**
Strikes a reference to data being delivered on a “magnetic computer disk.” Requires the same data be delivered electronically.
Effective date: This section is effective for refunds based on rent paid in 2024.
- 25 **Homeowner’s refund and renter’s credit.**
Allows taxpayers eligible for the homeowner and renter’s credit to continue to claim both credits.
Effective date: This section is effective for refunds based on rent paid in 2024.

Section Description – Article 7: Renter’s Credit

26 - 28 Striking obsolete language in chapter 290A.

Removes references to the renter’s credit which are unnecessary because the credit is a part of the income tax.

Effective date: This section is effective for refunds based on rent paid in 2024.

29 Proof of claim.

Strikes obsolete references to the renter’s credit. Clarifies that rules requiring proof of claim for rent paid by manufacture home residents continues to apply.

Effective date: This section is effective for refunds based on rent paid in 2024.

30 - 31 Striking obsolete language in chapter 290A.

Removes references to the renter’s credit which are unnecessary because the credit is a part of the income tax.

Effective date: This section is effective for refunds based on rent paid in 2024.

32 Owner or managing agent to furnish rent certificate.

Removes references to the renter’s credit which are unnecessary because the credit is a part of the income tax.

Allows the commissioner of revenue to require manufactured park owners who generate certificates of rent paid to submit identifying information, including Social Security numbers, taxpayer identification numbers, federal employer identification numbers, or Minnesota employer identification numbers.

Effective date: This section is effective for refunds based on rent paid in 2024.

33 - 35 Updating cross-references in chapter 290A.

Updates cross-references to reflect the renter’s credit’s new location in statute.

Effective date: This section is effective for refunds based on rent paid in 2024.

36 Tax credit outreach; appropriation.

Appropriates \$3,944,000 in fiscal year 2024 and \$3,943,000 in fiscal year 2025 to DOR to make grants to nonprofit organizations or federally recognized Indian Tribes to publicize credits targeting low-income taxpayers, promote the availability of such credits, and assist taxpayers in applying for such credits. The grants must be made to nonprofit organizations with experience serving demographic groups or geographic regions with low rates of participation in credit programs. The base for the appropriation is \$2,571,000 in fiscal year 2026.

Section Description – Article 7: Renter’s Credit

37 Repealer.

Repeals language in chapter 290A that is moved to chapter 290 under the bill.

Effective date: This section is effective for refunds based on rent paid in 2024.

Article 8: Tax Increment Financing

This article makes several changes related to tax increment financing (TIF), including:

- redefining administrative expenses and modifying treatment of administrative expenses;
- modifying pooling restrictions;
- limiting applicability of income limits in housing districts;
- modifying treatment of violations of TIF law;
- granting special TIF authorization to the cities of Duluth, Lafayette, Nicollet, Spicer, Shakopee, Chatfield, West St. Paul, Woodbury, Fridley, and Plymouth; and
- modifying preexisting special legislation for the cities of Bloomington and Savage.

Section Description – Article 8: Tax Increment Financing

1 Administrative expenses.

Provides a nonexhaustive list of documented expenses which may constitute administrative costs, including professional services, staff time, costs to publish annual disclosures and to provide notices, and payments on bonds issued to fund administrative costs. Amends list of expenditures which do not qualify as administrative to add purchase of buildings and payment of property taxes or payments in lieu of taxes. Removes an obsolete reference. Clarifies that the definition does not apply to county administrative costs of administering a TIF district.

Effective date: This section is effective the day following final enactment and applies to all districts, regardless of when the request for certification was made.

2 Pay-as-you-go contract and note.

Defines a “pay-as-you-go contract and note” as a written note or contractual obligation: (1) that evidences an authority’s commitment to reimburse the note holder for payment of the costs of activities, plus interest; (2) that pledges increment to reimburse the note holder; and (3) that has the note holder bear the risk that increment may be insufficient for reimbursement.

Section Description – Article 8: Tax Increment Financing

Effective date: This section is effective the day following final enactment.

3 Annual financial reporting.

Removes from the list of information that authorities must report to the Office of the State Auditor the month in which an authority first receives, or expects to receive, increment.

Effective date: This section is effective the day following final enactment.

4 Limitation on administrative expenses.

For the purposes of calculating the allowable amount of administrative expenses, excludes from the calculation of total tax increment those amounts paid to the county auditor either as excess increment or as remedies for unlawfully including or keeping a property in a TIF district. Exempts from caps on administrative expenses money which is: (1) from selling or leasing property purchased by the authority using increment; and (2) spent on maintaining these properties, including reserves for repairs and insurance costs.

Effective date: This section is effective the day following final enactment and applies to all districts, regardless of when the request for certification was made.

5 Limitation of use of tax increment; general rule.

Makes a grammatical correction. Adds payment of administrative expenses to the list of purposes for which TIF revenue can be used.

Effective date: This section is effective the day following final enactment and applies to all districts, regardless of when the request for certification was made.

6 Requirement imposed.

Limits applicability of income limitations on housing district projects to districts either in one of the metropolitan counties or in cities with populations over 50,000.

Effective date: This section is effective August 1, 2023.

7 Expenditures outside district.

Expands from county road costs to all county costs the amount to be deducted from the increment before calculating the in-district and out-of-district percentages of increment. Exempts amounts paid to the county auditor as excess increment or as remedies for unlawfully including or keeping a property in a TIF district from counting toward the total revenue derived from the district for the purposes of percentage pooling limits. Considers all other amounts paid to the county auditor (except for

Section Description – Article 8: Tax Increment Financing

payments for using increment on impermissible projects or areas) to be expenditures within the district for the purposes of pooling limits.

Effective date: This section is effective the day following final enactment and applies to all districts with a request for certification date after April 30, 1990, except that paragraph (f) shall apply to districts decertifying after December 31, 2023.

8 Five-year rule.

Clarifies that expenditures on in-district activities not complying with the five-year rule are considered to have been expended on an activity outside the district. Removes an obsolete reference to public infrastructure projects. Removes expenditures on affordable housing from those listed as complying with the five-year rule.

Effective date: This section is effective the day following final enactment and applies to all districts with a request for certification date after April 30, 1990.

9 Use of revenues for decertification.

Requires decertification once the in-district amount of increment is sufficient to pay off in-district obligations, excluding a pay-as-you-go contract and note. Allows deferral of decertification for individual parcels whose increment is pledged to pay off a pay-as-you-go contract and note for in-district expenditures but requires decertification of unpledged parcels. For those districts for which the out-of-district percentage of increment has been increased by up to ten percent to fund affordable housing projects, defers decertification until the amount of increment eligible to be expended for housing purposes equals either the amount of the increase elected for in the tax increment financing plan or the ten percent maximum.

Effective date: This section is effective the day following final enactment and applies to all districts with a request for certification after April 30, 1990, except that the provisions allowing deferral of decertification for pay-as-you-go contracts and notes apply only to districts for which the request for certification was made after the day following final enactment.

10 Pooling permitted for deficits.

Makes a clarifying change in the formula for how to calculate the deficit of a district to determine how much an authority can transfer from another district to eliminate the deficit.

Effective date: This section is effective the day following final enactment and applies only to districts for which the request for certification was made before August 1, 2001.

Section Description – Article 8: Tax Increment Financing

11 Collection of increment.

Removes an exception for failure to decertify a district from a requirement that an authority pay to the county auditor the amount generated from a property which was unlawfully included or kept in a TIF district.

Effective date: This section is effective the day following final enactment.

12 Suspension of distribution of tax increment.

Makes a clarifying change regarding a county auditor's withholding increments from authorities that fail to comply with their annual requirements for disclosure and financial reporting.

Effective date: This section is effective the day following final enactment.

13 Expenditure of increment.

Expands the sources of permitted purposes of TIF expenditures from Minnesota Statutes, section 469.176 to Minnesota Statutes, sections 469.174 through 469.1794 (the portion of Minnesota Statutes, chapter 469 governing TIF). An amount equal to the amount of TIF revenues expended for anything other than a permitted purpose must be paid to the county auditor.

Effective date: This section is effective the day following final enactment.

14 Bloomington tax increment financing; five-year rule.

Extends five-year rule period from 21 to 26 years and extends six-year rule period to 27 years. Extends duration of parcels with no buildings on them as of the effective date of this section to December 31, 2049.

Effective date: This section is effective the day after the chief clerical officer of Bloomington certifies that the governing bodies of Bloomington, Hennepin County, and Independent School District No. 271 have passed resolutions approving this section.

15 Authorization.

Extends the duration of a St. Paul tax increment financing district encompassing the RiverCentre complex if the extension is approved by the city, the local school district, and Ramsey County.

16 Authorized expenditures.

Expands authorized expenditures of revenue from the district extended by section 15 to include the facilitation of capital improvements to the RiverCentre complex.

Section Description – Article 8: Tax Increment Financing

17 Special rules.

Further expands the five-year rule period from eight to 12 years for districts created pursuant to 2014 special legislation for the city of Savage; expands the period during which districts can be enlarged from five to nine years after certification of the original net tax capacity.

Effective date: This section is effective the day after the chief clerical officer of Savage certifies that the governing body of Savage has passed a resolution approving this section.

18 City of Chatfield; tax increment financing authority; economic development authorization.

Allows the city of Chatfield or its economic development authority to establish an economic development district to construct a multilevel hotel in a specified area, provided that the first floor of the hotel does not exceed 15,000 square feet.

Effective date: This section is effective the day after the chief clerical officer of Chatfield certifies that the governing body of Chatfield has passed a resolution approving this section.

19 City of Duluth; tax increment financing authority.

Subd. 1. Establishment. Allows Duluth or its economic development authority to establish redevelopment districts in a specified area and allows the districts to follow the special rules in subdivision 2.

Subd. 2. Special rules. Establishes special rules for a district established under subdivision 1 that would:

- deem the district to be supported by a finding that the district is blighted, as defined by law;
- deem expenditures on development of the specified parcels as expenditures on blight correction counting toward the requirement that 90 percent of increment from a redevelopment district be spent on blight correction; and
- allow use of increment on developing seawalls and pier facings adjacent to the district.

Effective date: This section is effective the day after the chief clerical officer of Duluth certifies that the governing body of Duluth has passed a resolution approving this section.

Section Description – Article 8: Tax Increment Financing

20 City of Duluth; tax increment financing duration extension.

For a district established pursuant to section 17, allows Duluth to extend the maximum years of increment collection from 26 to 36.

Effective date: This section is effective the day after the chief clerical officer of Duluth certifies that the governing bodies of Duluth, St. Louis County, and Independent School District No. 709 have passed resolutions approving this section.

21 City of Duluth; tax increment financing district; special rules.

Subd. 1. Establishment. Allows Duluth or its economic development authority to establish redevelopment districts in a specified area and allows the districts to follow the special rules in subdivision 2.

Subd. 2. Special rules. Establishes special rules for a district established under subdivision 1 that would:

- exempt the district from the general law requirement that redevelopment districts only be established in areas found to be blighted, as defined by law;
- exempt the district from the general law requirement that 90 percent of TIF revenue from redevelopment districts be used to correct blight;
- exempt the district from the prohibition on using increment either for public parks or for facilities used for social, recreational, or conference purposes;
- exempt the district from the prohibition on an authority's acquiring more than 25 percent of the acreage in a project using TIF bonds proceeds when the property's increment is pledged to pay off the bonds, unless the authority has contracted for development for the parcels and has a recourse if the parcels are not developed;
- exempt the district from limitations on spending increment outside of the district;
- exempt the district from requirements that in-district development be completed within five years of certification of the original net tax capacity; and
- exempt the district from requirements that the in-district percentage of increment be spent on paying development debt beginning in the sixth year after certification of the district.

Subd. 3. Expiration. Expires the special rules under subdivision 2 on December 31, 2051, and requires that unspent or unobligated increment thereafter be spent to pay off in-district development debt.

Section Description – Article 8: Tax Increment Financing

Effective date: This section is effective the day after the chief clerical officer of Duluth certifies that the governing body of Duluth has passed a resolution approving this section.

22 City of Fridley; tax increment financing district; special rules.

Subd. 1. Transfer of increment. Allows 25 to 35 percent of increment from Fridley Tax Increment Financing District No. 20 to be transferred to the city's housing and redevelopment authority (HRA) for the purposes authorized in subdivision 2.

Subd. 2. Allowable use. Allows use of increment transferred under subdivision 1 on: grants, loans, and loan guarantees for the development, rehabilitation, or financing of housing; and matching funds for housing projects.

Subd. 3. Annual financial reporting. Subjects transferred increment to annual reporting requirements on use of tax increment.

Subd. 4. Legislative reports. Requires legislative reports on use of the transferred increment in 2024 and 2026.

Subd. 5. Expiration. Expires the authority to make transfers under this section on December 31, 2026.

Effective date: This section is effective the day after the chief clerical officer of Fridley certifies that the governing body of Fridley has passed a resolution approving this section.

23 City of Lafayette; small city designation.

Deems Lafayette a small city for the purpose of tax increment financing, allowing it to develop a wider array of commercial facilities with economic development districts.

Effective date: This section is effective the day after the chief clerical officer of Lafayette certifies that the governing body of Lafayette has passed a resolution approving this section.

24 City of Nicollet; small city designation.

Deems Nicollet a small city for the purpose of tax increment financing, allowing it to develop a wider array of commercial facilities with economic development districts.

Effective date: This section is effective the day after the chief clerical officer of Nicollet certifies that the governing body of Nicollet has passed a resolution approving this section.

Section Description – Article 8: Tax Increment Financing

25 City of Plymouth; tax increment financing authority.

Subd. 1. Establishment. Allows Plymouth to establish redevelopment districts in specified parcels and allows a district established under this section to follow the special rules in subdivision 2.

Subd. 2. Special rules. Establishes special rules for a district established under subdivision 1 that would:

- deem the district to be supported by a finding that the district is blighted, as defined by law;
- extend the five-year and six-year rule periods for the district to ten and 11 years;
- exempt the district from the general law requirement that 90 percent of TIF revenue from redevelopment districts be used to correct blight; and
- allow up to 75 percent of TIF revenue from the districts to be spent on improving Chankahda Trail, former County Road 47, as though the road were located within the districts.

Subd. 3. Expiration. Sets December 31, 2030, as the expiration date for authority to approve a tax increment financing plan under this section.

Effective date: This section is effective the day after the chief clerical officer of Plymouth certifies that the governing body of Plymouth has passed a resolution approving this section.

26 City of Shakopee; tax increment financing district.

Subd. 1. Definitions. Defines terms for the purposes of this section, including defining the project area by reference to parcel identification numbers and defining a soil deficiency district as an area where the city by resolution finds that: (1) at least 70 percent of the acreage has unusual terrain or soil deficiencies requiring physical preparation for use; and (2) the cost of preparing the land would exceed the fair market value of the property.

Subd. 2. Special rules. Allows any redevelopment, soil deficiency, soil conditions, or renewal or renovation district established in the project area to operate under special rules, provided that before the establishment of a district under these special rules the city finds that 70 percent of the acreage of the project area is characterized by specified conditions requiring site preparation before being developed for commercial or residential purposes. Extends the deadline for districts operating under the special rules to undertake development debt within the district from five years to ten years. Allows districts operating under the special rules to spend up to 80 percent of increment outside the district but within the project area. Limits increment collection of a soil deficiency district to

Section Description – Article 8: Tax Increment Financing

21 years and limits use of increment from a soil deficiency district. Expires authority to establish a district under this section on December 31, 2026.

Effective date: This section is effective the day after the chief clerical officer of Shakopee certifies that the governing body of Shakopee has passed a resolution approving this section.

27 City of Spicer; small city designation.

Deems Spicer a small city for the purpose of tax increment financing, allowing it to develop a wider array of commercial facilities with economic development districts.

Effective date: This section is effective the day after the chief clerical officer of Spicer certifies that the governing body of Spicer has passed a resolution approving this section.

28 City of West Saint Paul; tax increment financing authority.

Subd. 1. Establishment. Allows the city of West Saint Paul or its economic development authority to establish one or more redevelopment districts in parcels specified by tax identification numbers. Allows the districts to follow the special rules in subdivision 2.

Subd. 2. Special rules. Establishes special rules for a district established under subdivision 1 that would:

- deem the district to be supported by a finding that the district is blighted, as defined by law; and
- exempt the district from the general law requirement that 90 percent of TIF revenue from redevelopment districts be used to correct blight.

Effective date: This section is effective the day after the chief clerical officer of West Saint Paul certifies that the governing body of West Saint Paul has passed a resolution approving this section.

29 City of Woodbury; Tax Increment Financing District No. 13; expenditures allowed; duration extension.

Allows Woodbury to spend increment from Tax Increment Financing District No. 13 on maintenance of, and improvements to, Central Park. Allows Woodbury to extend the duration of the district by five years.

Effective date: Authorization to expend increment on Central Park is effective the day after the chief clerical officer of Woodbury certifies that the governing body of Woodbury has passed a resolution approving this section. Authorization to extend the duration of the district is effective once the chief clerical officer of Woodbury

Section Description – Article 8: Tax Increment Financing

certifies that the governing bodies of Woodbury, Washington County, and Independent School District No. 833 have passed resolutions approving the extension.

Article 9: Local Taxes

This article provides the following modifications to existing special local taxes:

- extends both portions of tourism tax imposed by the city of Duluth;
- eliminates the authorization for Cook County to impose an admissions tax; and
- extends the duration of the lodging tax imposed by Cook County from 15 years to 30 years.

Section Description – Article 9: Local Taxes

1 Duluth tourism tax; food and beverage.

Provides an extension of the food and beverage tax portion of Duluth’s tourism tax to allow the city to collect up to \$54,000,000 for additional capital improvements to parks-based public athletic facilities. Makes a corresponding change to the amount of bonds the city is able to issue.

Effective date: Effective the day after the governing body of the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

2 Duluth tourism tax; lodging tax.

Provides an extension of the lodging tax portion of Duluth’s tourism tax to allow the city to collect up to \$54,000,000 for additional capital improvements to parks-based public athletic facilities.

Effective date: Effective the day after the governing body of the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

3 Cook County lodging tax.

Eliminates a 2008 authorization allowing Cook County to impose an up to three percent tax on admissions to entertainment and recreational facilities, as well as the rental of recreational equipment.

Extends the duration of the authorized lodging tax from 15 years to 30 years.

Section Description – Article 9: Local Taxes

Effective date: Effective the day following final enactment.

Article 10: Public Finance

This article makes several changes to the law governing public finance, including:

- allowing local governments to invest public funds in time deposits insured by credit units;
- extending the period during which the notes, certificates of indebtedness, and general obligation certificates of certain political subdivisions must be payable from ten to 20 years;
- allowing local governments to issue debt to pay to eliminate ice-making systems in public facilities that use R-22; and
- clarifying levy certification requirements for housing and redevelopment authorities, port authorities, and economic development authorities.

Section Description – Article 10: Public Finance

1 Time deposits.

Allows local public funds to be invested in time deposits that are fully insured by the National Association of Credit Unions.

2 Purchase of certain equipment.

For general obligation certificates of indebtedness or capital notes issued by a school district, extends the period in which the certificates or notes must be payable from ten years to 20 years.

3 Certificates of indebtedness.

For certificates of indebtedness issued by a town, extends the period in which the certificates must be payable from ten years to 20 years and allows certificates to be issued for projects that eliminate R-22.

4 Capital notes.

For capital notes issued by a county to purchase capital equipment, extends the period in which the notes must be payable from ten years to 20 years and allows projects that eliminate R-22 to qualify as capital equipment.

Section Description – Article 10: Public Finance

- 5 **Equipment acquisition; capital notes.**
For capital notes issued by Hennepin County, extends the period in which the notes must be payable from ten years to 20 years and allows notes to be issued for projects that eliminate R-22.
- 6 **Cities may issue capital notes for capital equipment.**
For capital notes issued by a home rule charter city, extends the period in which the notes must be payable from ten years to 20 years and allows notes to be issued for projects that eliminate R-22.
- 7 **Financing purchase of certain equipment.**
For certificates of indebtedness or capital notes issued by a statutory city, extends the period in which the certificates or notes must be payable from ten years to 20 years and allows certificates or notes to be issued for projects that eliminate R-22.
- 8 **Operation area as a taxing district, special tax.**
Applies the levy certification requirements for special taxing districts to housing and redevelopment authorities.
- 9 **Mandatory city levy.**
Applies the levy certification requirements for special taxing districts to port authorities.
- 10 **Discretionary city levy.**
Applies the levy certification requirements for special taxing districts to port authorities.
- 11 **City tax levy.**
Applies the levy certification requirements for special taxing districts to economic development authorities.
- 12 **Public facilities project.**
Removes the requirement that public facilities funded by tax-exempt bonds must be publicly owned or be district heating and cooling facilities, which would allow any facility eligible to be financed under federal tax rules with tax-exempt bonds to qualify.
- 13 **Qualified bonds.**
Strikes existing language that limits the projects that can be funded by public facility bonds, which would allow these bonds to finance any project for which the bonds can be used under federal tax rules.

Section Description – Article 10: Public Finance

- 14 In installments; exception; annual limit.**
Removes the requirement that the 40-year term limit for tax-exempt bonds used to finance municipal water and wastewater treatment systems is only allowed for systems financed or guaranteed by the United States Department of Agriculture.

Article 11: Purpose Statements

This article identifies purpose statements for tax expenditures in this bill as well as purpose statements for tax expenditures in tax bills that were enacted since 2014.

Section Description – Article 11: Purpose Statements

- 1 Statement of intent; tax expenditure purpose statements.**
States that the intent of the article is to identify purpose statements for tax expenditures in this act, as well as purpose statements for tax expenditures enacted in prior years.
- 2 Tax expenditure purpose statements.**
Identifies purpose statements for tax expenditures included in this act.
- 3 Purpose statements; 2019 omnibus tax bill.**
Identifies purpose statements for tax expenditures included in the 2019 omnibus tax bill.
- 4 Purpose statements; 2017 omnibus tax bill.**
Identifies purpose statements for tax expenditures included in the 2017 omnibus tax bill.
- 5 Purpose statements; 2017 tax conformity bill.**
Identifies purpose statements for tax expenditures included in the 2017 tax conformity bill.
- 6 Purpose statements; 2016 omnibus tax bill.**
Identifies purpose statements for tax expenditures included in the 2016 omnibus tax bill.
- 7 Purpose statements; 2014 omnibus tax bill.**
Identifies purpose statements for tax expenditures included in the 2014 omnibus tax bill.

Article 12: Miscellaneous

This article makes several miscellaneous changes related to property taxes, charitable gambling, and municipal government, including:

- modifying service requirements for petitions to challenge property taxes;
- allowing for lower interest rates to be charged on delinquent taxes and repayment plans on tax-forfeited properties;
- reducing the combined net receipts tax rate for charitable gambling revenues;
- establishing tourism improvement districts, a new form of service district;
- establishing the Tribal Nation aid;
- providing an exception to the statutory net debt limit for the city of Virginia; and
- for Ramsey County, extending the period during which certain property owners can redeem property before tax forfeiture.

Section	Description – Article 12: Miscellaneous
---------	---

1	Duties.
---	----------------

	Specifies that the Tax Expenditure Review Commission may complete its “initial review” of tax expenditures sooner than three years after the commission was established.
--	--

2	Report to legislature.
---	-------------------------------

	Clarifies the time period covered by the Tax Expenditure Review Commission’s annual report.
--	---

3	Taxpayer receipt.
---	--------------------------

	Requires Minnesota Management and Budget (MMB) to publish and annually update an interactive taxpayer receipt on its website. The receipt would describe the share of state general fund expenditures represented by major expenditure categories, as well as the approximate allocation of motor vehicle fuels taxes among transportation expenditures. Based on the user’s income, the website must estimate the amount of income, sales, alcohol, tobacco, and motor vehicle fuels taxes paid by the user. The bill additionally requires the receipt to display select data on performance goals and outcomes.
--	--

4	Claimant agency.
---	-------------------------

	Prohibits private nonprofit hospitals that lease a building from the county or city in which they are located from making revenue recapture claims.
--	---

Effective date. The day following final enactment.

Section Description – Article 12: Miscellaneous

5 Payment agreements.

Remove the \$50 fee charged to a taxpayer for entering into a payment agreement, for entering into a new payment agreement after a taxpayer has defaulted on a previous agreement, or for entering into a new payment agreement after a taxpayer has renegotiated the terms of an existing payment agreement.

Effective date. The day following final enactment, for payment plans entered into 30 days after the enactment date.

6 Determination of validity.

Requires that a petition challenging the validity of an assessment be served personally on the county auditor and allows the auditor to waive personal service in multiple ways. Removes requirements for additional copies to be served on other county officials. Requires the county auditor to provide copies of the petition to the county assessor, treasurer, and attorney and to send a list of petitioned properties to the school board of the district containing the properties. Reduces the number of copies of the petition and proofs of service that must be filed with the district court.

Effective date: This section is effective August 1, 2023.

7 Rate.

Removes a ten percent minimum interest rate on delinquent property taxes; allows a county board by resolution to set a lower interest rate on property taxes than the prime rate charged by banks during the six-month period ending on September 30 of that year.

Effective date: This section is effective for property taxes, penalties, and costs determined to be delinquent on or after January 1, 2024.

8 Interest rate.

Allows a county board, or a county auditor if the county board has delegated its authority over tax-forfeited lands, to charge a lower interest rate on the unpaid balances of repurchase plans than the rate charged on delinquent taxes.

Effective date: This section is effective January 1, 2024.

9 Taxpayer receipt.

Requires the Department of Revenue to include on the individual income tax forms the option to elect to receive information about the taxpayer receipt.

10 Combined net receipts tax.

Reduces the charitable gambling net receipts tax rates as follows:

Section Description – Article 12: Miscellaneous

Net receipts	Current	Proposed
Under \$87,000	9%	8.5%
\$87,501 - \$122,500	18%	17.5%
\$122,501 - \$157,500	27%	26%
\$157,501 and over	36%	34.75%

Effective date: This section is effective for games reported as played after June 30, 2023.

11 Appropriation; general reserve account.

Provides that if the commissioner of management and budget exercises the commissioner’s authority under current law to prepay the stadium bonds, the commissioner of revenue must not retain the city of Minneapolis’ local sales tax for purposes of making the city’s debt service support payments for the stadium.

Effective date: Day following final enactment.

12 Allocation of revenues.

Increases by five the percent of solid waste management tax proceeds that are credited to the environmental fund. Requires that the five percent be deposited in the resource management account and spent on certain county waste reduction and recycling programs.

13 Purpose.

Amends a purpose statement within chapter 349 relating to the conduct of lawful gambling.

Effective date: This section is effective for games approved after June 30, 2024.

14 Electronic pull-tab device.

Amends the definition of “electronic pull-tab device” in chapter 349 to require that the device be designed so that a player must individually activate or open each individual line, row, or column of each electronic pull-tab ticket. Also requires that the device not include representations that mimic the display of video slot machines in this manner.

15 Electronic pull-tab game.

Amends the definition of “electronic pull-tab game” in chapter 349 to require that the game contain a mechanism requiring a player to manually activate each ticket to

Section Description – Article 12: Miscellaneous

be opened and a mechanism requiring a player to manually activate the reveal of each row of symbols as a separate and distinct action.

Effective date: This section is effective for games approved after June 30, 2024.

16 **Manually activate.**

Creates a definition of “manually activate” in chapter 349. “Manually activate” means that a person must either touch an icon on the electronic pull-tab device screen or press a button located elsewhere on the electronic pull-tab device, or, exclusively for purposes of accommodating use by a player who is visually impaired, perform some other action that initiates activity on an electronic pull-tab device.

Effective date: This section is effective for games approved after June 30, 2024.

17 **Definitions.**

Subd. 1. Applicability. Applies the following defined terms to the new proposed chapter allowing establishment of tourism improvement districts.

Subd. 2. Activity. Defines “activity” as: promotion either of tourism or of the business activity of businesses subject to the charges allowed under this chapter; marketing, sales, and economic development; and other services to benefit businesses subject to the charges allowed under this chapter.

Subd. 3. Business. Defines “business” as a lodging business, as defined by the municipality’s ordinances.

Subd. 4. Business owner. Defines “business owner” as a person recognized by a municipality as the owner of a business.

Subd. 5. City. Defines “city” as a statutory or home rule charter city.

Subd. 6. Clerk. Defines “clerk” as the chief clerical officer of the municipality.

Subd. 7. Governing body. Defines “governing body” as: for a city, its council or other governing body; for a town, its board or other governing body; and for a county, its board of commissioners or other governing body.

Subd. 8. Impacted business owners. Defines “impacted business owners” as a majority of business owners in a proposed or established tourism improvement district.

Subd. 9. Municipality. Defines “municipality” as a city, county, or town.

Section Description – Article 12: Miscellaneous

Subd. 10. Tourism improvement association. Defines “tourism improvement association” as the entity contracted to implement the activities and improvements listed in the municipality’s ordinance.

Subd. 11. Tourism improvement district. Defines a “tourism improvement district” as a tourism improvement district established under this proposed statutory chapter.

Effective date: This section is effective the day following final enactment.

18 Establishment of tourism improvement district.

Subd. 1. Ordinance. Allows a municipality to adopt an ordinance establishing a tourism improvement district upon receiving a petition from impacted business owners and after holding a public hearing. Establishes requirements for the ordinance.

Subd. 2. Notice. Requires publication of notice of the hearing and delivery of the notice to business owners who would be subject to the proposed service charges.

Subd. 3. Business owner determination. Obligates businesses to provide information on who owns them. Exonerates municipalities of any duty to seek information on business ownership beyond that provided by the business. Renders a municipality’s determination regarding who owns a building final.

Subd. 4. Service charges; relationship to services. Allows a municipality to impose a service charge on a business pursuant to this chapter to fund activities and improvements to benefit businesses. Allows the charges to fund the costs of collections and administrative expenses.

Subd. 5. Public hearing. Allows business owners and others to testify regarding a proposed tourism improvement district and allows adoption of the ordinance establishing a district within six months of conclusion of the hearing.

Subd. 6. Appeal to district court. Allows a person who is not precluded by failure to object before or at the public hearing to appeal the decision to establish a tourism improvement district to the district court.

Subd. 7. Notice to the commissioner of revenue. Requires the municipality establishing a tourism improvement district to notify the commissioner of revenue within 30 days of adopting the ordinance establishing the district.

Effective date: This section is effective the day following final enactment.

Section Description – Article 12: Miscellaneous

19 Service charge authority; notice; hearing requirement.

Subd. 1. Authority. Allows a municipality to impose a service charge to finance an activity or improvement in the tourism improvement district provided at an increased level of service. Allows the service charge to be imposed in the amount necessary to pay for the increased level of service.

Subd. 2. Annual hearing requirement; notice. Requires an annual public hearing regarding continuation of an established tourism improvement district. Requires publication of notice of the hearing and delivery of the notice to business owners subject to the service charge. Allows testimony by impacted persons. Allows the municipality to adopt a resolution to continue imposing service charges within the district within six months after the hearing.

Effective date: This section is effective the day following final enactment.

20 Modification of ordinance.

Subd. 1. Adoption of ordinance; request for modification. Upon written request of a tourism improvement association, allows a municipality to modify a district by ordinance after a public hearing. Requires a petition from impacted business owners either to expand the district or to change the rate, method, or basis of imposing the service charge.

Subd. 2. Notice of modification. Requires publication of notice of the public hearing and delivery of the notice to the business owners subject to the charge.

Subd. 3. Hearing on modification. Allows affected persons and business owners to testify at the public hearing. Allows the municipality to adopt the proposed modification by ordinance within six months of the public hearing.

Subd. 4. Objection. Allows business owners to use the veto powers described below to object to any modification. Bases an objection to an expansion of a district on the vote of the majority of business owners in the expanded district.

Effective date: This section is effective the day following final enactment.

21 Collection of service charges; penalties.

Allows any designated entity to collect service charges in the time and manner described in the ordinance, including collection of interest and penalties as set out in the ordinance.

Effective date: This section is effective the day following final enactment.

Section Description – Article 12: Miscellaneous

22 Tourism improvement association.

Subd. 1. Composition and duties. Requires the tourism improvement association to appoint a governing board composed of impacted business owners or their representatives. Allows the board to manage the funds raised through service charges and to select activities and improvements from those listed in the municipal ordinance establishing the district.

Subd. 2. Annual report. Requires an annual report from the tourism improvement association to the municipality on the revenue raised by the district and any other information required by the establishing ordinance.

Effective date: This section is effective the day following final enactment.

23 Petition required.

Requires a petition from impacted business owners to establish a tourism improvement district.

Effective date: This section is effective the day following final enactment.

24 Veto powers of owners.

Subd. 1. Notice of right to file petitions. Requires both that an establishing ordinance not take effect until at least 45 days after the necessary public hearing and that the municipality deliver to business owners subject to the charge a summary of the ordinance and notice of their right to veto the ordinance by a majority vote of owners subject to the charge.

Subd. 2. Requirements for veto. Prevents an establishing ordinance from becoming effective if impacted business owners file an objection before the effective date.

Effective date: This section is effective the day following final enactment.

25 Disestablishment.

Subd. 1. Procedure for disestablishment. Requires an annual 30-day period during which impacted business owners may petition for disestablishment of the district. Allows disestablishment by ordinance after holding a public hearing. Requires notice of the hearing to be published and delivered to business owners subject to the charge.

Subd. 2. Objection. Requires a 45-day window before an ordinance disestablishing a district becomes effective so that owners may file objections and veto disestablishment through the procedures in the preceding section.

Section Description – Article 12: Miscellaneous

Subd. 3. Refund to business owners. Requires that any remaining funds from the service charges be refunded to business owners upon disestablishment. Provides rules for calculating how to distribute the refunds.

Effective date: This section is effective the day following final enactment.

26 Coordination of districts.

Prohibits a county from establishing a tourism improvement district that overlaps with a tourism improvement district established by a city or town, and vice versa.

Effective date: This section is effective the day following final enactment.

27 Workforce and affordable homeownership development program.

Subd. 1. Establishment. Amends the workforce and affordable homeownership development program to allow MHFA to award loans under the program. Currently, MHFA may only award grants.

Subd. 2. Use of funds. Conforms the subdivision to the change allowing award of loans under this program.

Subd. 3. Application. Conforms the subdivision to the change allowing award of loans.

Subd. 4. Awarding of grants and loans. Conforms the subdivision to the change allowing award of loans.

Subd. 5. Statewide program. Conforms the subdivision to the change allowing award of loans and defines the metropolitan area for the purposes of requirements that the agency attempt to award grants and loans in equal amounts outside and within the metropolitan area.

Subd. 6. Report. Conforms the subdivision to the change allowing award of loans.

Subd. 7. Workforce and affordable homeownership development account. Establishes a workforce and affordable homeownership development account in the housing development fund. Appropriates money in the fund and the interest it bears to MHFA for the purposes of this program.

Subd. 8. Deposits; funding amount. Requires that, in fiscal years 2024 and 2025 \$27,500,000 be appropriated from the general fund from mortgage and deed tax proceeds to MHFA for deposit in the workforce and affordable homeownership development account in the housing development fund. Requires that, in fiscal years 2026 through 2034, \$7,500,000 be appropriated from the general fund to MHFA for the same purposes. Requires that repayment of loans under this

Section Description – Article 12: Miscellaneous

section be credited to the workforce and affordable homeownership development account. Expires this subdivision on September 16, 2034.

28 Tribal Nation aid.

Establishes a new state aid to Tribal Nations. The aid would pay \$75,000,000 annually to Tribal Nations. Distributions would be based on the number of enrolled members in each Tribal Nation.

Effective date: This section beginning with aids payable in 2024.

29 St. Paul bond authorization.

Amends the years in which St. Paul can issue bonds under this authorization for the capital improvements program from 2013 through 2024 to 2023 through 2035; increases the aggregate principal of bonds which St. Paul can issue for the program from \$20,000,000 to \$30,000,000.

30 Department of Revenue free filing report.

Requires DOR to submit a report to the legislature on free electronic filing options for the individual income tax.

The report is due on January 15, 2024, and must include a review of free filing options in other states, an analysis of taxpayer needs, a description of alternative options for free filing, and an analysis of usage of the Internal Revenue Service Free File Program.

Appropriates \$175,000 to DOR in fiscal year 2024 for the report.

31 City of Virginia; net debt limit exemption.

Exempts general obligation bonds issued to finance construction of a public safety building from the city of Virginia's net debt limit.

Effective date: This section is effective the day following final enactment.

32 Ramsey County; extending redemption periods of properties in targeted communities.

Extends the period of redemption to three years for properties that are, or were, in targeted communities in Ramsey County, effective for taxes that became due in 2023 or later.

Effective date: This section is effective the day after the chief clerical officer of Ramsey County certifies that the governing body of Ramsey County has passed a resolution approving this section.

Section Description – Article 12: Miscellaneous

33 Appropriation; city of Northfield; grant.

Provides \$300,000 in fiscal year 2024 to the city of Northfield for infrastructure costs related to a cooperatively owned manufactured home park.

34 Appropriation; city of St. Paul; grant.

Provides \$30,000,000 in fiscal year 2024 to the city of St. Paul for costs associated with street improvements.

Effective date: This section is effective the day following final enactment.

35 Appropriation; city of Spring Grove; fire remediation grant.

Provides a onetime appropriation in fiscal year 2024 of \$250,000 to the commissioner of revenue to provide grants to the city of Spring Grove for fire remediation costs. The city may use the funds as follows:

- disaster recovery;
- infrastructure replacement;
- reimbursement for emergency personnel costs;
- reimbursement for equipment costs; and
- reimbursement for property tax abatements.

Funds are available until June 30, 2025.

36 Appropriation; taxpayer receipt.

Appropriates \$100,000 in fiscal year 2024 to MMB to develop the taxpayer receipt. The base for the appropriation is \$47,000 in future years.

37 Repealer.

Repeals a requirement that those hospitals annually provide the commissioner of revenue with a copy of the lease agreement with the city or county.

Effective date. The day following final enactment.

Article 13: Department of Revenue Policy and Technical: Income and Corporate Franchise

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

**Description – Article 13: Department of Revenue Policy and Technical: Income and
Section Corporate Franchise**

- 1 Nonresident withholding tax refund clarification.**
Clarifies that when there is an overpayment of nonresident withholding tax by a partnership or S corporation, a refund allowable under that section to the payor is limited to the amount of the overpayment that was not deducted and withheld from the shares of the payor’s partners or shareholders.
Effective date: This section is effective the day following final enactment.
- 2 Credit for taxes paid.**
Allows sole members of an entity disregarded for income tax purposes to receive the credit for taxes paid by the entity in another state.
Effective date: This section is effective for taxable years beginning after December 31, 2022.
- 3 Miscellaneous withholding arrangements.**
Establishes a withholding rate of 6.25 percent, or the rate directed by the recipient, for periodic payments and nonperiodic distributions such as annuities and IRA distributions on demand. Makes nonsubstantive organizational changes for readability and clarity.
Effective date: This section is effective for periodic payments and nonperiodic distributions made on or after the day following final enactment. For periodic payments and nonperiodic distributions made on or after the day following final enactment but before January 1, 2024, the commissioner of revenue must not assess penalties relating to this amendment against a payor who complies with Minnesota Statutes 2021 Supplement, section 290.92, subd. 20.
- 4 Surety deposits; out-of-state contractors.**
Clarifies that the obligation to withhold surety deposits on construction contracts exceeding \$50,000 applies to payments to construction companies that are corporations and cooperatives that are not organized under Minnesota law.
Effective date: This section is effective the day following final enactment.
- 5 Property tax refund; homestead application.**
Changes the deadline for filing of a homestead application, and for the property to be classified as a homestead, from December 15 to December 31, for purposes of the property tax refund, to match the deadlines for homestead applications for purposes of the homestead market value exclusion.

Description – Article 13: Department of Revenue Policy and Technical: Income and
Section Corporate Franchise

Effective date: This section is effective retroactively for refund claims based on property taxes payable in 2022 and thereafter.

Article 14: Department of Revenue Policy and Technical: Fire and Police State Aids

This article makes a number of policy and technical changes related to the fire state aid and police state aid programs.

Description – Article 14: Department of Revenue Policy and Technical: Fire and
Section Police State Aids

1 Compliance report due dates.

Provides due dates for financial compliance reports submitted by the state auditor to the commissioner of revenue. The reports certify which relief associations are eligible to receive fire state aid.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

2 Apportionment agreement definition.

Defines “apportionment agreement” for the purposes of fire state aid.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

3 Fire department definition.

Adds joint powers entities and fire protection special taxing districts to the definition of “fire department” for purposes of the fire state aid chapter.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

4 Joint powers entity definition.

Defines a joint powers entity for purposes of fire state aid.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

**Description – Article 14: Department of Revenue Policy and Technical: Fire and
Section Police State Aids**

5 Municipality definition.

Includes joint powers entities and fire protection special taxing districts in the definition of “municipality” for purposes of fire state aid. Park districts and the University of Minnesota are eliminated from the definition. These two entities do not receive fire state aid, have not received it in the past, and are not anticipated to qualify for fire state aid in the future.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

6 Secretary definition.

Includes the secretary or financial manager of a joint powers board or fire protection special taxing district board in the definition of “secretary” for purposes of fire state aid.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

7 Fire department criteria.

Requires a fire department to have a fire department identification number issued by the state fire marshal to receive fire state aid.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

8 Fire department personnel and benefits criteria.

Eliminates outdated personnel criteria for fire departments to receive fire state aid. Language is also added to clarify that a fire department may not be associated with more than one retirement benefit plan at the same time.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

9 Public safety answering point requirement.

Requires a fire department to be dispatched by a public safety answering point to qualify for fire state aid.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

**Description – Article 14: Department of Revenue Policy and Technical: Fire and
Section Police State Aids**

10 Documentation filing requirements.

Clarifies the documentation required to be filed with the commissioner by municipalities and independent nonprofit firefighting corporations already receiving fire state aid, and those applying for the first time. For those already receiving aid, notifications of contract formation and termination, and notice of fire department dissolution, must be provided to the commissioner within 60 days of the event.

For departments applying for fire state aid for the first time, notice of apportionment agreements, joint powers agreements, and fire protection special taxing district resolutions or agreements must be filed with the commissioner. If any of the above-listed documents are updated, the updated version must also be filed with the commissioner within 60 days of the update. In the event a fire department is located in an unorganized territory, the county auditor is also required to provide information that the commissioner needs to apportion the estimated market value of the fire department service area.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

11 PERA certification.

Provides that the executive director of the Public Employees Retirement Association (PERA) only needs to certify to the commissioner of revenue which fire departments began or terminated participation in the voluntary statewide volunteer firefighter retirement plan since the previous certification. Requires the certifications to include the number of active volunteer firefighters under section 17, information required for aid calculation.

Also provides the due date for PERA to certify the number of active firefighters to the commissioner of revenue and to the state auditor, and clarifies that the certification requirement applies to all municipalities and independent nonprofit firefighting corporations participating in the voluntary statewide volunteer firefighter retirement plan, not just to relief associations that were recently terminated because benefits started being provided by the statewide plan.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

12 Fire department certification to the commissioner.

Requires the municipal clerk or the secretary to annually certify a fire department's service area and whether all the qualification criteria for fire state aid are met. The

Description – Article 14: Department of Revenue Policy and Technical: Fire and Police State Aids

municipal clerk or secretary must send a copy of the certification to the fire chief within five business days of filing with the commissioner.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

13 Fire state aid penalty for failure to file or correct certification.

Establishes a penalty for failure to file the certification required under subdivision 9 on or before March 1st or if a corrective certification is not filed by March 15 or more than 30 days after the date of the commissioner’s notice of rejection.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

14, 22 Certain tax credits and calculation of amount of fire and policy state aid available for apportionment.

Clarifies that when the department annually calculates the amount of fire and police state aid available for apportionment based on insurance premium data, the calculation is not affected by premium tax credits received under the historic structure insurance premium tax credit, film production insurance premium tax credit, and Minnesota housing insurance premium tax credit.

Deletes vague language describing adjustments to aid payments.

Effective date: This section is effective the day following final enactment.

15 Population data.

Requires the commissioner to use the most recent population estimates from the state demographer, rather than federal census data, to calculate fire state aid. Also requires the commissioner to use the estimated market value (EMV) property figures for the assessment year immediately prior to aid distribution in any calculations requiring EMV figures.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

16 Fire state aid initial allocation amount.

Clarifies that fire state aid allocation for those providing fire protection to more than one municipality includes those that enter into joint power agreements or resolutions, not just those that enter into service contracts.

**Description – Article 14: Department of Revenue Policy and Technical: Fire and
Section Police State Aids**

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

17 Fire state aid minimum allocation amount.

Clarifies that the minimum fire state aid allocation amount, that is based on the number of active volunteer firefighters, for a municipality or independent nonprofit firefighting corporation that provides retirement coverage under Chapter 353G equals the number of active firefighters covered by the retirement plan within 30 days of the date the municipality or independent nonprofit firefighting corporation begins coverage in the plan, not to exceed 30.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

18 Fire state aid appeal.

Provides that objections to fire state aid apportionments may only be raised within 60 days after the apportioned fire state aid is paid. There was previously no timeline for objections.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

19 Timing and direction of fire state aid payments.

Clarifies that aid is withheld for noncompliance with financial reporting requirements. If the Office of the State Auditor certifies that the requirements have been met, the commissioner of revenue must make the payments within ten business days of receipt of the certification.

Also clarifies that fire state aid payments will be distributed to the largest municipality in population located within a joint powers entity and within the fire department service area of independent nonprofit firefighting corporations. If a joint powers entity has designated an agency as its fiscal agent, however, the payments will be distributed to that agency regardless of population size.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

20 Fire state aid amount corrections.

Specifies how clerical errors that resulted in incorrect overpayments or underpayments of fire state aid are adjusted. Adjustments must occur within three years after a payment is issued.

**Description – Article 14: Department of Revenue Policy and Technical: Fire and
Section Police State Aids**

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

21 Police state aid penalty for failure to file or correct certification.

Establishes a penalty for failure to file the certification required under subdivisions 1 or 2 on or before March 1 or if a corrective certification is not filed by March 15 or more than 30 days after the date of the commissioner’s notice of rejection.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

23 Police state aid appeal.

Provides that objections to police state aid apportionments may only be raised within 60 days after the apportioned police state aid is paid. There was previously no timeline for objections.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

24 Police state aid amount corrections.

Specifies how clerical errors that resulted in incorrect overpayments and underpayments of police state aid are adjusted. Adjustments must occur within three years after a payment is issued.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

25 Repealer.

Repeals outdated equipment requirements for fire departments that are no longer used in determining qualification for fire state aid and vague language describing aid payment adjustments that is no longer needed with the fire state aid correction language added elsewhere in this article.

Effective date: This section is effective for aids payable in calendar year 2024 and thereafter.

Article 15: Department of Revenue Policy and Technical: Data Practices

This article makes a number of policy and technical changes related to data practices.

Section	Description – Article 15: Department of Revenue Policy and Technical: Data Practices
1	<p>Disclosure of welfare data.</p> <p>Clarifies that welfare data is able to be disclosed to the department to prepare the databases for reports required under section 270C.13.</p> <p>Effective date: This section is effective the day following final enactment.</p>
2	<p>Tax incidence study report.</p> <p>Allows the commissioner to request information from any state officer or agency for the department’s reports under section 270C.13. The state officer or agency shall provide the data requested to the extent permitted by law.</p> <p>Effective date: This section is effective the day following final enactment.</p>
3	<p>Publication of tax preparers.</p> <p>Requires publication of a paid tax preparer who has been assessed a penalty in excess of \$1,000 for failing to provide a preparer tax identification number on returns they prepare and file for others.</p> <p>Effective date: This section is effective for returns filed after December 31, 2023.</p>
4	<p>Owner or managing agent to furnish rent certificate.</p> <p>The department, after consulting with affected representatives, can require owners and managing agents to e-file copies of certificates of rent paid (CRPs) issued to renters. The change supplements that authority by letting the department require CRP issuers to submit their taxpayer identification number to the department when e-filing the CRPs.</p> <p>Effective date: This section is effective for refund claims based on rent paid in 2023 and thereafter.</p>
5 - 6	<p>Background check; access to federal tax information.</p> <p>Addresses the feedback that the Minnesota Bureau of Criminal Apprehension received from the U.S. Department of Justice / FBI in order to satisfy the requirements under Public Law 92-544.</p> <p>Effective date: This section is effective the day following final enactment.</p>
7	<p>Homestead property tax burden report.</p> <p>Allows the commissioner to request information from any state officer or agency. The state officer or agency shall provide the data requested to the extent permitted by law.</p>

Description – Article 15: Department of Revenue Policy and Technical: Data
Section Practices

Effective date: This section is effective the day following final enactment.

Article 16: Department of Revenue Policy and Technical: Miscellaneous

This article makes a number of policy and technical changes related to various state taxes.

Description – Article 16: Department of Revenue Policy and Technical:
Section Miscellaneous

1 - 2 **Population used in Tribal tax agreements.**

Provides that the population used to compute refunds and payments under tax agreements between the commissioner of revenue and Tribal governments is the number of enrolled members of the Tribe who live on or adjacent to the reservation as reported to the commissioner by the Tribe.

Current law provides that the on-or-adjacent-to population must be obtained from a Bureau of Indian Affairs report that is no longer submitted by the Tribes or published by the bureau.

Also adds language that states that refunds are meant to approximate the tax paid on the reservation by Tribal members, or the amount they would have paid on the reservation if there was no agreement. Also gives instructions to the commissioner on how estimates should be calculated.

Effective date: This section is effective retroactively for agreements entered into or amended after December 31, 2022.

3 **Health care provider.**

Clarifies that a health care provider, for MinnesotaCare Tax purposes, does not include a person or entity that receives all their payments for patient services from a source of funds that is excluded from tax under sections 295.50 to 295.59. Currently, the statute includes the word “exempt” but not “excluded.”

Replaces the words “this chapter” with “sections 295.50 to 295.59” since Chapter 295 also includes the unrelated liquor gross receipts tax, and this provision is not applicable to that tax.

Effective date: This section is effective the day following final enactment.

Description – Article 16: Department of Revenue Policy and Technical:
Section Miscellaneous

4 Surcharge publication date.

Moves the annual deadline for publication of the debt service surcharge from April 1 to May 1. This change is necessary because the Department cannot publish the debt service surcharge until Minnesota Management and Budget publishes its debt service forecast, which is due on April 1 of each year. The amendment also removes outdated language from the subdivision.

Effective date: This section is effective the day following final enactment.

5 Definition of “state.”

Conforms with the recently amended Streamlined Sales Tax definition of “state.” This amendment provides that, for sales and use tax purposes, “state” also includes any territory of the United States.

Effective date: This section is effective for sales and purchases made after June 30, 2023.

Article 17: Grants Management

Section Description – Article 17: Grants Management

1 Financial review of nonprofit grant recipients.

Establishes a uniform grants management process for an entity to follow when awarding a grant to a nonprofit organization. Requires the grant applicant to:

- 1) submit financial information to the grantor to demonstrate the applicant’s financial viability;
- 2) provide evidence of registration and good standing with the secretary of state;
- 3) provide evidence of good standing with the attorney general’s office; and
- 4) for nonprofits with more than \$750,000 in annual revenue, submit audited financial statements.

Authorizes grantors to postpone or forgo awarding the grant to the applicant if the applicant’s information presents significant financial concerns. Requires the grantor to report to the legislature if any legislatively authorized grants are disallowed under this section. Allows an otherwise nonqualifying applicant to obtain technical assistance from the grantor or qualify for the grant subject to additional conditions imposed by the grantor. Requires grantors to document and retain specified

Section Description – Article 17: Grants Management

information, including whether and how the applicant resolved the grantor’s initial concerns regarding the nonprofit’s financial standing and management.



**MN HOUSE
RESEARCH**

Minnesota House Research Department provides nonpartisan legislative, legal, and information services to the Minnesota House of Representatives. This document can be made available in alternative formats.

www.house.mn/hrd | 651-296-6753 | 155 State Office Building | St. Paul, MN 55155