MN HOUSE RESEARCH

Bill Summary

H.F. 3669

As amended by A22-0407

Subject	Omnibus tax bill
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Overview

H.F. 3669 is the 2022 omnibus tax bill.

Article 1: Federal Conformity

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

- The Further Consolidated Appropriations Act, 2020 (Public Law 116-94), enacted on December 20, 2019.
- The Families First Coronavirus Response Act (Public Law 116-127), enacted on March 18, 2020.
- The Coronavirus Aid, Relief, and Economic Security (CARES) Act (Public Law 116-136), enacted on March 27, 2020.
- The Paycheck Protection Program and Health Care Enhancement Act (Public Law 116-139), enacted on April 24, 2020.
- The Consolidated Appropriations Act, 2021 (Public Law 116-260), enacted on December 27, 2020.
- The Infrastructure Investment and Jobs Act (Public Law 117-9), enacted on November 15, 2021.

With a few exceptions, the bill's approach to conformity is to allow taxpayers to claim an income tax subtraction or addition in tax year 2022 to "catch up" for any provisions affecting tax years prior to 2022.

The article takes a similar approach to net operating losses and the business interest deduction, allowing taxpayers to carryforward amounts not allowed to be claimed due to the federal update and adjustment provisions.

Section	Description – Article 1: Federal Conformity
1	**Internal Revenue Code.** Updates chapter 289A for federal changes through November 15, 2021. Effective date: When effective for federal purposes.
2	**Composite income tax returns for nonresident partners, shareholders, and beneficiaries.** Amends the definition of "income" for composite return filers to include the addition for business meals in section 5 and the subtraction for delayed business interest in section 7. Effective for tax years in 2022 and later.

Section	Description – Article 1: Federal Conformity
3	**Net income.** Updates the definition of "net income" in chapter 290 for federal changes through December November 15, 2021. Effective date: When effective for federal purposes.
4	**Internal Revenue Code.** Updates the definition of "Internal Revenue Code" for federal changes through November 15, 2021. Effective date: When effective for federal purposes.
5	**Meal expenses.** Requires an addition for individual taxpayers who deducted business meal expenses in excess of the 50 percent deduction limitation. Effective for tax year 2022 and later.
6	**Net operating losses.** Provides an individual subtraction for the net operating loss deduction not allowed under the federal update and special adjustment. The subtraction would be limited to 80 percent of a taxpayer's taxable income. Effective for tax year 2022 and later.
7	**Delayed business interest.** Provides a five-year pro rata individual subtraction for the business interest deduction not allowed under the federal update and special adjustment. Effective for tax year 2022 and later.
8	**Meal expenses.** Requires an addition for C corporations who deducted business meal expenses in excess of the 50 percent deduction limitation. Effective for tax year 2022 and later.
9	**Delayed business interest.** Provides a five-year pro rata corporate subtraction for the business interest deduction not allowed under the federal update and special adjustment. Effective for tax year 2022 and later.

Section	Description – Article 1: Federal Conformity

10 **Schedule of rates for individuals, estates, and trusts.**

Applies the business meal expense addition and delayed business interest subtraction to the calculation of a taxpayer's Minnesota residency percentage.

Effective for tax year 2022 and later.

11 **Definitions; individual alternative minimum tax.**

Applies the business meal expense addition and delayed business interest subtraction to the calculation of a taxpayer's alternative minimum taxable income. Additionally applies the new NOL rules in section 12.

Effective for tax year 2022 and later.

12 **Carryback or carryover adjustments.**

Defines the amount of the net operating loss deduction allowed as an individual subtraction under section 6. The amount is based on the carryforward amount an individual is allowed under the net operating loss rules established in 2017 in the Tax Cuts and Jobs Act (TCJA). Under the individual net operating loss provisions of this article, the federal net operating loss deduction claimed federally would flow through to the state beginning in 2022, while an additional subtraction is provided for any remaining net operating loss deductions allowed under the TCJA rules (except the indefinite carryforward rule), as of the same date.

Effective retroactively for tax years in 2017 and later.

13 **Special limited adjustment.**

Establishes a "special limited adjustment to tax" for all tax filers for tax years prior to 2022. While the bill generally conforms retroactively, the special limited adjustment would adjust a taxpayer's tax liability by the difference in tax between the pre-conformity and post-conformity tax calculations. This effectively means that even though the bill generally conforms to most federal provisions retroactively, as a general rule conformity will not affect the tax paid in tax years prior to 2022—taxpayers would not see an increase in liability or a refund.

The section does outline a list of sections of federal law to which the special adjustment does not apply. Conformity to the provisions listed is fully retroactive and will affect the tax paid in taxable years prior to 2022. Those provisions are:

- Provisions already adopted in the 2021 omnibus tax bill.
- Exclusion from gross income of a discharge of qualified principal residence, in the Taxpayer Certainty and Disaster Tax Relief Act of 2022 (TCDTRA 2020).
- Special rules for disaster related personal casualty losses (TCDTRA 2020).

Section	Description – Article 1: Federal Conformity

- Exclusion from gross income and no denial of deduction for the Treasury Program Management Authority (COVID-related Tax Relief Act of 2020).
- Exclusion from gross income and no denial of deduction for the Shuttered Venue Operator Grants (COVID-related Tax Relief Act of 2020).
- Tax treatment of Targeted EIDL advances (American Rescue Plan Act (ARPA) 2021).
- Tax treatment of restaurant revitalization grants (ARPA 2021).
- Modification of treatment of student loan forgiveness (ARPA 2021).

14 **Internal Revenue Code.**

Updates the definition of "Internal Revenue Code" for federal changes through November 15, 2021, for the property tax refund.

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

15 **Scope.**

Updates the definition of "Internal Revenue Code" for federal changes through November 15, 2021, for the estate tax.

Effective date: The day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time they became effective for federal purposes.

16 **Nonconformity adjustment.**

Requires taxpayers to take an addition or subtraction in tax year 2022 to account for the federal provisions being adopted in the article. The nonconformity addition or subtraction would equal the amount of any changes due to conformity in taxable years prior to 2022. This has the effect of requiring a taxpayer to apply any changes to net income from conformity to their 2022 return, even if the provision being conformed to affected an earlier taxable year.

A number of federal provisions are excluded from the adjustment—in effect the bill is not conforming to those provisions. The provisions excluded from the adjustment are:

- The federal tuition deduction for taxable years 2018 to 2020.
- Increases in adjusted gross income due to the employee retention credit.
- Increases in adjusted gross income due to the credits for paid sick and paid family leave.
- Preferential treatment for charitable contributions, including the above-the-line deduction and increase in the contribution limitations.

Section	Description – Article 1: Federal Conformity
	▪ CARES Act NOL and interest deduction rules. ▪ The business meals deduction. ▪ Increases in adjusted gross income due to the ARPA COBRA Premium Assistance Credit. ▪ Temporary enhancements of the dependent care credit under ARPA. The bill requires taxpayers who file on a calendar year basis—but who are partners, shareholders or beneficiaries of a pass-through entity that files on a fiscal year basis—to take the nonconformity adjustment in the taxable year it was received for federal purposes. The nonconformity adjustment would apply to the calculation of a taxpayer's residency percentage, alternative minimum taxable income, and the pass-through entity tax. Effective for tax year 2022 for most filers.
17	**Repealer.** Repeals the section containing temporary conformity provisions in the 2021 tax bill. That section is subsumed by the broader conformity in the bill.

Article 2: Individual Income and Corporate Franchise Taxes

This article makes several changes related to individual income and corporate franchise taxes. Among other changes, the article would:

- Decouple the Minnesota dependent care credit from the federal credit, increasing the credit rate, and temporarily allowing larger credits for dependents under the age of 5.
- Provide an income tax rebate, structured as a refundable credit, for children ages 16 and younger. The rebate would be $325 per child.
- Provide a 100 percent subtraction for taxable Social Security benefits for taxpayers with adjusted gross incomes (AGI) up to $75,000 (married joint) or $58,600 (other filers).
- Allow an income tax subtraction for up to $10,200 per person of unemployment compensation received in 2021.
- Make the student loan credit refundable, and temporarily increase the maximum credit to $1,400.
- Extend the sunset for the historic structure credit to 2030 and allow taxpayers to take the credit in one lump sum.

- Allow taxpayers who file with an Individual taxpayer identification number to claim the working family credit.
- Increase the angel credit allocation in tax year 2022 by $7 million.
- Allow tiered partnerships to pay the PTE tax and PTEs to allocate 100 percent of resident income when calculating the tax.

Section	Description – Article 2: Individual Income and Corporate Franchise Taxes
1	**Definitions (beginning farmer credit).** Expands eligibility for beginning farmer income tax credits to include beginning farmers who have structured their business as a Limited Liability Company (LLC). Because the state's Corporate Farm Law (Minn. Stat. § 500.24) generally prohibits LLCs from owning or operating farmland in this state, the bill specifies that the beginning farmer's LLC must satisfy one of the exceptions provided in the Corporate Farm Law. Effective for tax year 2022 and later.
2	**Tax credit for owners of agricultural assets.** Allows sales of agricultural assets to family members (or spouses of family members) that are beginning farmers to qualify for the beginning farmer agricultural asset credit. In the case of sales of agricultural assets sold to a family member, to qualify for the credit the sale price must equal or exceed the assessed market value of the asset. If there is no assessed value of the asset, the sale price must equal or exceed 80 percent of the fair market value of the asset. Under current law, the credit for the sale of an agricultural asset equals five percent of the sale price, or the fair market value of the asset—whichever is lower. Effective for tax year 2022 and later.
3	**Authority duties.** Reduces the amount of credit allocations available per year by $300,000, and appropriates the same amount to the Rural Finance Authority to develop an online application system and administer the credit. The reduction first applies to tax year 2022. Requires the Rural Finance Authority to promote the availability of the credits to socially disadvantaged farmers and ranchers, and provide application assistance to socially disadvantaged farmers and ranchers. Effective for tax year 2022 and later.

Section	Description – Article 2: Individual Income and Corporate Franchise Taxes
4	**Credit allowed.** Increases the dollar amount threshold for the small business investment credit (also known as the ("angel investment credit") for tax year 2022 from $5 million to $12 million. Effective for tax year 2022.
5	**Definitions.** Allows the $1 million threshold for eligible production costs under the film credit to be made in a consecutive twelve-month period rather than in a taxable year. Effective for tax year 2022 and thereafter.
6	**Credit allowed.** Makes a technical and conforming change due to the change in section 5. Effective for tax year 2022 and thereafter.
7	**Pass-through entity tax.** Allows a pass-through entity (PTE) to allocate 100 percent of a resident partner's income for purposes of calculating the PTE tax and allows tiered PTEs, including any PTE having a trust as an owner, to elect to file and pay the tax, but would not include the income of an S corporation in the calculation of the PTE tax. Also makes clarifying changes related to the treatment of disregarded entities. Effective retroactively for tax years beginning in 2021.
8	**Reporting and payment requirements for partnerships and tiered partners.** Requires a PTE that filed a PTE tax return to file an amended return due to a federal partnership level audit. Effective retroactively for tax years beginning in 2021.
9	**Dependent flexible spending accounts.** Requires an individual income tax addition for dependent flexible spending account contributions, for taxpayers who claimed the dependent care credit. Effective for tax year 2022 and later.
10	**Military service pension; retirement pay.** Expands the military retirement subtraction to a portion of the pension income received through a federal civilian pension, if calculation of the pension includes a credit for military service. Civilian federal employees who served in the armed forces

Section	Description – Article 2: Individual Income and Corporate Franchise Taxes
	may elect to receive "service credit" to their civilian pensions for their military service. In order to receive a service credit, most individuals must waive their military retirement pay and pay a military service credit deposit based on a percentage of their military base pay. Effective retroactively for tax year 2021 and later.
11	**Social security benefits.** Allows taxpayers with adjusted gross incomes up to $75,000 (married joint) or $58,600 to subtract 100 percent of taxable Social Security income included in adjusted gross income (AGI). The subtraction would be reduced by ten percent for each $4,000 of AGI above the phaseout threshold. Taxpayers could alternately elect to claim an "alternate subtraction" equal to the subtraction allowed under current law. Effective for tax year 2022 and later.
12	**Emergency assistance for postsecondary student grants.** The emergency assistance for postsecondary students (EAPS) grants provide funding and resources to Minnesota colleges and universities with a demonstrable homeless population. This bill makes EAPS grant money that a student receives, excluding amounts used for qualified tuition and expenses, a subtraction from Minnesota taxable income. Effective for tax year 2022 and later.
13	**Workforce incentive fund grant payments.** Allows a subtraction for workforce incentive grants, which are proposed to be enacted in the omnibus health and human services (HHS) bill. The HHS bill establishes a workforce incentive fund to provide grants for behavioral health, housing, disability, and home and community-based older adult providers. Effective for tax year 2022 and later.
14	**Credit for taxes paid to another state.** Allows the sole member of a single-member LLC to claim the credit for taxes paid to other states when the LLC has paid a tax in another state on net income. Effective for tax years in 2022 and later.

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

15 **Great start child care and dependent care credit.**

Subd. 1. Amount of credit. Decouples Minnesota's dependent care credit from the federal dependent care credit. Stipulates that the state credit amount would equal the credit rate determined under subdivision 1a, multiplied by the credit percentage determined under subdivision 1b.

For nonresidents and part-year residents, requires the credit to be allocated based on the taxpayer's residency percentage.

Defines the terms "qualifying individual" and "employment-related expenses" by reference to the federal dependent care credit. Defines "young child" as a qualifying individual who is 0-4 years old at the end of the taxable year.

Subd. 1a. Eligible dependent care expenses. Allows taxpayers with one qualifying individual to claim up to $3,000 of eligible dependent care expenses, and taxpayers with two or more qualifying individuals to claim up to $6,000 in eligible dependent care expenses.

Subd. 1b. Special rules for tax years 2022 to 2028. Effective for tax years 2022 to 2028 only, the amount of eligible expenses would be increased by $7,000, $14,000, or $19,000 for taxpayers with one, two, or three qualifying individuals (respectively) that were ages 0-4 at the end of the taxable year.

Subd. 1c. Credit percentage. Sets the credit percentage at 50 percent subject to an income-based phaseout beginning at $125,000 of AGI.

The credit point is reduced by one percentage for each $2,000 of AGI (or fraction of $2,000) above $125,000, until the credit percentage equals 20 percent. The 20 percent credit rate would apply until a taxpayer's income exceeded $400,000. The rate would be further reduced by one percentage point for each $2,000 of income in excess of $400,000 of AGI, until the credit percentage reached zero percent. The credit would be fully phased out at $440,000 of AGI.

Subd. 2b. Inflation adjustments. Sets the base year for the inflation adjustment at tax year 2022.

Subd. 2c. Deemed expenses. Under current Minnesota law, certain taxpayers are deemed to have employment-related expenses eligible for the dependent care credit.

The bill moves these existing provisions to a new subdivision, and makes two substantive changes. First, for operators of a family day care, it sets the deemed amount for a child attending the day care at the amount the facility would normally charge for a child of a given age. Second, for a child younger than 1, the

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

bill sets the deemed amount to equal the maximum amount allowed for a child ages 0-4 ($10,000 for one child).

Subd. 2d. Taxpayers not filing a federal return. Moves language governing taxpayers who do not file a federal return from subdivision 1 to a new subdivision. The bill does not make a substantive change to this provision.

Subd. 3. Credit to be refundable. Adds language appropriating funds to the Department of Revenue (DOR) for credit refunds.

Subd. 4. Right to file claim. No changes.

Subd. 5. Employment-related expenses. Under current Minnesota and federal law, the dependent care credit is limited to the earned income of the taxpayer, or the earned income of the lesser-earning spouse (for a married taxpayer filing a joint return). H.F. 3283 decouples the state credit from the federal credit, meaning Minnesota would need to explicitly adopt any rules from the federal credit to include those rules in the new state credit. Subdivision 5 adopts the federal earned income limitations.

Subd. 6. Rules for married couples filing separate returns. Limits the ability of married couples filing separate returns to claim the credit—only one spouse would be permitted to claim the credit.

16 **Credit allowed (working family credit for ITIN filers).**

Allows taxpayers who file using an individual taxpayer identification number (ITIN) rather than a Social Security number to claim the Minnesota working family credit.

Effective for tax year 2022 and later.

17 **Limitations (Minnesota education credit).**

Changes the income measure used to phase out the Minnesota education credit to AGI. Increases the phaseout thresholds to $70,000, and requires the commissioner of revenue to annually adjust the threshold for inflation.

Effective for tax year 2022 and later.

18 **Credit or grant allowed; certified historic structure.**

Allows the credit for historic structure rehabilitation to be paid in one lump sum in the taxable year the property is placed in service. Projects that received an allocation certificate for the current five-year pro rata credit would be able to claim the lump sum credit provided the project is not placed in service prior to July 1, 2022.

Section	Description – Article 2: Individual Income and Corporate Franchise Taxes
	Effective for property placed in service after June 30, 2022.
19	**Applications; allocations.** Requires an allocation certificate for the credit in section 18 issued prior to July 1, 2022, for a project not placed in service by that date, to reflect that the credit recipient may claim the credit in one lump sum. Effective retroactively for allocations certificates issued prior to the date of enactment.
20	**Credit certificates; grants.** Makes a conforming change for grant recipients of the historic structure credit due to the changes in section 18. Effective for property placed in service after June 30, 2022.
21	**Sunset.** Moves the sunset date for the historic structure credit from after fiscal year 2022 to fiscal year 2030. Effective the day following final enactment.
22	**Credit refundable; appropriation (student loan credit).** Makes the Minnesota student loan credit refundable, effective for tax year 2022.
23	**Special rules for tax years 2022 to 2028 (student loan credit).** Temporarily increases the maximum student loan credit to $1,400. Effective for tax years 2022 to 2028 only.
24	**Credit allowed.** Makes a conforming change to the credit for stillbirths to reflect the changes in section 25. Effective retroactively for tax years beginning in 2016.
25	**Definitions.** Creates new definitions for the credit for stillbirths to modify and clarify the documentation requirements for the credit, the individuals eligible for the credit, and for the definition of stillbirths. An “eligible individual” for purposes of the credit would include an individual that did not give birth but that is listed on the certificate of stillbirth.

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

Effective retroactively for tax years beginning in 2016.

26 **Income definition (property tax refunds).**

Excludes workforce incentive grants from the income definition used by the property tax refund programs.

Effective for refunds based on rent paid in 2022 and property taxes payable in 2023.

27 **Special provisions for allocation of certificates issued prior to effective date.**

Provides for the administration of the historic structure credit under sections 18-20 for projects certified for the credit that have not been placed in service prior to July 1, 2022.

Effective the day following final enactment.

28 **Temporary individual income tax subtraction; unemployment insurance benefits.**

Establishes a temporary individual income tax subtraction for up to $10,200 of unemployment compensation. For married taxpayers filing a joint return, the subtraction is limited to $10,200 in unemployment compensation received by each spouse. The subtraction is subject to an income-based phaseout beginning at $150,000 of AGI for married taxpayers filing a joint return, and $75,000 of AGI for all other filers.

The bill is effective retroactively for tax year 2021 only.

29 **Income tax rebates for parents of qualifying children.**

Establishes a $325 refundable income tax credit for taxpayers with "qualifying children" ages 16 and younger. The credit would be effective retroactively for tax year 2021 only.

Subd. 1. Definitions. Defines "qualifying child," and applies the definitions in chapter 290 to the credit.

Subd. 2. Credit allowed. Allows a $325 refundable income tax credit for each qualifying child of the taxpayer in tax year 2021. The credit is phased out at $140,000 of adjusted gross income for married taxpayers filing a joint return, and $70,000 for all other filers.

Subd. 3. Part-year residents. Allows part-year residents to claim a credit based on the percentage of their income that was Minnesota-source in tax year 2021.

Subd. 4. Credit refundable; appropriation. Makes the credit refundable, allowing taxpayers with income tax liability less than the credit to qualify.

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

Subd. 5. Distribution of credit payments; filing process for taxpayers without tax liability. Requires DOR to automatically adjust the returns of taxpayers eligible for the credit (to the extent feasible) and distribute credit payments as a check or through direct deposit.

Requires DOR to establish a simplified filing process so that taxpayers without an income tax liability can claim the credit.

Subd. 6. Recapture of payments forbidden. Forbids DOR from recapturing credit payments from individuals through the state revenue recapture program.

Effective retroactively for tax year 2021 only.

30 **Repealer.**

Repeals the definition of household income used by the Minnesota education credit. The bill switches the credit to instead use adjusted gross income.

Effective for tax year 2022 and later.

Article 3: Sales and Use Taxes

This article provides a temporary, general construction sales tax exemption for materials used in projects for local governments, schools, nonprofits, and other entities.

In addition, the article would establish a capital equipment exemption for equipment used to produce prepared food and beverages.

The article also provides specific construction sales tax exemptions for Maple Grove, Itasca County, Wayzata, and the Minneapolis-St. Paul International Airport, and for the following school districts and schools: Chisholm, Duluth, Ely, Hibbing, Nashwauk-Keewatin, Rock Ridge, Northland Learning Center, and Northern Lights Academy.

In addition, this article also establishes or modifies sales tax exemptions for county fairs, the National Sports Center in Blaine, farm fencing, occasional sales of single-member LLCs, fiber and conduit for broadband, and the Minnesota State High School League.

Section	Description – Article 3: Sales and Use Taxes
1	**Use of portion of county fair revenues.** Allows a county fair to retain its sales tax savings from its ticket and admission exemption to make improvements to and maintain fairground facilities and buildings, regardless of the ownership of the fairgrounds. Effective the day following final enactment.
2	**Amateur sports account.** Creates an amateur sports account for the sales tax collected from the National Sports Center in Blaine, in section 16, for use in the promotion and development of amateur sports. Effective July 1, 2022.
3	**Farm machinery.** Includes "fencing material" in the definition of farm machinery, which allows the material to qualify for exemption. Effective retroactively for sales and purchases after June 30, 2021.
4	**Sales of property used in a trade or business.** Applies the occasional sales exemption to transactions between the sole member of an LLC and the LLC. Effective for sales and purchases made after June 30, 2022.
5	**Fiber and conduit; broadband and Internet access.** Exempts sales of fiber and conduit purchased by an ISP or broadband provider and used primarily in the retail provision of Internet access. Effective retroactively for sales and purchases made after July 1, 2017.
6	**Food service establishment equipment.** Establishes a capital equipment exemption for food service equipment used in the production of prepared food and beverages. Provides definitions for "catering service," "food service equipment," "food service establishment," "furnishing of beverages," "prepared food," and "production." Effective for sales and purchases made after June 30, 2022.

Section	Description – Article 3: Sales and Use Taxes
7	**County agricultural society sales at county fairs.** Allows presales by a county fair to qualify for the sales tax exemption for tickets to and events at a county fair. Effective the day following final enactment.
8	**Properties destroyed by fire.** Extends the expiration date for the exemption for building materials, supplies, and equipment, including capital equipment used for reconstruction due to the fire in Mazeppa on March 11, 2018, from January 1, 2022, to January 1, 2024. Effective retroactively from March 11, 2018.
9	**Construction; certain local government facilities.** Adds projects for three local governments to the public facilities exemption for local governments: the Itasca County courts and courthouses; a public safety training facility in Maple Grove; and a number of projects in Wayzata. Effective dates: For Itasca County, sales and purchases after April 30, 2021, and before January 1, 2025. For Maple Grove, sales and purchases after August 31, 2021, and before December 31, 2023. For Wayzata, sales and purchases after March 31, 2020, and before January 1, 2025.
10	**Building materials; farm fencing material.** Provides a construction exemption for farm fencing material used to build or maintain a fence that is not exempt under section 3. Effective retroactively for sales and purchases after June 30, 2021.
11	**Construction materials purchases by contractors; exemption for certain entities.** Establishes a construction sales tax exemption for construction materials purchased for buildings and facilities used principally by the following entities: school districts, local governments, local government-owned nursing homes and hospitals, libraries, nonprofit groups, hospitals and other health care providers, and nursing home and boarding care homes. Also provides a construction exemption for materials purchased for public infrastructure projects, for schools and local governments.

Section	Description – Article 3: Sales and Use Taxes
	Effective retroactively for sales and purchases after June 30, 2021, and before January 1, 2023. Refunds for the exempt sales must be made before July 1, 2023.
12	**Construction materials exemption for certain projects at the Minneapolis-St. Paul International Airport.** Provides an exemption for sales and purchases of construction materials used in the construction of various projects at the airport, provided that an exemption for these materials is not claimed under section 11. Effective retroactively for sales and purchases after July 1, 2021, and before January 1, 2023. Refunds for the exempt sales must be made before July 1, 2023.
13	**Tax collected.** Provides a conforming change for the changes in sections 11 and 12, to provide that the tax is imposed and collected on the exempt items and refunded as provided in section 14. Effective retroactively for sales and purchases made after June 30, 2021.
14	**Refunds; eligible persons.** Provides a conforming change for the changes in sections 11 through 13, to provide refunds of tax on the exempt items in section 11 to the specific exempt entity. Effective retroactively for sales and purchases after June 30, 2021.
15	**Application.** Provides a conforming change to the refund application provision, for the changes in section 13. Effective retroactively for sales after June 30, 2021.
16	**Deposit of revenues.** Requires the sales tax collected from the National Sports Center in Blaine to be deposited in the amateur sports account established in section 2. Effective for sales and purchases after June 30, 2022.
17	**Effective date; Minnesota State High School League.** Extends the expiration of the MSHSL tickets and admissions exemption from July 1, 2027, to July 1, 2030. Effective the day following final enactment.

Section	Description – Article 3: Sales and Use Taxes
18	**Refunds; fiber and conduit.** Establishes administrative guidelines for the broadband and ISP fiber and conduit exemption refunds in section 5. Effective the day following final enactment.
19	**Special exemptions; construction sales and use tax.** Provides that the limitation for the exemptions and refunds in section 11 does not apply to a "special exemption," which is defined as one of the following exemptions separately provided for in this article: ▪ the exemptions for the following schools: Duluth, Ely, Hibbing, Rock Ridge, Chisholm, Nashwauk-Keewatin, Northland Learning Center, and Northern Lights Academy; and ▪ the exemptions for the following governmental entities: Itasca County, Maple Grove, Wayzata, and MSP airport. Effective the day following final enactment.
20	**Chisholm Public Schools; sales tax exemption for construction materials.** Provides a construction sales tax exemption for materials used in three school projects for Chisholm Public Schools. Effective for sales and purchases after December 31, 2021, and before January 1, 2025. Refunds may not be issued until after June 30, 2022.
21	**Duluth Public Schools; sales tax exemption for construction materials.** Provides a construction sales tax exemption for materials used in an administrative building and transportation facility project for Duluth Public Schools. Effective for sales and purchases after June 30, 2021, and before January 1, 2025. Refunds may not be issued until after June 30, 2022.
22	**Nashwauk-Keewatin Public Schools; sales tax exemption for construction materials.** Provides a construction sales tax exemption for materials used in a school replacement project for Nashwauk-Keewatin Public Schools. Effective for sales and purchases after December 31, 2021, and before January 1, 2025. Refunds may not be issued until after June 30, 2022.

Section	Description – Article 3: Sales and Use Taxes
23	**Ely Public Schools; sales tax exemption for construction materials.** Provides a construction sales tax exemption for materials used in a school project for Ely Public Schools. Effective for sales and purchases after May 1, 2019, and before January 1, 2024. Refunds may not be issued until after June 30, 2022.
24	**Hibbing Public Schools; sales tax exemption for construction materials.** Provides a construction sales tax exemption for materials used in an early childhood family education center and athletic facility project for Hibbing Public Schools. Effective for sales and purchases after May 1, 2019, and before January 1, 2025. Refunds may not be issued until after June 30, 2022.
25	**Rock Ridge Public Schools; sales tax exemption for construction materials.** Provides a construction sales tax exemption for three school projects for Rock Ridge Public Schools. Effective for sales and purchases after May 1, 2019, and before January 1, 2024. Refunds may not be issued until after June 30, 2022.
26	**Northland Learning Center; sales tax exemption for construction materials.** Provides a construction sales tax exemption for a learning center project for Northland Learning Center. Effective for sales and purchases after December 31, 2021, and before January 1, 2025. Refunds may not be issued until after June 30, 2022.
27	**Northern Lights Academy; sales tax exemption for construction materials.** Provides a construction sales tax exemption for a building project for Northern Lights Academy. Effective for sales and purchases after December 31, 2021, and before January 1, 2025. Refunds may not be issued until after June 30, 2022.

Article 4: Property Taxes

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

- establishing exemptions for an elderly living facility and energy storage systems;
- exempting community solar gardens from the solar energy production tax;

- lowering the class rate on certain community land trust property;
- creating a single classification for manufactured home park property and lowering the class rate for this type of property;
- allowing property owners to qualify for homestead with an individual tax identification number (ITIN);
- adding industrial hemp to the agricultural products definition;
- increasing the school building bond agricultural credit rate;
- modifying the interest rate for delinquent property taxes;
- increasing the value thresholds for the homestead market value exclusion; and
- increasing the income limit for the senior citizens' property tax deferral program.

Section	Description – Article 4: Property Taxes
1	**Intermediate districts and other cooperative units.** Expands the types of education cooperative units that may allocate long-term facilities maintenance costs back to their member districts to include joint powers districts. (Note: Under current law, this authority is limited to intermediate school districts and other specified cooperative units.) Effective date: This section is effective for revenue in fiscal year 2024 and later.
2	**Local optional revenue.** Sets the first tier local optional revenue equalization factor to 170 percent of the statewide average tax base per pupil. Effective date: This section is effective for revenue for fiscal year 2024 and later.
3	**To lease building or land.** Authorizes a joint powers district to include facility lease expenses in its member district lease levy authority in the same manner as intermediate school districts and other cooperative districts according to the plan adopted by the joint powers district or cooperative unit. Effective date: This section is effective for revenue in fiscal year 2024 and later.
4	**Exempt property used by private entity for profit.** Provides for ten years a 50 percent reduction in net tax capacity for certain property at airports owned or operated by a city with a population over 50,000 but less than 150,000. This reduction does not apply to airports owned or operated by the Metropolitan Airports Commission. The bill also establishes an exemption for hangars used for manufacturing if the facility is owned by a city or county with a population under 50,000.

Section	Description – Article 4: Property Taxes
	Effective date: This section is effective beginning with property taxes payable in 2023.
5	**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. Effective date: This section is effective beginning with property taxes payable in 2023.
6	**Certain property owned by an Indian Tribe.** Extends a property tax exemption for a property in Minneapolis owned by the Minnesota Chippewa Tribe. The exemption was originally established in 2013 and is set to expire with property taxes payable in 2024. The bill would extend the exemption for an additional ten years. Effective date: This section is effective for taxes payable in 2022.
7	**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 assessment year 2023.
8	**Energy storage systems.** Provides a property tax exemption for energy storage systems. Land on which the systems are located would remain taxable and would be classified as 3a commercial. Effective date: This section is effective beginning with assessment year 2022.
9	**Definitions. (solar energy production tax)** Provides an exemption from the solar energy production tax for aggregated community solar gardens in excess of one megawatt with an application for an interconnection agreement submitted on or after September 25, 2015. Effective date: This section is effective the day following final enactment.

Section	Description – Article 4: Property Taxes
10	**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 property tax classification. Effective date: This section is effective beginning with property taxes payable in 2023.
11	**Manufactured home park cooperative.** Conforming change related to the manufactured home park classification changes in section 20. Effective date: This section is effective beginning with property taxes payable in 2024.
12	**Leasehold cooperatives. (ITIN)** Allows property owners to qualify for homestead classification by providing an individual taxpayer identification number (ITIN). Effective date: Effective retroactively for homestead applications filed in 2022 and thereafter.
13	**Homestead application. (ITIN)** Conforming change related to the ITIN provision in section 12.
14	**Occupant list. (ITIN)** Conforming change related to the ITIN provision in section 12.
15	**Property lists. (ITIN)** Conforming change related to the ITIN provision in section 12.
16	**Homestead data. (ITIN)** Conforming change related to the ITIN provision in section 12.
17	**Agricultural homesteads; special provision. (ITIN)** Conforming change related to the ITIN provision in section 12.
18	**Private or nonpublic data. (ITIN)** Conforming change related to the ITIN provision in section 12.
19	**Class 2.** Adds industrial hemp to the definition of agricultural products. In order for land to be classified as agricultural for property tax purposes, the land must be used in the

Section	Description – Article 4: Property Taxes
	raising, cultivation, drying, or storage of agricultural products for sale. This change would allow property to qualify for the agricultural classification if it is used to produce industrial hemp. Effective date: This section is effective beginning with assessment year 2023.
20	**Class 4.** Creates one classification for manufactured home parks and set the classification rate for this classification at 0.75 percent. This section also 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: The manufactured home park provision is effective for property taxes payable in 2024 and thereafter. The community land trust provision is effective for property taxes payable in 2023 and thereafter.
21	**Homestead of a veteran with a disability or family caregiver.** Changes the disabled veterans' exclusion application window for spouses of veterans who died due to a service-connected cause and spouses of veterans who would have been eligible for the 100 percent T&P exclusion. This section allows applications within two years of the service member's death, within two years of the spouse receiving a Dependency and Indemnity Compensation determination, or by December 31, 2023, whichever is later. Any surviving spouse whose application under this provision was previously denied may reapply. This section also allows surviving spouses to reapply for the exclusion if the exclusion they had been receiving expired. Effective date: This section is effective for assessment year 2022 and thereafter.
22	**Homestead market value exclusion.** Increases value thresholds and the maximum exclusion amount for the homestead market value exclusion. Under this section, the maximum home value eligible for the 40 percent exclusion is increased to $80,300 and the home value at which the exclusion is fully phased out is increased to $437,100. Effective date: This section is effective for assessment year 2023 and thereafter.
23	**Class 1b homestead declaration 2009 and thereafter. (ITIN)** Conforming change related to the ITIN provision in section 12.

Section	Description – Article 4: Property Taxes

24 **Credit amount.**

Increases the school building bond agricultural credit to 85 percent beginning with property taxes payable in 2024.

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

25 **Amount of tax; distribution.**

Specifies that "attachments and appurtenances" to distribution line property owned by utility cooperatives include metering equipment, streetlights, and any other infrastructure that is physically or electrically connected to the cooperative association's distribution system.

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

26 **Rate.**

Removes the ten percent minimum on interest rates for delinquent property taxes. This section also allows counties to establish interest rates lower than the prime rate charged by banks when determining the rates applied to delinquent property taxes.

Effective date: This section is effective for property taxes, penalties, and costs determined to be delinquent on or after January 1, 2023.

27 **Interest rate.**

Removes the ten percent minimum on interest rates for the unpaid balance on any contract to repurchase tax-forfeited property. This section also allows counties to establish interest rates lower than the prime rate charged by banks when determining the rates applied to contracts to repurchase tax-forfeited property.

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

28 **Homestead.**

Ensures that taxpayers are eligible for property tax refunds if they reside in community land trust property receiving the 4d(2) classification under section 9.

Effective date: This section is effective for refund claims based on taxes payable in 2023 and thereafter.

29 **Program qualifications.**

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

Section	Description – Article 4: Property Taxes
	Effective date: This section is effective for applications for deferral of taxes payable in 2023 and thereafter.
30	**Excess-income certification by taxpayer.** Conforming change related to the senior citizens' property tax deferral changes in section 29.
31	**Resumption of eligibility certification by taxpayer.** Conforming change related to the senior citizens' property tax deferral changes in section 29.
32	**Determination by commissioner.** Conforming change related to the senior citizens' property tax deferral changes in section 29.
33	**Child protection cost study.** Requests the legislative auditor to conduct a special review of costs to counties for the provision of child protective services. Included in the review would be an overview of the amount each county paid for child protective services using property tax revenues.
34	**Appropriation.** Provides an appropriation to the Office of the Legislative Auditor for the purposes of conducting the review requested in the previous section.
35	**Repealer.** Repeals the definition of Class I manufactured home park. This is a conforming change related to the manufactured home park classification changes in section 9. Effective date: This section is effective beginning with property taxes payable in 2024 and thereafter.

Article 5: State Aids

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

- changing the city local government aid (LGA) formula;
- increasing the LGA appropriation;
- increasing the county program aid (CPA) appropriation;
- increasing certain PILT payments;

- establishing a local affordable housing aid;
- establishing a soil and water conservation district aid;
- establishing the stronger community aid program; and
- providing aid penalty forgiveness for the cities of Echo and Morton.

Section	Description – Article 5: State Aids

1 **Population age 65 and over. (LGA)**

Defines population age 65 and over for the purposes of the city local government aid (LGA) formula.

Effective date: This section is effective for aids payable in calendar year 2023 and thereafter.

2 **Transformed population. (LGA)**

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 2023 and thereafter.

3 **City revenue need. (LGA)**

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

<u>Small cities (under 2,500)</u>

$$Need = (246.428 \times transformed\ population) + 79.351$$

<u>Medium cities (2,500-9,999)</u>

$$\begin{aligned} Need = 1.15 \times ((&4.285 \times pre-40\ housing\ percentage) \\ &+ (6.699 \times commercial\ industrial\ utilitiy\ percentage) \\ &+ (17.645 \times peak\ population\ decline) + 502.094) \end{aligned}$$

<u>Large cities (10,000 or more)</u>

$$\begin{aligned} Need = 1.15 \times ((&8.559 \times pre-40\ housing\ percentage) \\ &+ (7.629 \times city\ age\ index) \\ &+ (5.461 \times commercial\ industrial\ utility\ percentage) \\ &+ (8.481 \times peak\ population\ decline) + 297.789) \end{aligned}$$

Effective date: This section is effective for aids payable in calendar year 2023 and thereafter.

Section	Description – Article 5: State Aids
4	**City age index. (LGA)** Defines city age index for the purposes of the LGA formula. City age index is the share of a city's population aged 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 2023 and thereafter.
5	**Commercial industrial utility percentage. (LGA)** 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 2023 and thereafter.
6	**Definitions. (LGA)** References the definition for population age 65 and over in section 1 for the purposes of the county program aid 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 2023 and thereafter.
7	**City formula aid. (LGA)** Removes a reference to certified aid adjustments, which are repealed in this article.
8	**City aid distribution. (LGA)** 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 2023 and thereafter.
9	**Cities. (LGA)** Increases the LGA appropriation by $34,219,901, from $564,398,012 to $598,617,913 and eliminates outdated language. Effective date: This section is effective for aids payable in calendar year 2023 and thereafter.

Section	Description – Article 5: State Aids
10	**Counties.** Increases the county program aid (CPA) appropriation by $13,000,000, from $261,668,444 to $274,668,444. The need aid portion of the appropriation is increased by $5,752,834, and the tax base equalization portion of the appropriation is increased by $7,247,166. Effective date: This section is effective for aids payable in calendar year 2023 and thereafter.
11	**Types of land; payments.** Increases payments in lieu of taxes (PILT) payment amounts from $2 per acre to $3 per acre for other natural resources land that is administered by the county and by the Department of Natural Resources (DNR). The section also creates additional PILT payment amounts for counties with high proportions of PILT eligible lands. Effective date: This section is effective beginning with aids payable in 2023.
12	**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 2023.
13	**Adjustment.** Indexes to inflation PILT payment amounts for all natural resources lands. Effective date: This section is effective beginning with aids payable in 2023.
14	**Soil and water conservation district aid.** Establishes a new state aid program that would distribute $22,000,000 annually to soil and water conservation districts. Of this amount, 70 percent would be distributed equally among all districts and 30 percent would be distributed according to each district's proportional share of nonpublic land. Effective date: This section is effective beginning with aids payable in 2022.
15	**Mahnomen property tax reimbursement aid. (LGA)** 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.

Section	Description – Article 5: State Aids
	Effective date: This section is effective for aids payable in calendar year 2023 and thereafter.
16	**Local affordable housing aid.** Establishes a new state aid to counties and cities for the funding of qualifying affordable housing projects. This section would provide annual distributions of $32,000,000 to counties and $8,000,000 to cities. This section is effective beginning with aids payable in calendar year 2023.
17	**Stronger community aid.** Replaces the current local performance measurement program with the stronger community aid program. Counties and cities electing to participate in the program would select and evaluate performance measures annually. The bill expands the current program to require participating jurisdictions to hold public meetings, during which the jurisdictions discuss their selected performance measures. Participating jurisdictions would annually receive $0.14 per capita, up to $25,000. Effective date: This section is effective for aids payable in calendar year 2023 and thereafter.
18	**Mahnomen County; county, city, school district, property tax reimbursement. (LGA)** Conforming change related to section 12. This section 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 section 12. Effective date: This section is effective for aids payable in calendar year 2023 and thereafter.
19	**County grants for Community Career Workforce Academies.** Establishes a onetime appropriation of $40,000,000 for grants to counties to establish or support a Community Career Workforce Academy within the county. Counties would apply for onetime grants of up to $10,000,000 to establish or support a Community Career Workforce Academy.
20	**Study of state-owned lakeshore.** Requires the commissioner of revenue, in consultation with the DNR 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, 2023. Effective date: This section is effective the day following final enactment.

Section	Description – Article 5: State Aids
21	**Aid penalty forgiveness; city of 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.
22	**Aid penalty forgiveness; city of 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.
23	**Repealer. (LGA)** 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. Effective date: This section is effective for aids payable in calendar year 2023 and thereafter.
24	**Repealer.** Repeals the local performance measurement program currently in statute. The stronger community aid program is meant to replace this section of statute. Effective date: This section is effective January 1, 2023.

Article 6: Tax Increment Financing

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

- clarifying rules on use of administrative expenses;
- clarifying rules on pooling and decertification; and
- clarifying rules for treatment of violations of various TIF requirements.

Provides special TIF authority to the cities of Fridley, Hopkins, Plymouth, Savage, and Woodbury.

Section	Description – Article 6: Tax Increment Financing
1	**Administrative expenses.** Lists expenses which qualify as administrative costs for the purposes of TIF. Effective the day following final enactment.
2	**Pay-as-you-go contract and note.** Defines a pay-as-you-go contract and note for the purposes of TIF as a contract: (1) where an authority commits to using tax increment to reimburse a developer, property owner, or other note holder; and (2) where the developer, property owner, or note holder bears the risk that tax increment may be insufficient to cover reimbursement. Effective the day following final enactment.
3	**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 the day following final enactment.
4	**Limitation on use of tax increment; general rule.** Adds payment of administrative expenses to the list of purposes for which tax financing district revenue can be used. Effective the day following final enactment.
5	**Expenditures outside district.** 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 payments for using increment on impermissible projects or areas) to be expenditures within the district for the purposes of pooling limits.

Section	Description – Article 6: Tax Increment Financing
	Effective the day following final enactment. Applies to districts certified after April 30, 1990, except that the changes apply to districts decertifying beginning in the year following final enactment.
6	**Five-year rule.** Makes technical changes to the five-year rule and removes an obsolete exception for public infrastructure projects. Effective the day following final enactment and applies to districts certified after April 30, 1990.
7	**Use of revenues for decertification.** Provides rules for decertification of a district and for deferral of decertification for a district with an outstanding pay-as-you-go note. Effective the day following final enactment and applies to districts certified after April 30, 1990.
8	**Pooling permitted for deficits.** Makes a clarifying change in the formula for how to calculate the deficit of a district. Applies only to TIF districts for which certification was requested before August 1, 2001. Effective the day following final enactment and applies to districts for which certification was requested prior to August 1, 1990.
9	**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 the day following final enactment.
10	**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 the day following final enactment.

Section	Description – Article 6: Tax Increment Financing
11	**Expenditure of increment.** Expands the sources of permitted purposes of TIF expenditures from Minn. Stat. § 469.176 to Minn. Stat. §§ 469.174 through 469.1794 (the portion of Minnesota Statutes, chapter 469 governing TIF). Effective the day following final enactment.
12	**District extension.** Removes from existing special rules for Hopkins TIF District No. 2-11 a 20 percent cap on expenditures for housing and blight correction outside the district and increases the cap on total spending outside the district from 25 percent to 30 percent of total increment. Effective the day following final enactment.
13	**Special rules.** Amends special rules for TIF districts in the city of Savage which were created pursuant to 2014 special legislation by further extending the five-year rule from eight to 11 years and by extending the time period during which the districts can be enlarged to eight years after the districts' net tax capacity was certified.
14	**City of Fridley; tax increment financing district; special rules.** Establishes special rules for Fridley TIF District No. 20, allowing the district to use the percentage of revenue allowed to be expended outside the district on certain housing programs. Requires Fridley to submit annual financial reports regarding these expenditures and to report to the legislature on the district in 2024 and 2026. Effective upon local approval and compliance with filing requirements for special laws.
15	**City of Plymouth; TIF authority.** Allows Plymouth to establish a redevelopment district under special rules, including an exemption from the requirement that increment be spent on blight correction, an extension of the five-year rule to ten years, and authorization for Plymouth to expend increment on improvements to County Road 47 outside the district without having those expenditures count against pooling limits. Effective upon local approval and compliance with filing requirements for special laws.

Section	Description – Article 6: Tax Increment Financing
16	**City of Woodbury; TIF District No. 13; expenditures allowed; duration extension.** Authorizes the city of Woodbury to expend increment generated by TIF District No. 13 on improvements to Central Park; extends the time period during which Woodbury can receive increment from the district by five years. Effective upon local approval and compliance with filing requirements for special laws.

Article 7: Local Taxes

This article amends the general local sales tax law by clarifying provisions related to local sales and use tax resolutions and their submission to the legislature for purposes of seeking either a modification of a local sales tax or a new tax. In addition, resolutions would be required to describe the nexus between the nonresident taxpayers and the users of the proposed project. The article also clarifies when the local election to approve a tax may be held.

This article also authorizes new, modified, or extended local sales and use taxes for the following cities and counties: Aitkin, Blackduck, Bloomington, Brooklyn Center, East Grand Forks, Edina, Grand Rapids, Golden Valley, Henderson, Marshall, Proctor, Rice County, Rochester, Roseville, and Winona County.

The local sales taxes must be approved by the voters at a general election within two years of the authority being granted. For taxes funding multiple projects, the local government must have separate questions on the ballot for each project and only projects approved by the voters may be financed with the tax. Bonds for authorized projects are not subject to a separate vote and the bonds are not included in any debt or levy limits. Termination of the tax must occur at the end of a calendar quarter and, unless otherwise provided, any excess related to the timing of the termination goes into either the state or local government’s general fund. A local government may also terminate the tax early.

Lastly, the article includes local lodging tax provisions for Plymouth and Woodbury.

Section	Description – Article 7: Local Taxes
1	**Authorization; scope; local sales taxes.** Prohibits a political subdivision from spending funds to support a referendum to impose a local sales tax but allows other expenditures. Effective date: day following enactment.

Section	Description – Article 7: Local Taxes
2	**Local resolution before application for authority.** Requires a local resolution to be adopted prior to modifying an existing tax and, along with new taxes, seeking legislative approval. Requires a political subdivision to submit an amended resolution if the local tax proposal changes after submitting the required documentation on regional significance. Requires that the resolution describes the nexus between the nonresident taxpayers and the users of the project. Effective date: day following enactment.
3	**Legislative authority required before voter approval; requirements for adoption, use, termination.** Requires legislative approval to modify a local sales tax. Requires the referendum to be held on the first Tuesday after the first Monday in November within a two-year period from the time the legislature authorizes the tax. Effective date: day following enactment.
4	**Rochester; authorization; extension.** Authorizes the city of Rochester to extend its existing local sales and use tax of 0.50 percent. Effective date: upon local approval.
5	**Rochester; use of sales and use tax revenues; additional projects.** Allows the city to use the tax revenues to fund the following projects: ▪ $50 million for street reconstruction ▪ $40 million for flood control and water quality ▪ $65 million for a regional community and recreation complex ▪ an unspecified amount for the above projects, if the tax has not expired and the above project costs and bonds have been paid off Effective date: upon local approval.

Section	Description – Article 7: Local Taxes
6	**Rochester; bonding authority; additional projects and extension of tax.** Allows the city to bond for any project listed in section 5 that is approved by the voters. The amount of bonds that may be issued for each project is the amount listed in section 5 plus an amount needed to cover the costs of issuing the bonds. Effective date: upon local approval.
7	**Rochester; termination of taxes.** The tax terminates at the earlier of (1) 16.5 years after being imposed, or (2) when revenues are sufficient to pay for the approved projects and any associated bond costs. Effective date: upon local approval.
8	**Cook county; lodging tax.** Strikes the county authority to impose an admissions and recreation tax but allows the county's lodging tax to expire 30 rather than 15 years from when imposed. Effective date: day following final enactment.
9	**City of Marshall; sales and use tax.** **Subd. 2a. Authorization; extension.** Authorizes the city of Marshall to extend a local sales and use tax of 0.50 percent. **Subd. 3a. Use of sales and use tax revenues; aquatic center.** Allows the city to use the tax revenues to fund $16 million for construction of a new municipal aquatic center. **Subd. 4a. Bonds; additional use and extension of tax.** Allows the city to bond for any project listed in subdivision 3a that is approved by the voters. The amount of bonds that may be issued for each project is the amount listed in subdivision 3a plus an amount needed to cover the costs of issuing the bonds. **Subd. 5. Termination of taxes.** The tax terminates at the earlier of (1) 30 years after being imposed, or (2) when revenues are sufficient to pay for the approved project and any associated bond costs. Effective date: upon local approval.
10	**City of Plymouth; local lodging tax authorized.** Removes the expiration date for the city of Plymouth's local lodging tax, authorized in 2019.

Section	Description – Article 7: Local Taxes
	Effective date: day following final enactment.
11	**City of Edina; taxes authorized.** Allows the city of Edina to increase the amount of revenue the city may collect to fund its Braemer Park project from $21.6 million to $46.9 million. The city received legislative authorization in 2021 to impose a local sales and use tax of 0.50 percent to fund two park projects, for Fred Richards Park ($17.7 million) and Braemer Park ($21.6 million). In addition, the city would be able to use any proceeds generated from the tax prior to expiration for capital improvements projects to the city's park and recreation system. The duration of the tax is also reduced from 19 years to 17 years, or when the city council determines that sufficient revenues have been raised to pay the project and bond costs for the allowed projects. Effective date: upon local approval.
12	**City of Grand Rapids; taxes authorized.** Increases the duration of the city of Grand Rapids' 0.50 percent local sales tax (authorized by the legislature in 2021) from seven to ten years and the amount of revenue the city may collect for its civic center project from $5.98 million to $10.6 million. Effective date: upon local approval.
13	**City of Aitkin; taxes authorized.** **Subd. 1. Sales and use tax authorization.** Authorizes the city of Aitkin to impose a local sales and use tax of one percent. **Subd. 2. Use of sales tax revenues.** Allows the city to use the tax revenues to fund the following projects: ▪ $8.3 million for construction of a new municipal building ▪ $1 million for improvements to parks and trails **Subd. 3. Bonding authority.** Allows the city to bond for any project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for each project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds.

Section | **Description – Article 7: Local Taxes**

Subd. 4. Termination of the tax. The tax terminates at the earlier of (1) 19 years after being imposed, or (2) when revenues are sufficient to pay for the approved projects and any associated bond costs.

Effective date: upon local approval.

14 **City of Blackduck; taxes authorized.**

Subd. 1. Sales and use tax authorization. Authorizes the city of Blackduck to impose a local sales and use tax of 0.50 percent.

Subd. 2. Use of sales tax revenues. Allows the city to use the tax revenues to fund the following projects:

- $200,000 for improvements to a city campground
- $300,000 for improvements to a walking trail
- $250,000 for improvements to a wayside rest
- $150,000 for golf course irrigation equipment
- $100,000 for reconstruction of a library

Subd. 3. Bonding authority. Allows the city to bond for any project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for each project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds.

Subd. 4. Termination of the tax. The tax terminates at the earlier of (1) 20 years after being imposed, or (2) when revenues are sufficient to pay for the approved projects and any associated bond costs.

Effective date: upon local approval.

15 **City of Bloomington; taxes authorized.**

Subd. 1. Sales and use tax authorization. Authorizes the city of Bloomington to impose a local sales and use tax of 0.50 percent.

Subd. 2. Use of sales tax revenues. Allows the city to use the tax revenues to fund the following projects:

- $32 million for improvements and rehabilitation of the Bloomington Ice Garden
- $70 million for construction of a community health and wellness center
- $33 million for an expansion to the Bloomington Center for the Arts Concert Hall

Section | **Description – Article 7: Local Taxes**

Approved uses of the tax revenue also include "associated infrastructure" which is defined in the bill as construction activities related to safe access and use of the property, including improvements for facilities, roads, lighting, sidewalks, parking, landscaping, or utilities.

Subd. 3. Bonding authority. Allows the city to bond for any project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for each project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds.

Subd. 4. Termination of the tax. The tax terminates at the earlier of (1) 20 years after being imposed, or (2) when revenues are sufficient to pay for the approved projects and any associated bond costs.

Effective date: upon local approval.

16 **City of Brooklyn Center; taxes authorized.**

Subd. 1. Sales and use tax authorization. Authorizes the city of Brooklyn Center to impose a local sales and use tax of 0.50 percent.

Subd. 2. Use of sales tax revenues. Allows the city to use the tax revenues to fund $55 million for renovation and expansion of the Brooklyn Center Community Center.

Subd. 3. Bonding authority. Allows the city to bond for the project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for the project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds.

Subd. 4. Termination of the tax. The tax terminates at the earlier of (1) 20 years after being imposed, or (2) when revenues are sufficient to pay for the approved project and any associated bond costs.

Effective date: upon local approval.

17 **City of East Grand Forks; taxes authorized.**

Subd. 1. Sales and use tax authorization. Authorizes the city of East Grand Forks to impose a local sales and use tax of 1.25 percent.

Subd. 2. Use of sales tax revenues. Allows the city to use the tax revenues to fund the following projects:

- $16.5 million for reconstruction, remodeling, upgrades, and additions to the Civic Center Sports Complex

Section	Description – Article 7: Local Taxes
	▪ $5 million for reconstruction, remodeling, upgrades, and additions to the VFW Memorial and Blue Line Arena **Subd. 3. Bonding authority.** Allows the city to bond for any project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for each project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds. **Subd. 4. Termination of the tax.** The tax terminates at the earlier of (1) 20 years after being imposed, or (2) when revenues are sufficient to pay for the approved projects and any associated bond costs. Effective date: upon local approval.
18	**City of Golden Valley; taxes authorized.** **Subd. 1. Sales and use tax authorization.** Authorizes the city of Golden Valley to impose a local sales and use tax of 0.50 percent. **Subd. 2. Use of sales tax revenues.** Allows the city to use the tax revenues to fund the following projects: ▪ $38 million for construction of a new public works facility ▪ $35 million for construction of a new public safety facility **Subd. 3. Bonding authority.** Allows the city to bond for any project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for each project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds. **Subd. 4. Termination of the tax.** The tax terminates at the earlier of (1) 30 years after being imposed, or (2) when revenues are sufficient to pay for the approved projects and any associated bond costs, subject to the requirements that the termination occurs at the start of a calendar quarter. Effective date: upon local approval.
19	**City of Henderson; taxes authorized.** **Subd. 1. Sales and use tax authorization.** Authorizes the city of Henderson to impose a local sales and use tax of 0.50 percent. **Subd. 2. Use of sales tax revenues.** Allows the city to use the tax revenues to fund $240,000 for the Allanson's Park Campground and Trail project.

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Subd. 3. Bonding authority. Allows the city to bond for the project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for the project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds.

Subd. 4. Termination of the tax. The tax terminates at the earlier of (1) 15 years after being imposed, or (2) when revenues are sufficient to pay for the approved project and any associated bond costs.

Effective date: upon local approval.

20 **City of Proctor; taxes authorized.**

Subd. 1. Sales and use tax authorization. Authorizes the city of Proctor to impose a local sales and use tax of 0.50 percent.

Subd. 2. Use of sales tax revenues. Allows the city to use the tax revenues to fund $3.85 million for construction of a new regional trail in the city.

Subd. 3. Bonding authority. Allows the city to bond for the project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for the project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds.

Subd. 4. Termination of the tax. The tax terminates at the earlier of (1) 20 years after being imposed, or (2) when revenues are sufficient to pay for the approved project and any associated bond costs.

Effective date: upon local approval.

21 **Rice County; taxes authorized.**

Subd. 1. Sales and use tax authorization. Authorizes Rice County to impose a local sales and use tax of three-eighths of one percent (0.375).

Subd. 2. Use of sales tax revenues. Allows the county to use the tax revenues to fund $77 million for construction of a public safety facility.

Subd. 3. Bonding authority. Allows the county to bond for the project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for the project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds.

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Subd. 4. Termination of the tax. The tax terminates at the earlier of (1) 30 years after being imposed, or (2) when revenues are sufficient to pay for the approved project and any associated bond costs.

Effective date: upon local approval.

22 **City of Roseville; taxes authorized.**

Subd. 1. Sales and use tax authorization. Authorizes the city of Roseville to impose a local sales and use tax of 0.50 percent.

Subd. 2. Use of sales tax revenues. Allows the city to use the tax revenues to fund the following projects:

- $42 million for construction of a new maintenance facility
- $7 million for construction of a new license and passport center
- $16 million for construction of a pedestrian bridge

Subd. 3. Bonding authority. Allows the city to bond for any project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for each project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds.

Subd. 4. Termination of the tax. The tax terminates at the earlier of (1) 16 years after being imposed, or (2) when revenues are sufficient to pay for the approved projects and any associated bond costs.

Effective date: upon local approval.

23 **Winona County; taxes authorized.**

Subd. 1. Sales and use tax authorization. Authorizes Winona County to impose a local sales and use tax of 0.25 percent.

Subd. 2. Use of sales tax revenues. Allows the county to use the tax revenues to fund $28 million for new construction of or upgrades to a correctional facility.

Subd. 3. Bonding authority. Allows the county to bond for the project listed in subdivision 2 that is approved by the voters. The amount of bonds that may be issued for the project is the amount listed in subdivision 2 plus an amount needed to cover the costs of issuing the bonds.

Subd. 4. Termination of the tax. The tax terminates at the earlier of (1) 25 years after being imposed, or (2) when revenues are sufficient to pay for the approved project and any associated bond costs.

Section	Description – Article 7: Local Taxes
	Effective date: upon local approval.
24	**City of Woodbury; lodging tax authorized.** Allows the city of Woodbury to dedicate 2/3 of the revenue received under a local lodging tax for capital improvements to public recreational facilities. Effective date: upon local approval.

Article 8: Renter's Tax Credit

Article 8 converts the renter's credit into a refundable income tax credit, effective for 2022 refunds (based on 2022 incomes, 2022 rents, and payable in 2023).

The amount of the credit would be calculated in the same manner as under current law, except the bill would simplify the measure of income used to calculate the credit. Under current law, "household income," the income measure used to calculate the credit includes many categories of nontaxable income. Under the bill, household income equals adjusted gross income, minus exemptions allowed for taxpayers with dependents, taxpayers who are 65 or older, and taxpayers who have a disability.

As a result of the conversion to an income tax credit, renters would claim the credit as part of their individual income tax return, which is generally due April 15. For taxpayers owed a refund as a result of the renter's credit, the refund would be paid out on the same schedule as other income tax refunds. Under current law, refunds are generally paid in August or October.

The bill largely retains the administrative provisions for the renter's credit that are codified in current law under chapter 290A, the chapter of statutes for property tax refunds. Many of these administrative provisions are duplicated in the new language for the credit, or are moved out of chapter 290A and into section 290.0693, a new section of law establishing the income tax credit.

The bill instructs the revisor of statutes to recodify one section in chapter 290A that is specific to the renter's credit as a subdivision of section 290.0693, and additionally instructs the revisor to make other technical and cross-reference changes needed to implement the new credit.

The table below describes the new language that is codified in section 290.0693, as well as the corresponding provisions of chapter 290A that are the source of the new language.

Sources of New Renter's Credit Language in Section 290.0693

290.0693 Language	Source	Changes
Subd. 1, para. (b) ("Dependent" definition)	290A.03, subd. 8	None
Subd. 1, para. (d) ("Exemption amount" definition)	290A.03, subd. 3, para. (d), clause (1)	Technical
Subd. 1, para. (e) ("Gross rent" definition)	290A.03, subd. 12	None
Subd. 1, para. (g) ("Household income" definition)	290A.03, subd. 5	None
Subd. 1, para. (h) ("Income" definition)	290A.03, subd. 3	Substantive changes: household income changed to equal adjusted gross income, minus exemptions.
Subd. 1, para. (i) ("Rent constituting property taxes" definition)	290A.03, subd. 11	None
Subd. 3 para. (a) (Credit calculation)	290A.04, subd. 2a	None
Subd. 3 para. (b) (Inflation adjustment)	290A.04, subd. 4	Statutory year update
Subd. 4 para. (a) (Eligibility; residency)	290A.04, subd. 8, para. (a)	Rewritten to address taxpayers rather than claimants.
Subd. 4 para. (b) (Eligibility; residency)	290A.04, subd. 8, para. (b)	Rewritten to address taxpayers rather than claimants.
Subd. 4 para. (c) (Eligibility; residency)	290A.04, subd. 8, para. (e)	Significant rewrite to address taxpayers rather than claimants.
Subd. 5 (Residents of nursing homes; intermediate care facilities; long-term care facilities, or facilities accepting housing support payments.)	290A.04, subd. 8, paras. (c) and (d)	Rewritten to address taxpayers rather than claimants.
Subd. 6 (Credit for unmarried taxpayers residing in the same household.)	290A.04, subd. 8, para. (f)	Rewritten to address taxpayers rather than claimants.
Subd. 7 (One credit per household)	290A.08	Rewritten to fit into income tax structure, but substantive rule is the same (one credit per household).

290.0693 Language	Source	Changes
Subd. 8 (Proof of claim)	290A.09	Rewritten to address taxpayers rather than claimants.
Subd. 9 (No relief allowed in certain cases)	290A.13	Changed to reference credit.
Subd. 10 (Appropriation)	290A.23, subd. 1	New appropriation (chap. 290A appropriation was repealed).
Owner or managing agent to furnish rent certificate	290A.19	Moved to sec. 290.0693 via revisor's instruction.

Article 9: Public Finance

This article would allow various political subdivisions to issue notes, certificates of indebtedness, and general obligation certificates that would be payable in 20 years. Under current law, these debts must be payable in ten years.

Section	Description – Article 9: Public Finance
1	**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.
2	**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.
3	**Capital notes.** For capital notes issued by a county, extends the period in which the notes must be payable from ten years to 20 years.
4	**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.
5	**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.

Section	Description – Article 9: Public Finance
6	**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.

Article 10: Miscellaneous

Article 10 contains miscellaneous property tax provisions, including:

- increasing the homestead credit state refund;
- increasing the additional or "targeting" property tax refund;
- the creation of tourism improvement districts;
- changing the distribution of the taconite production tax;
- providing credits for customers impacted by a polar vortex;
- providing income tax subtractions for COVID business assistance programs;
- using a positive balance in the state general fund to reduce the percentage of June accelerated excise taxes and shift first half aid payments to March 15; and
- providing funds to counties for economic aid to businesses and rental assistance.

Section	Description – Article 10: Miscellaneous
1	**Additional revenues; priority.** Requires the commissioner of management and budget to reduce the percentage of June accelerated payments for mortgage and deed taxes, cigarette and tobacco taxes, and liquor excise taxes, if, based on a November forecast, the commissioner determines that there will be a positive general fund balance. In addition, the commissioner would also reduce the percentage of certain aid payments due July 20 and pay that reduced portion of those payments on March 15. Effective July 1, 2022.
2	**Claimant agency.** Removes nonprofit hospitals leasing land from a city or county from the claimant agencies that may use the revenue recapture system for repayment of debts. Effective the day following final enactment.

Section	Description – Article 10: Miscellaneous
3	**Tax expenditure effective dates.** Provides that the statutory provision requiring sunset dates for tax expenditures does not preempt an expiration provision, if any, in the underlying law. Also provides that compliance with the tax expenditure requirements is not subject to judicial review. Effective the day following final enactment.
4	**Taxes; how apportioned.** Reduces the percentage of June accelerated taxes due for the mortgage registry tax based on the commissioner's determination in section 1. Effective July 1, 2022.
5	**Payment of receipts to state general fund; reports.** Reduces the percentage of June accelerated taxes due for the deed tax based on the commissioner's determination in section 1. Effective July 1, 2022.
6	**Underpayments of accelerated payment of June tax receipts.** Reduces the percentage of the June accelerated mortgage registry and deed taxes subject to the underpayment penalty provision, due to the commissioner's determination in section 1. Effective July 1, 2022.
7	**Homestead credit state refund.** Increases refunds allowed under the homestead credit state refund. Increases the maximum refund by $200 for all income ranges, reduces the threshold percentages by 0.1 percent for claimants with household incomes between $21,410 and $33,120, and reduces co-pay percentages by five percent for claimants with household incomes between $33,120 and $77,870. Effective for 2022 refunds (based on 2022 incomes, 2022 property taxes, and payable in 2023).
8	**Additional property tax refund.** Lowers the property tax threshold and increases the maximum refund for the additional (also known as "targeting") property tax refund. Reduces the 12 percent threshold to qualify for a refund to ten percent, and increases the maximum refund from $1,000 to $2,000.

Section	Description – Article 10: Miscellaneous
	Effective for 2022 refunds (based on 2022 incomes, 2022 property taxes, and payable in 2023).
9	**Inflation adjustment.** Changes the statutory year to 2022 for the inflation adjustment for property tax refunds.
10	**Accelerated payment.** Reduces the percentage of June accelerated taxes due for the cigarette and tobacco excise tax based on the commissioner's determination in section 1. Effective July 1, 2022.
11	**Accelerated tax payment; penalty.** Reduces the percentage of the June accelerated liquor excise tax and penalty, due to the commissioner's determination in section 1. Effective July 1, 2022.
12	**Allocation of revenues.** Increases the allocation of revenues from the solid waste management tax to the environmental fund from 70 percent to 73 percent and provides that, beginning in fiscal year 2023, the difference between the amount of tax revenues directed to the environmental fund under current law and the amount proposed must be expended on state SCORE grants.
13	**Iron Range education account.** Extends for 20 years the additional five cents per taxable ton from the production tax distribution that is paid to the Iron Range school consolidation and cooperatively operated school account, bringing the total annual distribution to ten cents per taxable ton. This additional distribution is set to expire after 2023. The bill would extend the additional distribution through 2043, after which the distribution to this account will decrease by five cents per taxable ton.
14	**Taconite environmental fund.** Distributes an additional five cents per taxable ton from the production tax distribution to the taconite environmental fund, beginning in 2044.
15	**Definitions. (TID)** Defines terms for the proposed new TID chapter of Minnesota Statutes, including "business" as a lodging business as defined by municipal law and "impacted business owners" as a majority of business owners in the TID.

Section	Description – Article 10: Miscellaneous
	Effective the day following final enactment.
16	**Establishment of tourism improvement district. (TID)** Allows a municipality to establish TIDs after receiving a petition from impacted business owners and after holding a public hearing. Allows the municipality to impose a service charge on businesses in the TID for activities and improvements that will benefit businesses in the TID. Allows appeal of the adoption of the ordinance to a district court and requires notice to the Department of Revenue when a TID is established. Effective the day following final enactment.
17	**Service charge authority; notice; hearing requirement. (TID)** Allows a municipality to impose service charges to fund an activity or improvement in the TID if the activity or improvement is provided in the TID at an increased level of service. Limits the charges to the amount necessary to pay for the increases in the level of service. Requires an annual hearing regarding continuation of service charges in the TID. Effective the day following final enactment.
18	**Modification of ordinance. (TID)** Allows a tourism improvement district to be modified after a public hearing if the change is requested by the tourism improvement association. Requires that changes to the service charge or expansion of the district be initiated by petition of the impacted business owners. Allows changes to be vetoed by business owners. Effective the day following final enactment.
19	**Collection of service charges; penalties. (TID)** Allows a municipality, tourism improvement association, or other designated entity to collect service charges and to charge interest and penalties for delinquent payments, as provided by the ordinance. Effective the day following final enactment.
20	**Tourism improvement association. (TID)** Requires an ordinance establishing a TID to designate a tourism improvement association, which may select the improvements and activities to be funded by the TID and which must report to the municipality in every year a service charge is imposed. Requires a tourism improvement association to report annually to the

Section	Description – Article 10: Miscellaneous
	municipality and to appoint a governing body or committee of business owners or their representatives to manage funds raised by the TID. Effective the day following final enactment.
21	**Petition required. (TID)** Prohibits a municipality from establishing a TID unless impacted business owners petition for a public hearing on establishing or modifying the TID. Effective the day following final enactment.
22	**Veto powers of owners. (TID)** Requires an ordinance establishing a TID to have an effective date at least 45 days after the ordinance is adopted. Allows veto of the ordinance if impacted business owners file an objection to the ordinance before it becomes effective. Effective the day following final enactment.
23	**Disestablishment. (TID)** Requires an ordinance establishing a TID to include an annual 30-day period during which impacted business owners may request to have the TID disestablished by petitioning for disestablishment. Requires a public hearing prior to disestablishment and requires refunds of any remaining service charge revenue after disestablishment. Effective the day following final enactment.
24	**Coordination of districts. (TID)** Prohibits a city or town from establishing a TID in the area where a county has established a TID; prohibits a county from establishing a TID in the area where a city or town has established a TID. Effective the day following final enactment.
25	**Workforce and affordable homeownership development program.** Amends the workforce and affordable homeownership development program to allow the commissioner of the Minnesota Housing Finance Agency (MHFA) to issue loans in addition to grants. Establishes an MHFA account where the Department of Revenue can transfer increment from the mortgage registry tax and the deed tax to fund the program. Requires MHFA to deposit loan repayments into the account to fund the program. Effective July 1, 2022.

Section	Description – Article 10: Miscellaneous

26 **Payment dates.**

Reduces the percentage of first half aid payments due July 20 based on the commissioner's determination in section 1. The remaining amount of the first half payment would be paid on March 15.

Effective for aids payable in 2023.

27 **City of Virginia; net debt limit exemption.**

Exempts bonds issued to finance the construction of, or to repay a loan for, a public safety building from counting towards the debt limit of the city of Virginia.

Effective once local approval of the law is certified by the chief clerical officer of the city of Virginia.

28 **Polar vortex response.**

Subd. 1. Definitions. Defines the following terms:

"Critical period" means the period beginning February 12, 2021, and ending February 17, 2021.

"Incremental cost" means the incremental cost of natural gas, as calculated by multiplying a utility's incremental price by its impacted volume.

"Incremental price" means the difference between the price paid for natural gas during the critical period, as compared to the period between February 5, 2021, and February 10, 2021.

"Impacted volume" means the volume of natural gas purchased during the critical period.

"Utility" means a nonprofit municipal utility which is owned by a city and sells natural gas to retail customers.

Subd. 2. Utilities must disclose increased energy costs. Requires utilities to calculate for their customers the additional amount paid by the customers during the 2021 polar vortex. The amount would equal the incremental price, multiplied by the volume of energy used by the customer.

Utilities would be required to deliver to their customers a written estimate of the additional amount paid.

Section	Description – Article 10: Miscellaneous

Subd. 3. Reimbursement for reserve revenues. Permits utilities to apply to the Department of Commerce for reimbursement for any reserves that were drawn down to cover additional energy costs during the 2021 polar vortex.

If appropriations are insufficient, the bill would reduce the reimbursements proportionally.

Subd. 4. Appropriation. Appropriates $20,000,000 to the commissioner of commerce for reimbursement under subdivision 3. The appropriation is a onetime appropriation.

29 **Tax credit for excess energy costs due to the polar vortex.**

Subd. 1. Definitions. Defines "excess energy costs" as amounts disclosed to a customer under section 1, subdivision 2. Provides that the definitions in section 25 apply to the tax credit.

Subd. 2. Credit allowed. Allows a credit against the taxes imposed in chapter 290 equal to the amount of the consumer's energy costs. Credits to pass-through entities are passed through pro rata to partners, members, or shareholders.

Subd. 3. Credit refundable. Makes the credit refundable if the credit exceeds a taxpayer's income tax liability. Appropriates funds sufficient to pay refunds for the credit.

Subd. 4. Denial of double benefit. Requires taxpayers who deducted excess energy costs that were used to claim the credit to add back the amount deducted.

Effective retroactively for tax year 2021.

30 **Income tax subtraction; COVID business assistance programs.**

Subd. 1. Definitions. Defines "subtraction" and "qualifying business assistance." Applies the definitions in chapter 290 (income taxes) to the section.

Subd. 2. Business assistance subtraction; individuals, estates, and trusts. Allows a subtraction for qualifying business assistance for individuals, estates, and trusts.

Subd. 3. Business assistance subtraction; C corporations. Allows a subtraction for qualifying business assistance for C corporations.

Subd. 4. Programs eligible for a subtraction. Lists the state and local business assistance programs that would be eligible for the subtraction. This includes aid under section 2 of the bill, a number of DEED business assistance programs, and

Section	Description – Article 10: Miscellaneous
	assistance to businesses provided by counties and local governments using funds received under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act (ARPA).
	Effective retroactively for taxable years beginning after December 31, 2019.
31	**County pandemic business aid and community relief aid; appropriation.**

Subd. 1. Appropriation. Appropriates $75 million in fiscal year 2023 for payments to counties under this section. Of this amount, $50 million must be used by the counties to provide economic assistance and aid to businesses, and $25 million must be used by the counties to provide rental assistance.

Subd. 2. Economic assistance and aid to local businesses. Distributes to each county on a per capita basis the $50 million appropriation for economic assistance and aid to business. Counties must use these funds for the purposes outlined in subdivisions 3, 4, and 5. Payments to businesses must be awarded by March 15, 2023. Counties may use the greater of $6,250 or 2.5 percent of the total amount received under this subdivision for administrative costs.

Subd. 3. Economic assistance to underserved communities. Permits counties to use funds appropriated under subdivision 2 to provide economic assistance to "qualifying businesses" with 50 or fewer employees in areas designated as "underserved communities."

To provide assistance under this subdivision, a county must designate certain census tracts as "underserved communities." When making this designation, a county must consider the unemployment rate, the poverty rate, the median income relative to the county median income, and the number of vacant commercial properties.

Subd. 4. Aid to businesses without income in 2019. Allows counties to use funds received under subdivision 2 to provide economic assistance to businesses that were in operation in 2020 or 2021, but were ineligible to participate in a state or federal business assistance program due to lack of operations or revenue in 2019. Economic assistance could include grants, loans, or any other financial assistance deemed appropriate by the county.

Subd. 5. Aid to venues. Permits counties to use aid under subdivision 2 to provide grants to live entertainment businesses or nonprofits that experienced a decrease in revenue due to COVID-19.

Section	Description – Article 10: Miscellaneous

Bars, restaurants, multinational businesses, publicly owned companies, and adult entertainment operations are not allowed to receive grants under the subdivision.

Permits a county to authorize a grant to a business if the business planned to open in 2020, but was unable to begin operations due to COVID-19.

Subd. 6. Rental assistance payments. Allocates rental aid monies to counties based on each county's share of households paying more than 30 percent of their income towards rent. Allows the money to be spent on rent, utilities, and other housing payments for households making less than 50 percent of area median income. Allows counties both to spend up to ten percent of aid on administrative expenses and to partner with nonprofits and community action agencies to distribute aid.

Subd. 7. Grants. Exempts grants under this section from certain grant making requirements, with those exemptions expiring March 15, 2023.

Subd. 8. Report. Requires the commissioner of revenue to report to the legislative committees with jurisdiction over taxes on the grants provided under this section. This subdivision also requires counties to report to the commissioner of revenue how the funds received under this section were used.

32 **Independent School District No. 696, Ely; bonds.**

Authorizes Ely School District to issue up to $9,500,000 in bonds for school facilities and buildings. The bonds may be issued without a referendum and would be excluded from any limitation of indebtedness for the district.

33 **Department of Revenue free filing report.**

Requires the Department of Revenue (DOR) to submit a report to the legislature on free electronic filing options for the individual income tax. As part of the study, DOR must survey tax preparation software vendors for information about providing a free electronic preparation and filing option. The report is due on January 15, 2023, and must include a review of free filing options in other states, an analysis of needs, a description of alternative options for free filing, and an analysis of usage of the Internal Revenue Service Free File Program.

34 **Appropriation; Department of Revenue free filing report.**

Appropriates $175,000 in fiscal year 2022 for the free filing report in section 33.

Article 11: Department of Revenue Policy and Technical Partnership Taxes

This article makes technical changes related to partnership taxes.

Section	Description – Article 11: Department of Revenue Policy and Technical Partnership Taxes
1	**Pass-through entity tax clarification.** Clarifies that only business entities that are organized for tax purposes to be taxed as a partnership or S corporation, constitute qualifying entities. Effective retroactively for taxable years beginning after December 31, 2020.
2	**Reporting and payment requirements.** Requires that if a partnership is audited in a year where the pass-through entity tax is elected under Minn. Stat. § 289A.08, subd. 7a, that the pass-through entity report is amended to reflect the federal adjustments report and the additional amount paid that would have been due had the federal adjustments been reported properly as required. Effective retroactively for taxable years beginning after December 31, 2020.

Article 12: Department of Revenue Policy and Technical Sales and Use and Special Taxes

This article makes technical changes related to sales and use taxes.

Section	Description – Article 12: Department of Revenue Policy and Technical Sales and Use and Special Taxes
1	**Surcharge publication date.** Moves the annual deadline for publication of the debt service surcharge from April 1 to May 1. The section also removes outdated language from the subdivision. Effective the day following final enactment.
2	**Definition of state.** Amends Minn. Stat. § 297A.61, subd. 29, to conform to the recently amended Streamlined Sales Tax definition of “state.” This change provides that for sales and use tax purposes “state” also includes any territory of the United States. Effective the day following final enactment.

Article 13: Department of Revenue Policy and Technical Fire and Police State Aids

This article makes technical changes related to fire and police state aids.

Section	Description – Article 13: Department of Revenue Policy and Technical Fire and Police State Aids
1	**Compliance report due dates.** Amends Minn. Stat. § 6.495, subd. 3, to provide 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 for aids payable in calendar year 2023 and thereafter.
2	**Apportionment agreement definition.** Amends Minn. Stat. § 477B.01 by adding a new subd. 1a, to define “apportionment agreement” for the purposes of fire state aid. Effective for aids payable in calendar year 2023 and thereafter.
3	**Fire department definition.** Amends Minn. Stat. § 477B.01, subd. 5, to add joint powers entities and fire protection special taxing districts to the definition of “fire department” for purposes of chapter 477B. The latter is cross-referenced with chapter 144F, that added authority to create fire protection special taxing districts in 2021. Effective for aids payable in calendar year 2023 and thereafter.
4	**Joint powers entity definition.** Amends Minn. Stat. § 477B.01 by adding a new subd. 7a, which defines a joint powers entity for purposes of fire state aid. Effective for aids payable in calendar year 2023 and thereafter.
5	**Municipality definition.** Amends Minn. Stat. § 477B.01, subd. 10, to include 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 for aids payable in calendar year 2023 and thereafter.
6	**Secretary definition.** Amends Minn. Stat. § 477B.01, subd. 11, to include the secretary or financial manager of a joint powers board or fire protection special taxing district board in the

Section	Description – Article 13: Department of Revenue Policy and Technical Fire and Police State Aids
	definition of "secretary" for purposes of fire state aid. Effective for aids payable in calendar year 2023 and thereafter.
7	**Fire department criteria.** Amends Minn. Stat. § 477B.02, subd. 2, to require a fire department to have a fire department identification number issued by the state fire marshal to receive fire state aid. Effective for aids payable in calendar year 2023 and thereafter.
8	**Fire department personnel and benefits criteria.** Amends Minn. Stat. § 477B.02, subd. 3, to eliminate 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 for aids payable in calendar year 2023 and thereafter.
9	**Public safety answering point requirement.** Amends Minn. Stat. § 477B.02 by adding a new subd. 4a, requiring a fire department to be dispatched by a public safety answering point to qualify for fire state aid. Effective for aids payable in calendar year 2023 and thereafter.
10, 15	**Documentation filing requirements.** Amends Minn. Stat. § 477B.02, subd. 5, to clarify 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. Also amends Minn. Stat. § 477B.03, subd. 4, which determines initial calculations for fire state aid, to reflect the documentation requirements above. Effective for aids payable in calendar year 2023 and thereafter.
11, 16	**PERA certification.** Amends Minn. Stat. § 477B.02, subd. 8, to provide 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

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	in the voluntary statewide volunteer firefighter retirement plan since the previous certification. Requires the certifications to include the number of active volunteer firefighters under Minn. Stat. § 477B.03, subd. 5, information required for aid calculation. Also amends Minn. Stat. § 477B.03, subd. 5, to provide 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 for aids payable in calendar year 2023 and thereafter.
12	**Fire department certification to commissioner.** Amends Minn. Stat. § 477B.02, subd. 9, to require 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 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 for aids payable in calendar year 2023 and thereafter.
13, 20	**Certain tax credits and calculation of amount of fire and police state aid available for apportionment.** Amends Minn. Stat. § 477B.03, subd. 2 and § 477C.03, subd. 2, to clarify 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 Minn. Stat. § 297I.20, subd. 3 (historic structure insurance premium tax credit), subd. 4 (film production insurance premium tax credit), and subd. 5 (Minnesota housing insurance premium tax credit). This change aligns chapters 477B and 477C with Minn. Stat. § 297I.20, subds. 3, 4, and 5, which state that the credits do not affect the calculation. These amendments are effective the day following final enactment. Minn. Stat. § 477C.03, subd. 2, is also amended to delete vague language describing adjustments to aid payments. This amendment is effective for aids payable in calendar year 2023 and thereafter.
14	**Population data.** Amends Minn. Stat. § 477B.03, subd. 3, to require 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 for aids payable in calendar year 2023 and thereafter.

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17	**Fire state aid appeal.** Amends Minn. Stat. § 477B.03, subd. 7, to provide 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 for aids payable in calendar year 2023 and thereafter.
18	**Timing and direction of fire state aid payments.** Amends Minn. Stat. § 477B.04, subd. 1, to clarify 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. Language 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 for aids payable in calendar year 2023 and thereafter.
19	**Fire state aid amount corrections.** Amends Minn. Stat. § 477B.04 by adding a new subd. 4, which 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. Effective for aids payable in calendar year 2023 and thereafter.
21	**Police state aid appeal.** Amends Minn. Stat. § 477C.03, subd. 5, to provide 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 for aids payable in calendar year 2023 and thereafter.
22	**Police state aid amount corrections.** Amends Minn. Stat. § 477C.04 by adding a new subd. 4, which 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 issued. Effective for aids payable in calendar year 2023 and thereafter.
23	**Repealer.** Repeals Minn. Stat. § 477B.02, subd. 4. This subdivision details outdated equipment requirements for fire departments that are no longer used in determining qualification for fire state aid. Minn. Stat. § 477B.03, subd. 6 is also repealed. This subdivision contained vague language describing aid payment adjustments. It is no

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	longer needed with the fire state aid correction language added to Minn. Stat. § 477B.04. Effective for aids payable in calendar year 2023 and thereafter.

Article 14: Department of Revenue Policy and Technical Miscellaneous Tax Provisions

This article makes technical changes related to property tax refunds for homeowners and renters.

Section	Description – Article 14: Department of Revenue Policy and Technical Miscellaneous Tax Provisions
1	**Property tax refund, homestead application.** Amends Minn. Stat. § 290A.03, subd. 13, by changing the deadline for filing of a homestead application, and for the property to be classified as 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. Effective for refund claims based on property taxes payable in 2022 and thereafter.
2	**Owner or managing agent to furnish rent certificate.** Amends Minn. Stat. § 290A.19. 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. Effective for refund claims based on rent paid in 2022 and thereafter.