

HF1183 - 1A - Uncodified Employee Classification Provis. Exmpt.

Chief Author: **Emma Greenman**
 Committee: **Taxes**
 Date Completed: **3/27/2026 7:18:54 AM**
 Agency: **Revenue Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2025	FY2026	FY2027	FY2028	FY2029
Total	-	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Joel Enders **Date:** 3/27/2026 7:18:53 AM
Phone: 651-284-6542 **Email:** joel.enders@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

HF 1183 with the A1 amendment adds subd. 31(b) to Minnesota Statutes 2024, section 290.01, stating that “Internal Revenue Code” as referenced throughout the chapter does not include Section 530 of Public Law 95-600. This decouples Minnesota from Section 530 federal safe harbor relief.

This bill is effective for taxable years beginning after December 31, 2026.

Assumptions

The Department of Revenue (Revenue) assumes that withholding auditors will no longer need to perform extensive safe harbor analyses or set aside audits because of Section 530 relief. Instead, auditors will be able to complete a greater number of successful worker misclassification examinations that result in employers being required to begin withholding and remitting Minnesota income taxes. Based on prior-year data, Revenue estimates fewer than five audits per year would now produce assessments that previously would have been dismissed due to Section 530.

The Income Tax and Withholding Division (ITW) expects minimal operational impact from the change because worker reclassification audit work is typically completed prior to any Section 530 relief being granted. Accordingly, ITW assumes a negligible impact to existing staff.

The Appeals, Legal Services, and Disclosure Division (ALSD) assumes ITW attorneys will need to respond to legal questions related to this change in FY27. This work can be completed by existing staff.

Expenditure and/or Revenue Formula

N/A

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

N/A

References/Sources

Agency staff provided information for this fiscal note.

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