

Subject Omnibus Tax Bill
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Article 1: Federal Conformity

This article makes conforming changes to Minnesota tax law to respond to federal legislation enacted from December 16, 2016, through December 31, 2018. It adopts the Internal Revenue Code as modified by the following acts of Congress:

- Disaster Tax Relief and Airport and Airway Extension Act
- Tax Cuts and Jobs Act (TCJA)
- Bipartisan Budget Act of 2018 (BBA 2018)
- Consolidated Appropriations Act of 2018

The most important changes were made by TCJA, the major restructuring of the federal tax enacted in December 2017, and the BBA 2018, enacted in February 2018, which includes the standard package of federal “extenders”—i.e., the extension of a collection of federal tax provisions that regularly expire and are extended for one or two years by Congress.

BBA 2018 extended a number of provisions for one year through tax year 2017 (i.e., the tax year that had already ended for calendar years taxpayers when the extension was enacted). The most significant provisions extended were the deductions for tuition and mortgage insurance premiums, the exclusion of discharge of indebtedness income of a principal residence, and various depreciation rules.

The TCJA changes are too numerous to list, but they include both major changes in the definition of the tax base for individual income (both personal and business-related provisions) and corporate taxation. Some of the major changes—adopted by the article (because they affect the calculation of federal adjusted gross income or FAGI):

- Expanded section 179 and bonus depreciation rules apply, essentially allowing current deduction for investments in most equipment. (The maximum section 179 amount was permanently increased to \$1 million; allowance of bonus depreciation is temporary.) The article conforms to the section 179 treatment, but continues the pattern of allowing only 20 percent of bonus depreciation in the year made.
- The use of active losses from one business to reduce other income (e.g., wages, investment income, or income from another business) were subject to dollar limits (\$500,000, married joint filers; \$250,000 for others).
- Business interest deductions were limited to 30 percent of adjusted taxable income.
- Many more businesses will be allowed to use cash basis accounting.
- Net operating loss carrybacks are eliminated and carryovers limited to 80 percent of the loss.
- Various employee compensation costs (e.g., meals, lodging, and certain transportation costs) were disallowed as business expense deductions.
- Taxation of foreign income was substantially modified, requiring taxation of deferred foreign earnings (from 1986 through 2017) on a onetime basis (repatriation tax) and future inclusion of certain income for low taxed income from intangibles (global intangible low taxed income, or GILTI). The article

does not conform to the federal GILTI provisions; instead, foreign corporations that generate GILTI are included in the corporate unitary group, which subjects all of the income of the foreign corporation to apportionment, as is currently required for domestic corporations. Individual shareholders who would otherwise pay tax on GILTI included in income for federal purposes receive a state subtraction for this income.

- The deduction allowed to employers who reimburse employees for moving expenses and the exclusion of those amounts from income of employees were both suspended.

The adopted federal changes generally take effect for Minnesota purposes at the same times as the federal changes take effect, although for 2018, a special adjustment is established for individual filers so that they will not see an increase or decrease in tax, although some exceptions apply.

The article changes the starting point for calculating individual income taxes for individuals from federal taxable income (FTI) to FAGI. The effect of this change is to make (1) itemized and standard deductions and (2) dependent exemptions a matter to be determined by Minnesota, rather than federal, law. The article provides a dependent exemption amount equal to that allowed under pre-TCJA law, but eliminates the personal exemption.

The article increases the standard deduction allowed to match the amounts allowed federal under the TCJA. The state standard deduction amounts for tax year 2019 are \$24,400 for married couples filing joint returns, \$12,000 for singles, and \$18,350 heads of households. The additional standard deduction amounts (for age 65 or older, blind, and so forth) remain unchanged. The standard deduction is partially phased out according to the same rules that govern the partial phase-out of itemized deductions.

The article adopts Minnesota itemized deductions that parallel those under the TCJA, but retains some deductions that were repealed federally. This results in the following changes in the allowable itemized deductions:

- **Taxes paid:** Disallows property taxes paid over \$10,000
- **Charitable contributions:** Increases the 50 percent AGI limit to 60 percent
- **Interest:** Disallows home equity interest and interest attributable to acquisition indebtedness over \$750,000 (for mortgages incurred after December 15, 2017); present law allows interest on acquisition indebtedness up to \$1 million.
- **Medical expenses:** Allows medical expenses that exceed 10 percent of AGI.
- **Unreimbursed employee expenses:** Allows a deduction for unreimbursed employee expenses in excess of 2 percent of AGI—this deduction was repealed federally.
- **Miscellaneous deductions:** Does not allow miscellaneous itemized deductions that are subject to the 2 percent of AGI floor; this includes tax preparation services.
- **Losses:** Allows a state deduction for personal casualty and theft losses—TCJA limited the federal deduction to losses in disaster areas.

- **“Other miscellaneous” deductions:** Retains miscellaneous deductions not subject to the 2 percent floor. This matches the federal treatment, which did not change under TCJA.

A taxpayer’s itemized deductions are limited using the existing formula for limiting itemized deductions under Minnesota law.

Section	Description – Article 1: Federal Conformity
1	<p>Debt; debtor.</p> <p>Modifies the inflation indexing of the income-based exemptions for debtors with medical care debts under the revenue recapture program. Adopts the new federal indexing rules based on the Chained Consumer Price Index for Urban Consumers (C-CPI-U). Revenue recapture provides for offsetting tax refunds for various types of debts owed to government agencies (in addition to unpaid taxes). The law provides income-based exemptions from recapture of debts for medical care. The statutory dollar amounts are indexed for inflation. This section resets the dollar amounts at the 2018 levels and converts their inflation indexing to the C-CPI-U, rather than the CPI-U, as under present law.</p> <p>Background and chained CPI. TCJA converted inflation indexing in federal tax law from the CPI-U to C-CPI-U. Chained CPI accounts for the fact that consumers often change their consumption habits when prices increase by substituting for other goods. The index does that by regularly modifying (or “reweighting”) the market basket of goods and services whose prices are used in measuring price changes. By contrast, CPI-U uses a fixed market basket of goods and services that does not regularly change. Chained CPI tends to increase more slowly than CPI-U. This means that provisions that are indexed for inflation will grow more slowly than they did under prior law.</p>
2	<p>Cost of living adjustment.</p> <p>Adds a new section to chapter 270C that describes the rules for indexing for inflation the income tax and property tax refund. Specifies that both income tax and property tax refund amounts are indexed using the August-to-August change in the Chained Consumer Price Index for All Urban Consumers (C-CPI-U). Requires the Department of Revenue to annually publish the adjusted dollar amounts on its website.</p>
3	<p>Internal Revenue Code.</p> <p>Updates chapter 289A for federal changes through December 31, 2018.</p> <p>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.</p>
4	<p>Filing requirements.</p> <p>Authorizes the commissioner of revenue to establish individual income tax filing requirements that differ from federal law based on the Minnesota standard deduction</p>

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	<p>and exemption amounts. Present law bases the Minnesota filing requirement on the requirement to file a federal return.</p> <p>Effective date: Tax year 2019.</p>
5	<p>Cross reference change.</p> <p>Modifies statutory cross references in the composite return filing requirement for nonresident partners and S corporation shareholders to reflect the changes to the additions to FAGI made by the article, which both repeals and adds new additions.</p> <p>Effective date: Tax year 2019.</p>
6	<p>Conforming Change.</p> <p>Changes a reference from FTI to FAGI (in the information reporting for exempt interest dividends) to reflect the article’s change in the starting point of the individual income tax from FTI to FAGI.</p> <p>Effective date: Tax year 2019.</p>
7	<p>Installment payments of tax on deferred foreign earnings.</p> <p>Authorizes C corporations that are subject to the onetime tax on deferred foreign earnings under TCJA to elect to pay their Minnesota tax in installments. This option mirrors that available under federal law, which requires reporting the income in tax year 2017, but allows paying the tax in eight annual installments. A corporation’s election for Minnesota purposes does not need to follow its federal election.</p> <p>Effective date: Retroactively at the same time the provisions of the TCJA became effective for federal purposes.</p>
8	<p>Conforming change.</p> <p>Adds a reference to FAGI in the commissioner’s assessment authority, consistent with the article’s change in the starting point of the individual income tax from FTI to FAGI.</p> <p>Effective date: Tax year 2019.</p>
9	<p>Determination of marital status.</p> <p>Adds rules governing how an individual is determined to be married for tax purposes. Adopts by cross reference the federal rules currently in effect for Minnesota purposes (because of the state’s use of federal taxable income as the starting point for its income tax).</p> <p>Effective date: Tax year 2019.</p>

Section	Description – Article 1: Federal Conformity
10	<p>Surviving spouse definition.</p> <p>Adds a definition of “surviving spouse” (linked to the federal definition) for purposes of the individual income tax chapter, since this term is used multiple times in the chapter including in the new section providing for Minnesota exemption amounts. A surviving spouse is an unmarried individual whose spouse died in one of the two preceding tax years and who maintains a separate household.</p> <p>Effective date: Tax year 2019.</p>
11	<p>Net income definition.</p> <p>Modifies the definition of net income to provide that the starting point for computing Minnesota individual income tax will be FAGI (rather the FTI). Estates, trusts, and C corporations will continue to use FTI. The bill also updates the date of the Internal Revenue Code that is in effect for the purposes of calculating net income.</p> <p>Effective date: The switch to FAGI as the starting point for the state’s tax code is effective for tax year 2019. The update of the version of the Internal Revenue Code version is effective the day following final enactment, but changes incorporated by the federal changes are effective retroactively at the same time as they became effective for federal purposes. The effective date also specifies that the changes are subject to the special adjustment for tax year 2018 under section 290.993.</p>
12	<p>Deferred foreign income definition.</p> <p>Defines “deferred foreign income” for purposes of the corporate and individual income taxes to be the amount required to be recognized under federal law, but excluding the deduction allowed for the participation exemption.</p> <p>Effective date: Retroactively at the same time the provisions of the TCJA became effective for federal purposes.</p>
13	<p>Adjusted gross income definition.</p> <p>Adds a definition of “adjusted gross income” and “federal adjusted gross income” that refers to federal law to minimize the need to include repeated references to section 62 of the Internal Revenue Code. This definition also requires taxpayers to have consistent elections for federal and Minnesota purposes on items that affect computation of FAGI (e.g., the cost recovery method that businesses use to compute their income).</p> <p>Effective date: Day following final enactment.</p>
14	<p>State itemized deductions definition.</p> <p>Modifies the definition of state itemized deductions to equal the itemized deductions allowed under the bill. The deductions allowed are defined in section 17 of the bill.</p>

Section	Description – Article 1: Federal Conformity
15	<p data-bbox="354 275 605 302">Chapter 290 update.</p> <p data-bbox="354 317 1398 453">Adopts the changes to the Internal Revenue Code made since December 16, 2016, for purposes of the individual income and corporate franchise taxes. This will adopt the changes in federal law, as described in the Overview, the most significant of which were made by TCJA and the BBA 2018.</p> <p data-bbox="354 491 1365 625">Effective date: Day following final enactment; changes incorporated by reference to federal provisions are effective at the same time as they are effective for federal purposes. The effective date also specifies that the changes are subject to the special adjustment for tax year 2018 under section 290.993.</p>
16	<p data-bbox="354 657 638 684">Dependent exemption.</p> <p data-bbox="453 699 1398 800">Subd. 1. Exemption Amount. Establishes a state dependent exemption equal to \$4,250 in tax year 2019—the amount allowed under prior federal law and current Minnesota law.</p> <p data-bbox="453 837 1398 1043">Subd. 2. Disallowed exemption amount. Phases out the dependent exemption using the same rules that are in place under current law for personal and dependent exemptions. The exemption is reduced by 2 percentage points for each \$1,250 (or fractional thereof) by which the taxpayer’s income exceeds the phaseout threshold. The threshold is \$291,950 for married couples filing joint returns and \$194,650 for single taxpayers.</p> <p data-bbox="453 1081 1398 1150">Subd. 3. Inflation adjustment. Indexes the dependent exemption and phaseout thresholds for inflation.</p>
17	<p data-bbox="354 1203 610 1230">Itemized deductions.</p> <p data-bbox="453 1245 1398 1346">Subd. 1. Itemized deductions. Defines a taxpayer’s itemized deductions as the sum of the amount allowed under the section, reduced by the itemized deduction phaseout.</p> <p data-bbox="453 1383 1398 1589">Subd. 2. Deductions limited. Reduces itemized deduction amounts using the same rules in place under current law. A taxpayer’s itemized deductions are reduced by 3 percent of AGI in excess of the threshold amounts, but are never reduced below 20 percent of the taxpayer’s total deductions. The thresholds are \$194,650 for all taxpayers except married individuals filing separate returns, for whom the threshold is one-half that amount.</p> <p data-bbox="453 1627 1398 1696">The itemized deduction limitation does not apply to the deduction for investment interest, medical expenses or losses; this is consistent with current law.</p> <p data-bbox="453 1734 1398 1803">Subd. 3. Taxes paid. Allows an itemized deduction for taxes paid. The deduction equals the sum of the taxpayer’s taxes in each of the following categories:</p> <ul data-bbox="509 1833 1398 1896" style="list-style-type: none"><li data-bbox="509 1833 1398 1896">▪ Up to \$10,000 of state, local, and foreign property taxes. The limitation is \$5,000 for married couples filing separately.

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- Foreign income, war profits, and excess profits taxes to the extent not reduced by the federal foreign tax credit.
- Foreign subnational taxes that did not qualify for the state credit for taxes paid to another state. The amount of foreign subnational taxes is limited to the amount that qualifies for the federal foreign tax credit. This itemized deduction replaces an existing subtraction in state law.

Subd. 4. Charitable contributions. Allows an itemized deduction for the amount of charitable contributions allowed under federal law. The state deduction permanently adopts the TCJA’s 60 percent AGI limit for charitable contributions, which is scheduled to expire in tax year 2026. The amount of contributions eligible for a carryover corresponds to the amount allowable in Minnesota.

Subd. 5. Interest. Allows an itemized deduction for interest paid equal to the amount deductible under federal law. The deduction equals the amount allowed federally, but permanently adopts the TCJA’s changes to the mortgage interest deduction.

Subd. 6. Medical expenses. Allows an itemized for medical expenses in excess of 10 percent of AGI.

Subd. 7. Unreimbursed employee expenses. Allows an itemized deduction for unreimbursed employee expenses. The deduction is limited to expenses in excess of 2 percent of AGI. TCJA suspended this deduction, as well as other miscellaneous deductions subject to the 2 percent AGI floor.

Subd. 8. Losses. Allows a state itemized deduction for personal casualty and theft losses; TCJA limited the federal deduction to losses in disaster areas. The state deduction is limited to losses in excess of 10 percent of AGI, consistent with the treatment under federal law prior to the TCJA.

Subd. 9. Miscellaneous deduction. Allows a state itemized deduction for to federal miscellaneous deductions not subject to the 2 percent floor. These deductions were retained by TCJA, and are still allowed under current federal law.

Federal law section	Deduction
Section 67(d)	Impairment-related work expenses of a disabled individual
Section 691(c)	Estate taxes paid
Section 67(b)(8)	Personal property used in a short sale
Section 1341	Repayment of amounts under a claim of right if over \$3,000
Section 72(b)(3)	Endowment and life insurance contracts. If annuity payments cease by reason of the death of the annuitant, and there is an unrecovered investment in

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	the contract, the amount of the investment is a deduction.
Section 171	Amortizable bond premiums on bonds that are not tax exempt
Section 216	Deduction of taxes, interest, and business depreciation by cooperative housing corporation tenant-stockholder
Section 67(c)(1)	Business casualty and theft losses

18 Standard deduction amounts

Subd. 1. Standard deduction amount. Establishes a state standard deduction. The deduction amounts correspond to the amounts allowed federally, as follows:

- Married couples filing joint returns or surviving spouses: \$24,400
- Heads of household: \$18,350
- All other filers: \$12,200

Taxpayers who are 65 years or older, or who are blind, may claim an additional amount under subdivision 2.

The standard deduction is subject to the reduction under subdivision 5.

Subd. 2. Additional amount for senior or blind taxpayers. Allows an additional standard deduction amount for taxpayers ages 65 or older, or who are blind. The additional amount is \$1,300 for married taxpayers and surviving spouses, and \$1,650 for other taxpayers. These amounts correspond to the amount allowed under current federal law.

Subd. 3. Amount for dependents. Establishes the standard deduction amount for taxpayers who are claimed as dependents on another return. The deduction for those taxpayers equals \$500 or \$250 plus the taxpayer’s earned income. These rules correspond to the current federal treatment.

Subd. 4. Deduction disallowed. Disallows the standard deduction for married separate taxpayers whose spouses itemize deductions, and for taxpayers who changed their annual accounting period and are filing a return for a period of less than 12 months.

Subd. 5. Deduction limited. Reduces a taxpayer’s standard deduction if the taxpayer’s income exceeds the threshold amounts. The thresholds are \$194,650 for all taxpayers except married individuals filing separate returns, for whom the threshold is one-half that amount.

A taxpayer’s standard deduction is reduced by 3 percent of AGI in excess of the threshold amounts, but is never reduced below 20 percent of the taxpayer’s standard deduction amount. For married couples filing joint returns who do not

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qualify for an additional standard deduction amount, the standard deduction reaches the 20 percent limit (\$4,880) at \$845,317 of adjusted gross income.

Subd. 6. Inflation adjustment. Indexes for inflation the standard deduction amount, additional standard deduction amount, and phaseout thresholds.

19 Additions to income; scope.

Modifies the scope subdivision of the section providing individual income tax additions to income to be consistent with the article's change in the starting point of the individual income tax from FTI to FAGI.

Effective date: Tax year 2019.

20 State and local income and sales taxes.

State and local income and sales taxes. Limits the addition for state and local income taxes and sales taxes to estates and trusts, since only those entities will continue to use FTI (which incorporates the federal deduction for state and local income taxes) in calculating Minnesota tax. The limitation on the deduction to the amount of the standard deduction is repealed, since trusts and estates are not allowed to elect the standard deduction.

Effective date: Tax year 2019.

21 Section 179 addition.

Conforms to the federal section 179 allowances (allowing expensing for qualifying equipment purchases by businesses) for individuals, including pass-through entities, by limiting the addition to amounts deducted for federal purposes in taxable years before 2018. This change would allow individual income taxpayers the full section 179 deduction for property placed in service starting in tax year 2018.

Effective date: Retroactively for tax year 2018.

22 529 plan distributions.

Requires distributions from 529 Plans (Qualified Tuition Plans) that are used to pay for K-12 expenses to be added to FAGI. The TCJA permits taxpayers to use distributions for K-12 expenses without being subject to tax. The amount added back could not exceed the amount of "earnings" of the account that are excluded from income for the taxable. Thus, recovery of amounts contributed to the account (rather than the account's investment returns) would not be taxed. This approach effectively treats any uses for K-12 purposes as the first use to which these investment returns or earnings are put (e.g., if distributions are also used to pay for higher education expenses).

Effective date: Retroactively for tax year 2018.

Section	Description – Article 1: Federal Conformity
23	<p>Qualified business income.</p> <p>Requires a trust or estate to add to FTI the amount it deducted as qualified business income (the 20-percent deduction allowed under TCJA).</p> <p>Effective date: Tax year 2019.</p>
24	<p>Excess business losses.</p> <p>Makes the TCJA’s temporary disallowance of certain business losses (those used to offset income that is not from a trade of business) permanent. Also provides that the disallowed loss may continue to be taken as an NOL as provided under the TCJA.</p> <p>Effective date: Day following final enactment, for losses disallowed in tax year 2026.</p>
25	<p>Moving expenses.</p> <p>Adds an addition for amounts of employer-reimbursed moving expenses that are excluded from gross income, and individual moving expenses that are deducted from adjusted gross income. TCJA suspended the federal deduction for tax years 2018 through 2025. This section would disallow the deduction and exclusion for state purposes if the federal exclusion and deduction return in tax year 2026.</p>
26	<p>Subtractions from income; scope.</p> <p>Modifies the scope subdivision of the section providing individual income tax subtractions from income to be consistent with the article’s change in the starting point of the individual income tax from FTI to FAGI.</p> <p>Effective date: Tax year 2019.</p>
27	<p>Charitable contributions for nonitemizers.</p> <p>Modifies the charitable contribution deduction for nonitemizers to be based on whether the taxpayer itemizes for Minnesota purposes (rather than federal purposes as under present law).</p> <p>Effective date: Tax year 2019.</p>
28	<p>Net operating loss.</p> <p>Provides a subtraction for the NOL generated by an excess business loss in section 24.</p> <p>Effective date: Tax year 2026.</p>

Section	Description – Article 1: Federal Conformity
29	<p>Standard or itemized deductions.</p> <p>Allows a subtraction for either the taxpayer’s standard deduction amount (calculated under section 18 of the bill) or itemized deduction amount (calculated under section 17 of the bill).</p> <p>Effective date: Tax year 2019.</p>
30	<p>Dependent exemption.</p> <p>Allows a subtraction for the taxpayer’s dependent exemption amount (calculated under section 16 of the bill).</p> <p>Effective date: Tax year 2019.</p>
31	<p>Conforming change.</p> <p>Changes a reference from FTI to FAGI (for the subtraction for military retirement pay) to be consistent with the article’s change in the starting point for calculating the Minnesota tax.</p> <p>Effective date: Tax year 2019.</p>
32	<p>Deferred foreign income of nonresidents.</p> <p>Provides an individual income tax subtraction for deemed repatriation income for nonresidents.</p> <p>Effective date: When effective for federal purposes.</p>
33	<p>Global intangible low taxed income; individuals.</p> <p>Provides an individual income tax subtraction for global intangible low taxed income (GILTI). Instead of taxing GILTI, a controlled foreign corporation (CFC) that generates GILTI is pulled into the domestic unitary group, allowing all of the CFC’s income to be apportioned based on the group’s Minnesota sales.</p> <p>Effective date: Tax year 2019.</p>
34	<p>Special deductions.</p> <p>Creates an add-back for the federal GILTI and foreign derived intangible income (FDII) deduction under the IRC.</p> <p>Effective date: When effective for federal purposes.</p>
35	<p>Section 179 addition.</p> <p>Conforms to the federal section 179 allowances (allowing expensing for qualifying equipment purchases by businesses) for corporations, by limiting the addition to amounts</p>

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deducted for federal purposes in taxable years before 2018. This change would allow corporate taxpayers the full section 179 deduction for property placed in service starting in tax year 2018.

Effective date: Retroactively for tax year 2018.

36 Global intangible low taxed income; corporations.

Provides a corporate franchise tax subtraction for global intangible low taxed income (GILTI). Instead of taxing GILTI, a controlled foreign corporation (CFC) that generates GILTI is pulled into the domestic unitary group, allowing all of the CFC's income to be apportioned based on the group's Minnesota sales.

Effective date: Tax year 2019.

37 Conforming change.

Makes a conforming change to the lump sum tax to reflect the use of FAGI as the starting point for the tax.

Effective date: Tax year 2019.

38 Taxes imposed on exempt entities.

Excludes employee fringe benefits from the definition of unrelated business taxable income—TCJA required nonprofits to add certain employee fringe benefits to unrelated business taxable income.

Requires a nonprofit corporation required to pay UBIT to add back its federal NOL and claim a Minnesota NOL under the rules applicable to C corporations under the Minnesota tax. This prevents TCJA's rules requiring separately calculating NOLs for each activity.

Effective date: Retroactively to tax year 2018.

39 Inflation adjustment of brackets.

Makes a conforming change to reference the new inflation-indexing provision under section 2.

Effective date: Tax year 2020.

40 Section 529 plan recapture.

Creates a definition of "qualified higher education expenses" by reference to the federal definition, but exclusive of K-12 qualifying education expenses.

Effective date: Retroactively to tax year 2018.

Section	Description – Article 1: Federal Conformity
41	<p>Inflation adjustment.</p> <p>Makes a conforming change to the dependent care credit statutes to reference the new inflation-indexing provision under section 2.</p> <p>Effective date: Tax year 2020.</p>
42	<p>Inflation adjustment.</p> <p>Makes a conforming change to the working family credit statutes to reference the new inflation-indexing provision under section 2.</p> <p>Effective date: Tax year 2020.</p>
43	<p>Definitions; conforming changes; long-term care credit.</p> <p>Modifies the long-term care insurance credit to refer to Minnesota, rather than federal, itemized deductions.</p> <p>Effective date: Tax year 2018.</p>
44	<p>Long-term care insurance credit; conforming changes.</p> <p>Changes a reference in the long-term care insurance credit from FTI to Minnesota taxable net income.</p> <p>Effective date: Tax year 2018.</p>
45	<p>Definitions; marriage credit.</p> <p>Changes a reference in the marriage credit to refer to the Minnesota, rather than the federal, dependent exemption and standard deduction.</p> <p>Effective date: Tax year 2019.</p>
46	<p>Definitions; 529 credit.</p> <p>Strikes a reference to the federal definition of “qualified higher education expenses,” which are now defined elsewhere.</p> <p>Effective date: Day following final enactment.</p>
47	<p>Credit allowed; inflation adjustment; 529 credit.</p> <p>Makes a conforming change to the 529 credit statutes to reference the new inflation-indexing provision under section 2.</p> <p>Effective date: Tax year 2020.</p>

Section	Description – Article 1: Federal Conformity
48	<p>Elderly exclusion; conforming change.</p> <p>Changes a reference from FTI to FAGI (in the elderly exclusion) to reflect the article’s change in the starting point of the individual income tax.</p> <p>Effective date: Tax year 2019.</p>
49	<p>AMT definitions.</p> <p>Modifies the definition of income for purposes of the individual AMT to be consistent with other changes made by the article and to require addition of the deduction for QBI. It also allows the subtractions for the repatriation income of nonresidents, GILTI, and cannabis business expenses. The cannabis business expense subtraction is established in article 2.</p> <p>Effective date: Tax year 2019.</p>
50	<p>Individual AMT exemption amount; indexing.</p> <p>Makes conforming changes to the updated IRC while not conforming to the increased income thresholds under the TCJA. Also updates the inflation adjustment to reference the new inflation adjustment under section 2.</p> <p>Effective date: Day following final enactment</p>
51	<p>Corporate AMT.</p> <p>Decouples the state corporate AMT from the federal corporate AMT, which was repealed in the TCJA. The state corporate AMT will continue to reference the IRC as amended through December 16, 2016.</p> <p>Effective date: Tax year 2019.</p>
52	<p>Minimum fee.</p> <p>Makes a conforming change to the corporate minimum fee to reference the new inflation-indexing provision under section 2.</p> <p>Effective date: Tax year 2020.</p>
53	<p>Net operating losses.</p> <p>Provides that corporate NOLs may not exceed 80 percent of a taxpayer’s net income. Federal rules limit NOLs to 80 percent for all taxpayers, however, NOLs generated prior to the TCJA may exceed this limit; this section would create a carryover for those federally allowed amounts.</p> <p>Effective date: Retroactively to tax year 2018.</p>

Section	Description – Article 1: Federal Conformity
54	<p>Allocation of trade or business income.</p> <p>Modifies the definition of “wages” for purposes of allocating trade or business income between Minnesota and non-Minnesota sources to include a reference to income from sales of section 83(i) qualified stock (provided as compensation to employees), which were authorized by TCJA.</p>
	Effective date: Tax year 2019.
55	<p>Unitary taxation; controlled foreign corporations.</p> <p>Creates a new subdivision that deems a controlled foreign corporation (CFC) to be a domestic corporation if the CFC generates GILTI for a U.S. shareholder and the commissioner determines that the CFC is a member of a domestic unitary group. A deemed domestic corporation’s income would then be added to the unitary group’s income and apportioned to Minnesota under the apportionment formula.</p>
	Effective date: Tax year 2019.
56	<p>Worldwide election.</p> <p>Creates a new subdivision that allows a taxpayer subject to the deemed domestic corporation provision of section 52 to elect worldwide reporting, which is binding for ten years.</p>
	Effective date: Tax year 2019.
57	<p>Withdrawal; reinstatement.</p> <p>Allows a taxpayer electing worldwide reporting in section 53 to withdraw from their election, or to reinstate the election due to a hardship.</p>
	Effective date: Tax year 2019
58	<p>Deemed repatriation income.</p> <p>Provides that deferred foreign income deemed by TCJA to be includible in subpart F income for tax year 2017 is dividend income. This follows Minnesota’s practice of treating subpart F income as dividend income and Minnesota’s treatment of subpart F income that was used in the 2004 repatriation tax holiday.</p>
	Effective date: When effective for federal purposes.
59	<p>Wages for withholding tax. Modifies the definition of “wages” for purposes of withholding tax to include section 83(i) qualified stock election under TCJA. The provision allows employees receiving the stock to defer when income is includible, subject to a variety of limits and conditions.</p>

Section	Description – Article 1: Federal Conformity
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Effective date: Tax year 2019

60 **Special limited adjustment.**

Establishes a “special limited adjustment to tax” for individual income tax filers in tax year 2018 only. The adjustment allows taxpayers in tax year 2018 to elect to itemize their deductions for state purposes, even if they claimed the federal standard deduction.

The section also establishes an adjustment to tax for tax year 2018 equal to the difference in tax between the pre-conformity and post-conformity tax calculations. This effectively means that even though the bill generally conforms to TCJA and BBA retroactively, as a general rule conformity will not affect the tax paid in tax year 2018.

However, the bill outlines a list of sections of the BBA and TCJA to which the special adjustment does not apply. Conformity to the provisions listed is retroactive and will affect the tax paid in 2018.

The list of sections that will affect tax year 2018 liability are:

- 11012 of TCJA: limitation on excess business losses for pass-through businesses;
- 13101 of TCJA: changes to section 179 expensing;
- 13201 of TCJA: changes to bonus depreciation;
- 13202 of TCJA: changes to the depreciation limitations on luxury automobiles and personal use property;
- 13203 of TCJA: changes to depreciation rules for farm property;
- 13204 of TCJA: changes to the recovery period for certain real property;
- 13205 of TCJA: alternative depreciation system for electing farm businesses;
- 13207 of TCJA: expensing of certain costs of replanting citrus plants;
- 13301 of TCJA: interest deduction limitation;
- 13302 of TCJA: modification of the NOL deduction;
- 13303 of TCJA: modifications to rules governing like kind exchanges of real property;
- 13313 of TCJA: Rollover of publicly traded securities gain into specialized small business investment companies;
- 13502 of TCJA: modifications to the definition of substantial built-in loss in the case of a transfer of partnership interest;
- 13503 of TCJA: charitable contributions and foreign taxes taken into account in determining the limitation on the allowance of a partner’s share of a loss;
- 13801 of TCJA: changes to the production period for wine, beer, and distilled spirits;
- 14101 of TCJA: deduction for foreign-source dividends received by domestic corporations from controlled foreign corporations;

Section	Description – Article 1: Federal Conformity
61	<ul style="list-style-type: none">▪ 14102 of TCJA: special rules relating to sales or transfers of controlled foreign corporations;▪ 14103 of TCJA: Repatriation of deferred foreign income;▪ 14202 of TCJA: GILTI and FDII;▪ 14211 through 14215 of TCJA: modifications to rules for subpart F income;▪ 14501 of TCJA: Restriction on insurance business exception to passive foreign investment company rules; and▪ 40411 of the Bipartisan Budget Act: Extension of the phaseout of the energy credit. <p>Property tax refund income definition and exemption amounts.</p> <p>Modifies the definition of household income under the property tax refund for renters and the homestead credit refund programs to eliminate the addition for the domestic production deduction, which was repealed by the TCJA, and to include nontaxable alimony received by the claimant. Moving expenses would be allowed to be deducted in computing household income.</p> <p>Effective for tax year 2019, TCJA provides that alimony (paid under new agreements or orders) is no longer deductible to the payer and includible in the recipient’s income.</p> <p>References to the exemption amount in the definition of household income are tied to the dependent exemption amount under the Minnesota income tax.</p> <p>Effective date: Refunds based on property taxes payable in 2020 and rent paid in 2019.</p>
62	<p>Gross rent amount; indexing.</p> <p>Sets the gross rent amounts for nursing homes, foster care homes, and intermediate care facilities at the 2018 amounts and converts indexing to the C-CPI-U index.</p> <p>Effective date: Refunds based on rent paid in 2019.</p>
63	<p>PTR update.</p> <p>Updates the reference to the Internal Revenue Code for purposes of the property tax refund chapter. This will incorporate federal changes made to FAGI and TCJA’s repeal of the exemption allowance (replaced in section 67 with a reference to the Minnesota amount provided by the article).</p> <p>Effective date: Refunds based on property taxes payable in 2020 and rent paid in 2019.</p>
64	<p>PTR inflation indexing.</p>

Section	Description – Article 1: Federal Conformity
	<p>Converts indexing of the HCR and PTR schedules to the C-CPI-U index.</p> <p>Effective date: Adjustments for refunds based on rent paid in 2020 and property taxes payable in 2021.</p>
65	<p>Scope; estate tax.</p> <p>Makes a conforming change to the updated IRC for the definition of “Internal Revenue Code” in the estate tax chapter.</p> <p>Effective date: When effective for federal purposes.</p>
66	<p>Sales tax exemption.</p> <p>Provides that TCJA’s change in the like-kind exchange rules (limiting them to real property) does not apply for purposes of the sales tax exemption for occasional sales. The bill makes this change by tying the statutory reference to the version of the Internal Revenue Code before the enactment of TCJA.</p> <p>Effective date: Effective retroactively at the same time the changes adopted are effective federally.</p>
67	<p>Sales tax exemption.</p> <p>Provides that TCJA’s change in the like-kind exchange rules (limiting them to real property) does not apply for purposes of the motor vehicle sales tax exemption. The bill makes this change by tying the statutory reference to the version of the Internal Revenue Code before the enactment of TCJA.</p> <p>Effective date: Effective retroactively at the same time the changes adopted are effective federally.</p>
68	<p>First-time homebuyer savings account; conforming changes.</p> <p>Changes a reference from FTI to FAGI (in the subtraction under the first-time homebuyer savings account program) to reflect the article’s change in the starting point of the individual income tax from FTI to FAGI.</p> <p>Effective date: Tax year 2019.</p>
69	<p>First-time homebuyer savings account; conforming change.</p> <p>Changes a reference from FTI to FAGI (in the addition under the first-time homebuyer savings account program) to reflect the article’s change in the starting point of the individual income tax from FTI to FAGI.</p>

Section Description – Article 1: Federal Conformity

Effective date: Tax year 2019.

70 JOBZ subtraction; conforming change.

Changes a reference from FTI to FAGI (in the JOBZ subtraction) to reflect the article’s change in the starting point of the individual income tax from FTI to FAGI.

Effective date: Tax year 2019.

71 Special provision for tax year 2017.

For tax year 2017, does not conform retroactively to mortgage insurance premium deduction and tuition subtraction. BBA extended those two deductions federally for tax year 2017.

72 Revisor instruction; inflation indexing.

Requires the Revisor of Statutes to publish the statutory year amounts in the 2019 Supplement of Minnesota Statutes. This change is part of the new inflation indexing rules in section 2.

73 Repealer.

Repeals the following provisions:

Repealed section	Description
290.0131, subd. 7	Addition for fines, fees, and penalties (individuals), which is now included federal income
290.0131, subd. 11	Addition (individuals) for domestic production activities
290.0131, subd. 12 and 13	Addition for itemized deductions and exemptions that were disallowed federally. These additions are no longer needed due to the move to FAGI as the starting point for the state’s tax.
290.0132, subdivision 8	Subtraction for subnational foreign taxes. The subtraction is allowed as an itemized deduction under the bill.
290.0133, subd. 13	Addition (corporations) for domestic production activities
290.0133, subd. 14	Addition for fines, fees, and penalties (corporations), which is now included federal income
290.10, subd. 2	Disallowance of trade or business expense for fines, fees, and penalties, which now are disallowed by federal law

Article 2: Income, Corporate, and Estate Taxes

This article makes a variety of changes to individual and corporate income taxes, and to the estate tax, and includes the following provisions.

- Imposes a new 3 percent tax on certain capital gain and qualified dividend income.
- Allocates \$10 million to the small business investment credit (aka “angel credit”) for tax years 2019 and 2020 and reduces the investment threshold for certain targeted businesses.
- Freezes the estate tax exclusion at \$2.7 million.
- Modifies state subtractions by providing a subtraction for a medical cannabis manufacturer’s business expenses and increasing the Social Security subtraction.
- Raises the starting point for the second tier and reduces starting point for the third tier in the individual income tax brackets.
- Makes changes to a number of credits, by expanding the working family credit, increasing the phaseout of the military service credit, reducing the marriage penalty for the student loan credit, and creating clarifying definitions for the stillbirth credit.
- Modifies provisions of the corporate franchise tax for captive insurance companies (i.e., insurance companies that are captives of a unitary group) to clarify which captives are exempt from the tax and which captives are disqualified, and therefore not exempt.

Section	Description – Article 2: Income, Corporate, and Estate Taxes
1	<p>Definitions; angel credit.</p> <p>Lowers the investment threshold for qualified investments in greater Minnesota or minority- or women-owned businesses from \$10,000 to \$7,500.</p> <p>Effective date: Tax year 2019.</p>
2	<p>Certification of qualified small businesses; angel credit.</p> <p>Deletes an obsolete reference.</p> <p>Effective date: Tax year 2019.</p>
3	<p>Certification of qualified investors; angel credit.</p> <p>Deletes an obsolete reference.</p> <p>Effective date: Tax year 2019.</p>
4	<p>Certification of qualified funds; angel credit.</p> <p>Deletes an obsolete reference.</p>

Section	Description – Article 2: Income, Corporate, and Estate Taxes
	Effective date: Tax year 2019.
5	Credit allowed; angel credit. Allocates \$10 million to the small business investment credit for tax years 2019 and 2020. Effective date: Tax year 2019.
6	Annual reports; angel credit. Lowers the fine for qualified businesses, funds and investors failing to file an annual report from \$500 to \$100 but allows the commissioner to revoke the credit or trigger the credit repayment provisions if a report is not filed by April 1. Effective date: Tax year 2019.
7	Sunset; angel credit. Modifies the sunset for the small business investment credit to conform to the allocation provided in section 5. Effective date: Tax year 2019.
8	Return required; estate tax. Makes a conforming change to the filing requirements for estate tax returns to reflect section 28's modification of the exclusion. Effective date: Estates of decedents dying in 2019.
9	Financial institution; captive insurance companies. Modifies the definition of a financial institution for corporate franchise tax purposes to eliminate the requirement that exempt insurance companies must be subject to Minnesota insurance premiums taxation. This will allow out-of-state insurers who do not write coverage on Minnesota risks (and, thus, are not subject to the Minnesota premiums tax) to qualify as insurance companies that are exempt from corporate franchise tax. Under current law, these companies would be considered captives. Effective date: Retroactively to tax year 2017.
10	Disqualified captive insurance company. Defines a "disqualified captive insurance company" for corporate franchise tax purposes. Disqualified captives are subject to the corporate franchise tax (other insurance companies are exempt) and must include their income and apportionment factors on the combined return of a unitary business of which they are a part.

Section Description – Article 2: Income, Corporate, and Estate Taxes

Effective date: Retroactively to tax year 2017

11 Social Security subtraction.

Increases the Minnesota Social Security subtraction by \$1,300 for married couples filing joint returns, and by \$650 for single and head of household taxpayers. The bill also reduces the phaseout thresholds for the subtraction such that taxpayers in the phaseout range would not receive the full amount of the decrease.

Effective date: Tax year 2019.

12 Disallowed section 280E expenses; individuals.

Provides an individual income tax subtraction for a medical marijuana manufacturer's business expenses.

Effective date: Tax year 2019.

13 Disallowed section 280E expenses; corporations.

Provides a corporate franchise tax subtraction for a medical marijuana manufacturer's business expenses.

Effective date: Tax year 2019.

14 Exempt entities; captive insurance companies.

Modifies the statutory definition of insurance companies that are exempt from the corporate franchise tax to incorporate section 10's definition of disqualified captive insurance companies (i.e., those which are not exempt insurance companies).

Effective date: Retroactively to tax year 2017

15 Additional tax on "preferential rate" income.

Subd. 1. Definitions. Defines "net capital gain" and "preferential rate income."

"Net capital gain" means net long-term capital gains, reduced by any net short-term capital losses.

"Preferential rate income" is defined to equal the lesser of a taxpayer's "adjusted net capital gain" and federal taxable income.

"Adjusted net capital gain" is a federal term used to define income that receives a preferential rate. It includes:

- 1) Net long-term capital gains eligible for a preferential federal rate. This excludes capital gains subject to the 28 percent rate (such as gains on collectibles) and gains on 1250 property (subject to a 25 percent rate).

Section Description – Article 2: Income, Corporate, and Estate Taxes

2) Qualified dividends, which are eligible for a preferential rate.

Subd. 2. Tax imposed; capital gains. Imposes a 3 percent tax on preferential rate income in excess of \$500,000. The tax is in addition to the individual income tax and alternative minimum tax.

Subd. 3. Nonresidents. Allows nonresidents and part-year residents to apportion the additional tax based on the share of their preferential rate income that is capital gains from Minnesota situs property and qualified dividends earned while the taxpayer was domiciled in Minnesota.

Subd. 4. Credit for taxes paid to another state. Reduces the credit for taxes paid to another state for taxpayers who earned a capital gains exclusion, deduction, or exemption under the state’s tax. The tax used to calculate the credit for taxes paid to another state is reduced by 3 percent of the dollar amount of the exclusion, deduction, or exemption. The bill is effective for tax year 2019.

Effective date: Tax year 2019.

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

Increases the starting point of the second individual income tax bracket, and reduces the starting point for the third individual income tax bracket. The change in the third tier bracket threshold is by the amount needed to offset the tax benefit of the change to the second tier threshold for taxpayers who paid tax on income in the old third tier.

	Start of Second Tier (TY 2019)	
	Base	House OTB
Married couples filing joint returns	\$38,770	\$40,240
Single	\$26,520	\$27,520
Head of Household	\$32,650	\$33,880
Married couples filing separately	\$19,385	\$20,120

	Start of Third Tier (TY 2019)	
	Base	House OTB
Married couples filing joint returns	\$154,020	\$150,900

Section Description – Article 2: Income, Corporate, and Estate Taxes

Single	\$87,110	\$84,990
Head of Household	\$131,190	\$128,580
Married couples filing separately	\$77,010	\$136,580

Effective date: Tax year 2019.

17 Working family credit.

Expands the working family credit. The bill expands the credit for taxpayers with 0, 1, and 2 children, and adds an additional tier for taxpayers with 3 or more children. The tables below show the change in the credit under the bill.

	Base 2019	House OTB
0 Kids		
Income Eligible for Credit	6,640	7,150
Credit Rate	2.10%	3.9%
Max Credit	139	279
1 Kid		
Income Eligible for Credit	11,950	12,350
Credit Rate	9.35%	9.50%
Max Credit	1,117	1,173
2 kids		
Income Eligible for Credit	19,600	18,450
Credit Rate	11.00%	12.00%
Max Credit	2,156	2,214
3+ Kids		
Income Eligible for Credit	19,600	20,000
Credit Rate	11.00%	12.50%
Max Credit	2,156	2,500
0 Kids		
Phaseout Threshold	8,730	8,730
Phaseout Rate	2.01%	2.00%
Fully Phased Out (Singles)	15,667	21,243
1 Kid		

Section	Description – Article 2: Income, Corporate, and Estate Taxes		
	Phaseout Threshold	22,770	22,770
	Phaseout Rate	6.02%	6.00%
	Fully Phased Out (Singles)	41,330	42,324
	2 kids		
	Phaseout Threshold	27,000	27,000
	Phaseout Rate	10.82%	10.50%
	Fully Phased Out (Singles)	46,926	48,086
	3+ Kids		
	Phaseout Threshold	27,000	27,000
	Phaseout Rate	10.82%	10.50%
	Fully Phased Out (Singles)	46,926	50,810

Effective date: Tax year 2019.

18 Military service credit.

Increases the phaseout threshold for the credit from \$30,000 to \$50,000 of AGI. Under the bill, the credit would be fully phased out at \$57,500 of AGI.

Effective date: Tax year 2019.

19 Student loan credit; definitions.

Amends the definition of “earned income” for the purposes of the student loan credit to reference the definition of “earned income” in the marriage penalty credit, which adds Social Security benefits and some retirement income to the definition.

This change allocates the couple’s adjusted gross income to each spouse based on their pro rata share of the couple’s earned income. A small number of taxpayers who were previously not allowed a student loan credit due to the earned income limitation may become newly eligible for the credit, for taxpayers who had Social Security or retirement income but did not earn significant wages or self-employment income.

Effective date: tax year 2019.

20 Student loan credit; credit allowed.

Requires the Department of Revenue to allocate the couple’s combined adjusted gross income to each individual spouse based on the spouse’s percentage share of the couple’s earned income. This has the effect of reducing the marriage penalty in the credit.

Effective date: Tax year 2019.

Section	Description – Article 2: Income, Corporate, and Estate Taxes
21	<p>Credit allowed; 529 credit.</p> <p>Makes a technical change to the phaseout of the 529 credit for married couples filing joint returns.</p> <p>Effective date: Tax year 2020.</p>
22	<p>Credit allowed; stillbirth credit.</p> <p>Modifies the stillbirth credit to provide that it is allowed to an “eligible individual” (defined in section 23) and to eliminate the test that allows the credit based on who would have qualified to claim the stillborn child as a tax dependent. Apportionment of the credit for nonresidents is eliminated, but retained for part-year residents.</p> <p>Effective date: Retroactive to tax year 2016 (original effective date of the credit).</p>
23	<p>Definitions; stillbirth credit.</p> <p>Modifies various definitions for the stillbirth credit related to certificates of birth (to clarify that the certificate must be printed and is for a birth resulting in stillbirth), eligible individuals (to clarify eligibility in the case of a surrogacy arrangement or for out-of-state births not meeting state certificate requirements), and stillbirth (to clarify the treatment under the credit for stillbirths occurring outside Minnesota).</p> <p>Effective date: Retroactive to tax year 2016 (original effective date of the credit).</p>
24	<p>Alternative minimum tax; corporations.</p> <p>Allows a subtraction under the corporate AMT for the medical cannabis subtraction in section 13.</p> <p>Effective date: Tax year 2019.</p>
25	<p>Unitary business principle; combined returns; captive insurance companies.</p> <p>Requires foreign and domestic disqualified captive insurance companies to include their income and apportionment factors in the combined report and strikes current language relating to the existing definition of taxable captives, which is modified in section 10.</p> <p>Effective date: Retroactively to tax year 2017</p>
26	<p>Determination of sales factor.</p> <p>Amends the current provision that requires corporate mutual fund managers to apportion their sales based on the location of the fund’s shareholders to include non-corporate mutual fund managers (i.e., pass-through entities). Also makes a technical change to the federal law reference to investment companies.</p>

Section	Description – Article 2: Income, Corporate, and Estate Taxes
	Effective date: Tax year 2019.
27	Dividends received from another corporation. Disallows the dividend received deduction on dividends received on debt-financed stock. Effective date: Tax year 2019.
28	Subtraction; estate tax. Freezes the estate tax exemption at \$2.7 million. Under current law, the exemption in 2020 will be \$3 million. Effective date: estates of decedents dying in 2019.
29	Application of small business investment credit for 2019. Creates a special provision so that the angel credit may be taken in tax year 2019 per the allocation in section 5. Effective date: tax year 2019.

Article 3: Sales Tax

- Modifies and clarifies the duty to collect and remit sales taxes for remote sellers and marketplace providers, post the Supreme Court *Wayfair* case.
- Makes changes to the current exemption for data centers.
- Provides sales tax construction exemptions for a number of local government capital projects as well as for properties related to fires in Melrose and Mazeppa.
- Provides additional sales tax exemptions for a number of nonprofit organizations, fire departments, and county fairs.
- Eliminates the sunset of the sales tax exemption for the State High School League.
- Provides a temporary sales tax exemption for film production.

Section	Description – Article 3: Sales Tax
1	Use of a portion of county fair revenue. Provides that a county agricultural society must use an amount equal to the forgone sales tax revenue provided by the exemption under section 16 for maintaining, improving, and expanding the society-owned fairground buildings and facilities. If the fairgrounds are owned by another entity (i.e., the county), the amount must be transferred to the owner of the fairgrounds to be used for that same purpose.

Section Description – Article 3: Sales Tax

Effective July 1, 2019.

2 Marketplace provider information report.

Requires a marketplace provider to file a quarterly report with the Department of Revenue on sales made and sales taxes collected for each retailer making sales on their website. For each retailer the data must include:

- the total gross sales for the quarter;
- the total taxable sales for the quarter;
- the amount of state sales tax collected and remitted; and
- the total collected and remitted for each local sales tax in the state.

Effective for sales made after June 30, 2019.

3 Penalty for failure to report.

Imposes the same penalty for not filing the information report in section 2 as is currently imposed on persons who fail to file the liquor sales informational report. The penalty is \$500 for each failure to report and is \$1,000 if the failure to report is intentional.

Effective for sales and purchases made after June 30, 2019.

4 Definitions.

Reorganizes the definitions used in establishing the duty to collect sales and use tax in response to the *Wayfair* case.

Paragraph (a) defines a retailer or marketplace provider maintaining a place of business (physical presence) in this state.

Paragraphs (b) and (c) define a retailer or marketplace provider not maintaining a place of business in this state which, because of regular or systematic soliciting of sales in the state (economic presence) must collect and remit the sales tax. The definition of what constitutes regular or systematic soliciting of sales is identical to the language that is being repealed in subdivision 32. This language changes the current de minimis provision that requires businesses without a physical presence in the state (remote sellers and remote marketplace providers) to only collect and remit the tax to match the de minimis in the *Wayfair* case. A remote retailer must collect if they either make 200 retail sales or \$100,000 in retail sales into the state during the last 12-month period.

Paragraph (d) is the existing definition of “marketplace provider.”

Paragraph (e) is the existing definition of “destination of a sale” that used to be in paragraph (b).

Effective for sales and purchases made after September 30, 2019.

Section	Description – Article 3: Sales Tax
5	<p data-bbox="355 275 1330 302">Collection and remittance requirements for retailers and marketplace providers.</p> <p data-bbox="355 317 1419 380">Provides for who is responsible for collecting the tax and when remote sellers must begin collecting the tax or when they may discontinue collecting the tax.</p> <p data-bbox="355 422 1386 516">Paragraph (a) requires all retailers with a duty to collect and remit taxes to do so on all sales <u>except</u> those facilitated by a marketplace provider that is collecting and remitting the sales tax.</p> <p data-bbox="355 558 1398 695">Paragraph (b) strikes language providing a separate (lower) de minimis for retailers making sales only through marketplace providers. The de minimis in section 4 will apply to all remote entities with a duty to collect and remit the tax. Requires all marketplace providers to collect and remit tax on sales they facilitate unless:</p> <ol data-bbox="451 730 1409 873" style="list-style-type: none"><li data-bbox="451 730 1409 800">1) a retailer provides the marketplace provider with a copy of its registration to collect the tax; and<li data-bbox="451 810 1409 873">2) the marketplace provider and retailer agree that the retailer will collect the tax on these sales. <p data-bbox="355 915 1403 978">Paragraph (c) states that nothing in paragraph (b) prohibits the retailer and marketplace providers from entering into an agreement about who will collect and remit the tax.</p> <p data-bbox="355 1020 1414 1115">Paragraph (d) states that a remote retailer or marketplace provider must begin collecting and remitting the sales tax no later than 60 days after meeting the de minimis requirement and must continue to collect and remit for at least 12 months.</p> <p data-bbox="355 1157 1403 1220">Paragraphs (e) and (f) outline the steps a remote retailer or marketplace provider must take in order to cease collecting the sales tax after no longer soliciting sales in this state.</p> <p data-bbox="355 1251 1133 1283">Effective for sales and purchases made after September 30, 2019.</p>
6	<p data-bbox="355 1339 724 1367">Marketplace provider liability.</p> <p data-bbox="355 1381 1419 1556">Eliminates language related to when a remote seller must collect the tax. This language was moved to section 4, paragraph (b). States that a marketplace provider is subject to audit on the sales for which it must collect and remit sales tax. Limits the liability for a tax error due to incorrect or insufficient information provided to the marketplace provider by a retailer using the site.</p> <p data-bbox="355 1587 1133 1619">Effective for sales and purchases made after September 30, 2019.</p>
7	<p data-bbox="355 1675 583 1703">Certain herbicides.</p> <p data-bbox="355 1717 1419 1885">Provides a sales tax exemption for herbicides used under an invasive aquatic plant management permit. Covers purchases by lakeshore property owners, an association of lakeshore property owners, or by a contractor hired to provide the invasive aquatic plant management. Only covers herbicides registered with the Department of Agriculture for use on invasive aquatic plants.</p>

Section	Description – Article 3: Sales Tax
	Effective for sales and purchases made after June 30, 2019.
8	<p data-bbox="355 352 435 380">Prizes.</p> <p data-bbox="355 396 1401 464">Allows a sales tax exemption for the purchase of items used as prizes in connection with charitable gambling.</p> <p data-bbox="355 499 1057 527">Effective for sales and purchases made after June 30, 2019.</p>
9	<p data-bbox="355 583 427 611">Films.</p> <p data-bbox="355 627 1419 726">Provides a two-year sales tax exemption for purchases of inputs used in making films. The exemption is identical to the current sales tax exemption for inputs to television commercials.</p> <p data-bbox="355 762 1406 831">Effective the day after final enactment and applies to purchases after June 30, 2019, and before July 1, 2021.</p>
10	<p data-bbox="355 888 634 915">Qualified data centers.</p> <p data-bbox="355 932 1406 1098">Changes the sales tax exemption of computer software purchases at qualified data centers. Under current law, computer software purchases are exempt for 20 years after the first qualifying purchase at a data center but there has been some dispute between the industry and the Department of Revenue regarding what is included in the definition of exempt computer software.</p> <p data-bbox="355 1134 1154 1161">The new language proposes two definitions for computer software:</p> <ul data-bbox="451 1197 1419 1383" style="list-style-type: none"><li data-bbox="451 1197 1419 1266">▪ for software purchased prior to July 1, 2019, the definition explicitly <u>excludes</u> software distributed to users outside of the facility; and<li data-bbox="451 1276 1419 1383">▪ for software purchased after June 30, 2019, the definition <u>includes</u> the software distributed to users outside the facility but limits the exemption to only 50 percent of the tax paid. <p data-bbox="355 1419 1398 1488">The length of time that a data center qualifies for a full or partial exemption of the sales tax on computer software is also reduced as follows:</p> <ul data-bbox="451 1524 1419 1839" style="list-style-type: none"><li data-bbox="451 1524 1419 1661">▪ For data centers that first qualified before June 30, 2014, they get an exemption of 100 percent of the tax on the narrower definition of computer software until June 30, 2019. This is an exemption of between five and seven years.<li data-bbox="451 1671 1419 1839">▪ For data centers that first qualified between July 1, 2014, and July 1, 2019, they get a five-year exemption for software – 100 percent on software meeting the narrow definition if purchased before July 1, 2019, and 50 percent on all software purchased after July 1, 2019, but before the end of the five-year window.

Section Description – Article 3: Sales Tax

- For data centers that first qualify after June 30, 2019, they get a five-year exemption on 50 percent of all software purchases.

Also adds a new provision stating that if a qualified data center’s 20-year certification period runs out before the expiration date for this exemption (June 30, 2042) and it gets recertified, that there is no software exemption with the second certification.

The 20-year exemption for information technology equipment and electricity remains unchanged.

Effective for sales and purchases made after June 30, 2019, but the limited definition of exempt computer software is effective for purchases made after June 30, 2012, and before July 1, 2019.

11 Certain purchases from state fire safety account.

Provides a sales tax exemption for purchases made by the commissioner of public safety for equipment that are ultimately provided to local firefighting organizations.

Effective for sales and purchases made after June 30, 2019.

12 Purchases by volunteer fire departments.

Grants volunteer fire departments that are either 501(c)(3) or 501(c)(4) organizations the same sales tax exemption as municipal fire departments.

Effective for sales and purchases made after June 30, 2019.

13 Ambulance supplies.

Exempts all accessories, equipment, and supplies used to equip, supply, or resupply an ambulance or first responder vehicle. Currently only accessories used to initially equip an ambulance are exempt and supplies are only exempt if directly used in providing medical care.

Effective for sales and purchases made after June 30, 2019.

14 Nonprofit tickets or admissions.

Provides a sales tax exemption on tickets or admissions to performances or events held by a nonprofit agricultural heritage organization provided that the following conditions are met:

- the nonprofit organization has premises of at least 115 acres and is organized to educate the public about rural history and farms in Minnesota;
- the event is sponsored and conducted exclusively by volunteers, employees, and board members of the nonprofit organization; and

Section Description – Article 3: Sales Tax

- the performance or event is consistent with the nonprofit’s tax-exempt purpose.

Effective the day after final enactment.

15 Ice arenas and rinks.

Expands the existing sales tax exemption for the nonprofit running the ice arena and rinks at the Duluth Heritage Center to include the nonprofit running the ice arena or rinks at the David M. Thaler Sports Center in Mound, Minnesota. Both facilities are used for youth and high school hockey programs.

Effective for sales and purchases made after June 30, 2019.

16 County agricultural society sales at county fairs.

Provides a sales tax exemption for all sales by the county agricultural society on the fairgrounds during its regularly scheduled county fair. Revenue equal to the savings from this exemption must be used as provided in section 1.

Effective for sales and purchases made after June 30, 2019.

17 Nonprofit conservation clubs.

Provides a sales tax exemption for purchases made by nonprofit (501(c)(3)) clubs that provide instruction and training in, and shooting facilities for, handguns or rifles.

Effective for sales and purchases made after June 30, 2019.

18 Nonprofit arena board.

Provides a sales tax exemption for sales to the Lake of the Woods International Board which exists primarily to own and operate the new ice arena being built in Baudette, Minnesota.

Effective for sales and purchases made after June 30, 2019.

19 Prepared food used by certain nonprofits.

Allows a sales tax exemption for a nonprofit organization’s purchase of prepared food when the food is purchased under contract to fulfill its charitable mission of provision of food through the federal Child and Adult Care Food Program or the federal Summer Food Service Program to unaffiliated sites. This would not exempt prepared food purchased on an ad hoc basis or not used directly in these programs, such as food served at a board meeting, or volunteers appreciation banquet.

Effective for sales and purchases made after June 30, 2019.

Section	Description – Article 3: Sales Tax
20	<p data-bbox="355 275 829 302">Properties destroyed by fire (Melrose).</p> <p data-bbox="355 317 1425 453">Requires that for the period between January 1, 2019, and July 1, 2019, the sales tax must be paid on exempt construction materials and refunded to the property owners in the same manner as was required for the time period from September 30, 2016, and July 1, 2017. The extension of the exemption is in section 30.</p> <p data-bbox="355 491 1284 520">Effective retroactively for sales and purchases made after December 31, 2018.</p>
21	<p data-bbox="355 575 992 602">Lake of the Woods International arena construction.</p> <p data-bbox="355 617 1425 753">Exempts from sales tax the materials and supplies used in and equipment incorporated into the construction of the Lake of the Woods International Arena. Effective retroactively for purchases made after March 31, 2018, and before April 1, 2020. The tax must be paid at the time of purchase and refunded as provided in sections 26 and 27.</p> <p data-bbox="355 791 878 821">Effective retroactively from March 30, 2018.</p>
22	<p data-bbox="355 875 724 903">Properties destroyed by a fire.</p> <p data-bbox="355 917 1425 1054">Provides a refundable sales tax exemption for taxes paid on materials, supplies, and equipment for buildings and equipment destroyed in the March 11, 2018, fire in the city of Mazeppa. Includes durable equipment used in a restaurant for food preparation, storage, and serving in the definition of capital equipment exempt under this provision.</p> <p data-bbox="355 1092 1349 1157">Effective retroactively to March 11, 2018, and applies to sales and purchases before January 1, 2022.</p>
23	<p data-bbox="355 1211 786 1239">Former Duluth Central High School.</p> <p data-bbox="355 1253 1425 1390">Provides a construction exemption for a private redevelopment project on the site of the former Duluth Central High School. The exemption is limited to \$1 million and only applies if the redevelopment returns the property to the property tax rolls. The tax is paid at the time of purchase and refunded as provided in sections 26 and 27.</p> <p data-bbox="355 1428 1240 1457">Effective for purchases made between June 30, 2019, and January 1, 2021.</p>
24	<p data-bbox="355 1512 878 1539">Construction, certain government facilities.</p> <p data-bbox="355 1554 1425 1619">Provides a sales tax exemption for construction materials and supplies and equipment purchased for the following local government projects:</p> <ul data-bbox="451 1656 1425 1873" style="list-style-type: none"><li data-bbox="451 1656 1425 1722">▪ Monticello fire station for purchases from January 1, 2019, to January 1, 2022;<li data-bbox="451 1736 1425 1801">▪ Inver Grove Heights fire station for purchases from June 30, 2018, to January 1, 2021;<li data-bbox="451 1816 1425 1873">▪ Minnetonka fire and police station for purchases between May 23, 2019, to January 1, 2021;

Section **Description – Article 3: Sales Tax**

- Minneota school building for purchases between January 1, 2018, to January 1, 2021,
- Mendota Heights fire station for purchases between December 31, 2018, and January 1, 2021;
- St. Louis Park interpretive center for purchases between April 1, 2019, and January 1, 2021; and
- Dakota County SMART center for purchases after June 30, 2019, and before July 1, 2021.

For all projects the tax is paid at the time of purchase and refunded as provided in sections 26 and 27.

25 Nonprofit snowmobile clubs.

Provides a sales tax exemption on building materials and supplies used by a nonprofit snowmobile club to construct, maintain, or improve a state or grant-in-aid snowmobile trail. The language in the bill is modeled on the language for the existing sales tax exemption on grooming equipment purchased by nonprofit snowmobile clubs.

Effective for purchases made after June 30, 2019.

26 Tax collected.

Provides that the sales taxes paid under sections 20 to 24 are refundable.

27 Refund; eligible persons.

Provides that the person eligible for the refund in sections 20 to 23 is the owner or developer of the project. Provides that the local government must apply for the sales tax refund under section 24.

Effective the day following final enactment.

28 Persons applying.

Replaces the term “retailer” with “person” regarding an application for a sales tax permit since marketplace providers must also apply for a permit.

Effective for sales and purchases made after June 30, 2019.

29 Effective date (MSHSL exemption).

Eliminates the sunset of the current sales tax exemption for admissions to events sponsored by the Minnesota State High School League (MSHSL) and makes it a permanent exemption. The exemption currently sunsets July 1, 2027. The MSHSL has always been required to use an amount equivalent to the sales tax exemption for funding student participation in high school extracurricular activities.

Section	Description – Article 3: Sales Tax
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Effective the day after final enactment.

30 **Effective date (city of Melrose).**

Retroactively extends the effective date for the sales tax exemption related to the fire in the city of Melrose until January 1, 2023. This expired December 31, 2018. Extends the effective date for refunds of taxes paid on these purchases under section 20.

31 **Municipally owned water treatment facility; city of Elko-New Market.**

Provides a retroactive sales tax exemption for the materials and supplies used in and equipment incorporated into a water treatment facility owned by the city of Elko-New Market. The exemption applies to purchases by the city and by contractors, subcontractors, and builders made after June 1, 2014, and before June 1, 2016. The city must apply for the refund of taxes paid and the contractor, subcontractors, and builders must provide the city with the information necessary to make the application. Money is appropriated to the commissioner of revenue to pay the refund.

Effective retroactively for purchases made after June 1, 2014, and before June 1, 2016.

32 **Repealer.**

Repeals a subdivision outlining what constitutes systematic solicitation when determining a remote seller's duty to collect sales tax. This language was moved to the definitions in section 4.

Effective for sales and purchases after September 30, 2019.

Article 4: Special Taxes

This article provides the following changes:

- repeals the requirement that distributors of petroleum furnish bonds to the commissioner of revenue to ensure payment of petroleum taxes and instead holds certain business officials personally liable for the tax;
- reinstates the annual adjustment to the cigarette excise tax and removes obsolete language;
- allows the shipment of up to twelve cases of wine from direct ship wineries; and
- increases the rates of the solid waste management tax on taxpayers located in counties with soil and water conservation districts and creates an account for 30 percent of the increase to be allocated towards soil and water conservation districts.

Section	Description – Article 4: Special Taxes
1	<p>Tax collection required.</p> <p>Requires a direct ship winery to collect the alcohol gross receipts tax.</p> <p>Effective for sales and purchases occurring on or after July 1, 2019.</p>
2	<p>Form of application; license fees.</p> <p>Allows the commissioner of revenue to prescribe the application form for a distributor license for petroleum products.</p> <p>Effective July 1, 2019.</p>
3	<p>Personal liability for tax.</p> <p>Holds persons who have the control, supervision, or responsibility of filing tax returns on behalf of distributors of petroleum personally liable for the nonpayment of petroleum taxes. These persons include but are not limited to:</p> <ul style="list-style-type: none">▪ directors and officers of corporations;▪ governors, managers, or members of a member-managed LLC; and▪ partners of partnerships. <p>Effective July 1, 2019.</p>
4	<p>Persons applying.</p> <p>Requires a direct ship winery to obtain a permit from the Department of Revenue to collect sales tax. Persons required to have a sales tax permit are required under another section of law to then collect and remit sales tax.</p> <p>Effective for sales and purchases occurring on or after July 1, 2019.</p>
5	<p>Tobacco products.</p> <p>Amends the definition of “tobacco products” to clarify that this definition specifically includes nicotine solution products.</p> <p>Effective the day following final enactment.</p>
6	<p>Nicotine solutions products.</p> <p>Amends the definition of “nicotine solutions products” to include nicotine products consumed through a means that produces vapor or aerosol from nicotine, electronic pipes and cigarettes, batteries, heating elements, and other products, devices, components, parts, and accessories sold with a solution containing nicotine. The definition also includes solutions containing nicotine produced from sources other than tobacco.</p>

Section	Description – Article 4: Special Taxes
7	<p>Effective the day following final enactment, except the inclusion of nontobacco nicotine in the definition is effective January 1, 2020.</p> <p>Wholesale sales price.</p> <p>Amends the definition of “wholesale sales price” to clarify that the definition of wholesale sales price of nicotine solution products does not include the cost of electronic pipes and cigarettes, batteries, heating elements, and other products, devices, components, parts, and accessories sold in a kit with a package of solution containing nicotine if the taxpayer separately sells the package of solution containing nicotine and can isolate its cost.</p> <p>Effective the day following final enactment.</p>
8	<p>Annual indexing.</p> <p>Restores the requirement that the commissioner of revenue annually adjust the cigarette excise tax rate and the minimum tax rate on packages of moist snuff. The annual rate adjustment is equal to the same percentage change as the annual adjustment to the in-lieu sales tax rate.</p> <p>Effective the day following final enactment and applies beginning with rates calculated for calendar year 2020.</p>
9	<p>Sale of stamps.</p> <p>Removes obsolete language relating to discounted cigarette stamps.</p> <p>Effective the day following final enactment.</p>
10	<p>Tax stamping machines.</p> <p>Removes obsolete language relating to discounted cigarette stamps.</p> <p>Effective the day following final enactment.</p>
11	<p>Exemptions.</p> <p>Eliminates the alcohol excise tax exemption for direct shipments of wine.</p> <p>Effective July 1, 2019.</p>
12	<p>Rates (solid waste management tax).</p> <p>Increases the tax rate on the sales price of mixed municipal solid waste management services received by a residential generator from 9.75 percent to 11 percent for taxpayers located in counties with soil and water conservation districts.</p> <p>Effective July 1, 2019.</p>

Section	Description – Article 4: Special Taxes
13	<p data-bbox="355 275 805 302">Rates (solid waste management tax).</p> <p data-bbox="355 317 1414 415">Increases the tax rate on the sales price of mixed municipal solid waste management services received by a commercial generator from 17 percent to 19 percent for taxpayers located in counties with soil and water conservation districts.</p> <p data-bbox="355 457 610 485">Effective July 1, 2019.</p>
14	<p data-bbox="355 537 792 564">Rate (solid waste management tax).</p> <p data-bbox="355 579 1406 678">Increases the tax rate on commercial and residential generators that generate nonmixed municipal solid waste from 60 cents per cubic yard to 67.5 cents per cubic yard for taxpayers located in counties with soil and water conservation districts.</p> <p data-bbox="355 720 610 747">Effective July 1, 2019.</p>
15	<p data-bbox="355 800 508 827">Self-haulers.</p> <p data-bbox="355 842 1422 978">Increases the tax rate paid by self-haulers of nonmixed municipal solid waste to the operator of the waste management facility to which the waste is delivered from \$2.00 per ton of construction debris to \$2.25 per ton for taxpayers located in counties with soil and water conservation districts.</p> <p data-bbox="355 1020 1390 1119">Also increased are the tax rate on industrial waste from 60 cents per cubic yard to 67.5 cents, and the rate on infectious waste from 60 cents per 150 pounds to 67.5 cents per 150 pounds for taxpayers located in counties with soil and water conservation districts.</p> <p data-bbox="355 1161 610 1188">Effective July 1, 2019.</p>
16	<p data-bbox="355 1241 626 1268">Allocation of revenue.</p> <p data-bbox="355 1283 1336 1346">Allocates 30 percent of the increase in tax provided for by the above sections to an account created by section 17.</p> <p data-bbox="355 1388 610 1415">Effective July 1, 2019.</p>
17	<p data-bbox="355 1472 898 1499">Soil and water conservation district account.</p> <p data-bbox="355 1514 1422 1650">Creates an account for soil and water conservation districts within the special revenue fund. This account is funded by the allocation of revenue provided by section 5. Each year the amount in this account is allocated to the commissioner of revenue to be distributed to the Board of Soil and Water Resources (BOWSR).</p> <p data-bbox="355 1692 1422 1791">This section also requires BOWSR to use the money to provide grants to soil and water conservation districts, and requires counties in which a district receiving a grant is located to match the dollar amount of the grant up to \$100,000.</p> <p data-bbox="355 1833 610 1860">Effective July 1, 2019.</p>

Section	Description – Article 4: Special Taxes
18	<p>Repealer.</p> <p>Repeals obsolete language regarding the revolving account for cigarette stamp purchases.</p> <p>Effective the day following final enactment.</p> <p>Also repeals the requirement that licensed distributors of petroleum and other fuels furnish bonds to the commissioner of revenue to ensure payment of taxes.</p> <p>Effective July 1, 2019.</p>

Article 5: Property Taxes

This article provides a number of changes related to property tax exemptions, programs, refunds, and technical changes. The changes include:

- allowing a city or town to fund its own historical society;
- providing exemptions and deferrals for agricultural historical societies, a pharmacy, an elderly living facility, and charitable farmland;
- clarifying how fractional ownership is determined;
- allowing shareholders of manufactured home park cooperatives to treat a portion of their ground lease payments as property tax paid when applying for a refund;
- allowing agricultural classification on land used for certain environmental purposes;
- moving the application deadline for the disabled veteran homestead exclusion; and
- allowing immediate expiration of an agricultural preserve under certain conditions.

Section	Description – Article 5: Property Taxes
1	<p>County historical society tax levy.</p> <p>Allows a city or town to fund its own historical society from its property tax levy. Current law only allows them to fund the county's historical society.</p> <p>Effective the day following final enactment.</p>
2	<p>Administration (small cities assistance).</p> <p>Provides that the commissioner of transportation will certify aid amounts for the small cities assistance program to the commissioner of revenue by June 1.</p> <p>Effective for aids payable in 2019 and thereafter.</p>

Section	Description – Article 5: Property Taxes
3	<p>Records; data privacy.</p> <p>Authorizes the county veterans’ service officer to share certain data on veterans with the county assessor, for the purposes of making eligibility determinations under the disabled veterans homestead exclusion, in conjunction with section 22.</p> <p>Effective the day following final enactment.</p>
4	<p>Powers and duties.</p> <p>Amends the commissioner of revenue’s powers to administer the state’s property tax laws by clarifying that the commissioner may collect property tax data at the parcel level or higher in the time, form, and manner as the commissioner may prescribe. This method of collection is consistent with property tax data collection under the Property Record Information System of Minnesota (PRISM).</p> <p>Effective the day following final enactment.</p>
5	<p>Initial report.</p> <p>Conforming changes and cross-references added to the changes made by section 4.</p> <p>Effective the day following final enactment.</p>
6	<p>Final report.</p> <p>Conforming changes and cross-references added to the changes made by section 4.</p> <p>Effective the day following final enactment.</p>
7	<p>Record of proceedings changing net tax capacity; duties of the county auditor.</p> <p>Conforming changes and cross-references added to the changes made by section 4.</p> <p>Effective the day following final enactment.</p>
8	<p>Agricultural historical society property.</p> <p>Increases the amount of property that may be exempted from 20 acres to 40 acres. The deadline to apply for this exemption is extended to July 1 for applications filed in 2019 only.</p> <p>Effective for assessments beginning in 2019.</p>
9	<p>Certain property owned by an Indian tribe.</p> <p>Provides a property tax exemption for a pharmacy in the city of Minneapolis owned by a federally recognized Indian tribe. The property must have been owned by the tribe on January 1, 2016. This exemption is limited to parcels and structures that do not exceed 4,000 square feet. The exemption expires with taxes payable in 2029.</p>

Section	Description – Article 5: Property Taxes
	Effective for taxes payable in 2020 and thereafter.
10	Charitable farmland. Exempts from property tax land used to produce agricultural products, provided that the land is owned by a public hospital, house of worship, or cemetery that is exempt from property tax and that the proceeds from the sale of the products are used to support the mission of a public hospital, house of worship, or cemetery. Effective beginning with property taxes payable in 2020.
11	Requirement (Certificates of Real Estate Value). Changes the threshold for filing a Certificate of Real Estate Value at consideration in excess of \$1,000 to in excess of \$3,000. Effective for certificates of value filed after December 31, 2019.
12	Documentation of title. States that a court order transferring title to the applicant is sufficient to demonstrate that the title is held by an applicant of a program administered by the Department of Revenue. Effective the day following enactment.
13	Additional general duties. Conforming changes and cross-references added to the changes made by section 4. Effective the day following final enactment.
14	Training and education of property tax personnel. Conforming changes and cross-references added to the changes made by section 4. Effective the day following final enactment.
15	Reimbursement for lost revenue. Conforming changes and cross-references added to the changes made by section 4. Effective the day following final enactment.
16	Reimbursement for lost revenue. Conforming changes and cross-references added to the changes made by section 4. Effective the day following final enactment.

Section	Description – Article 5: Property Taxes
17	<p>Disaster or emergency area.</p> <p>Conforming changes and cross-references added to the changes made by section 4.</p> <p>Effective the day following final enactment.</p>
18	<p>Manufactured home park cooperative.</p> <p>Eliminates a specific prohibition against ground lease payments being included as part of property taxes payable for shareholders of manufactured home park cooperatives when filing for the homestead credit refund.</p> <p>Effective for taxes payable in 2020.</p>
19	<p>Agricultural homesteads; special provisions.</p> <p>Eliminates language allowing certain special agricultural homesteads owned by grantor trusts to qualify for homestead property tax status. This language is moved to section 20.</p> <p>Effective for taxes payable in 2020.</p>
20	<p>Trust property; homestead.</p> <p>Modifies the statute that allows certain properties owned by trusts to qualify for homestead property tax treatment. This section:</p> <ul style="list-style-type: none">▪ adds the language eliminated in section 19;▪ defines agricultural land for agricultural homestead rules and classification statutes so that the rules requiring agricultural property to have the same ownership (e.g. when a farm is divided into multiple parcels with different owners or when there are multiple owners of a parcel) are satisfied if the properties are owned by some combination of the individual owner, the individual's spouse or surviving spouse, or a trust or trusts, the grantor of which is the individual, spouse, surviving spouse, or deceased spouse; and▪ extends the proposed trust ownership rule to noncontiguous parcels located within four townships or cities. <p>Effective for taxes payable in 2020.</p>
21	<p>Fractional homesteads.</p> <p>Requires fractional ownership of homesteads to be determined based on the ownership percentage that each owner has as per the county land records. If this method of determining fractional ownership cannot be used, ownership percentages are determined in equal shares.</p> <p>Effective for assessments beginning in 2019.</p>

Section	Description – Article 5: Property Taxes
22	<p>Disclosure.</p> <p>Authorizes the county assessor to share certain data on veterans with the county veterans' service officer, for the purpose of making eligibility determinations under the disabled veterans homestead exclusion, in conjunction with section 3.</p> <p>Effective the day following final enactment.</p>
23	<p>Elderly living facility deferral.</p> <p>Establishes a deferral of property taxes for an elderly living facility. As long as the property continues to meet the requirements of subdivision 1, the facility is treated as if it were exempt from property taxes. If the property is sold, transferred, or no longer meets the requirements, the property owner must pay taxes that would have been due over the last five years.</p> <p>Effective beginning with property taxes payable in 2020.</p>
24	<p>Class 2 (agricultural land used for environmental purpose).</p> <p>Allows land to continue to qualify for agricultural classification even if up to three acres of the land is used to serve environmental purposes, such as buffer strips, old growth forest restoration or retention, or retention ponds.</p> <p>Effective beginning with assessments in 2019.</p>
25	<p>Homestead of disabled veteran or family caregiver.</p> <p>Makes a number of changes to the disabled veterans' homestead exclusion. First, the bill moves the application deadline from July 1 to December 15. Second, the bill removes the exclusion on properties that are sold to nonqualifying owners, so that the new owners will not receive the benefit in the following year. Third, the eight-year limit on the spousal benefit is eliminated. Lastly, the bill would allow the spouse of a deceased veteran to transfer the exclusion to a new property, provided that the new property has a market value less than or equal to the value of the original property. The spouse would be limited to one such transfer of the exclusion. Effective for assessments beginning in 2019.</p>
26	<p>Homestead market value exclusion.</p> <p>Amends the homestead exclusion to clarify that the homestead exclusion is prorated when there are multiple owners and that the ownership shares are determined using the county land records, as outlined in section 20.</p> <p>Effective beginning with taxes payable in 2020.</p>
27	<p>Reduction amounts submitted to county.</p> <p>Conforming changes and cross-references added to the changes made by section 4.</p>

Section	Description – Article 5: Property Taxes
	Effective the day following final enactment.
28	Agricultural homestead market value credit. Amends the agricultural homestead credit to clarify that the credit is prorated when there are multiple owners and that the ownership shares are determined using the county land records, as outlined in section 21. Effective beginning with taxes payable in 2020.
29	Credit reimbursements. Conforming changes and cross-references added to the changes made by section 4. Effective the day following final enactment.
30	Credit reimbursements. Conforming changes and cross-references added to the changes made by section 4. Effective the day following final enactment.
31	Listing, valuation, and assessment of exempt property by county auditors. Conforming changes and cross-references added to the changes made by section 4. Effective the day following final enactment.
32	Length of session; record. Conforming changes and cross-references added to the changes made by section 4. Effective the day following final enactment.
33	Corrected lists. Conforming changes and cross-references added to the changes made by section 4. Effective the day following final enactment.
34	Levy amounts. Freezes the rate for the commercial-industrial portion of the state general levy at the current value of 42.416 percent. This section also makes conforming changes related to the changes made by section 4. Effective beginning with taxes payable in 2020, except the conforming changes related to section 4, which are effective the day following final enactment.

Section	Description – Article 5: Property Taxes
35	<p>Duties of the commissioner after sale.</p> <p>Requires the commissioner of revenue to issue a deed for land sold at a tax-forfeiture sale if the county auditor has written confirmation from a closing agent that the purchase money for the deed is held in escrow.</p> <p>Effective for conveyances issued by the commissioner after December 31, 2019.</p>
36	<p>Determination of tax (deed tax).</p> <p>Changes the minimum consideration for real property, used in calculating the deed tax, from \$500 or less to \$3,000 or less.</p> <p>Effective for deeds recorded after December 31, 2019.</p>
37	<p>Property taxes payable.</p> <p>Allows resident shareholders of manufactured home cooperatives to add 17 percent of their ground lease payments to the actual personal property tax amounts on their individual units when filing for the homestead credit refund.</p> <p>This section is effective beginning with claims for tax payable in 2020.</p>
38	<p>Initial application.</p> <p>Moves the application date for the senior deferral program from July 1 to November 1, and clarifies that a taxpayer may request early notification of approval or denial. The bill also allows applicants who are denied to reapply within 90 days of the application deadline and retain the same submission date of the original application. The bill also allows the commissioner to require a copy of a court order transferring title to the applicant as a part of the application.</p> <p>Effective beginning with applications submitted in 2019.</p>
39	<p>Determination; payment.</p> <p>Conforming changes and cross-references added to the changes made by section 4.</p> <p>Effective the day following final enactment.</p>
40	<p>Original net tax capacity.</p> <p>Conforming changes and cross-references added to the changes made by section 4.</p> <p>Effective the day following final enactment.</p>
41	<p>Till expiration started.</p> <p>Authorizes a state agency or governmental unit to initiate expiration of an agricultural preserve.</p>

Section	Description – Article 5: Property Taxes
	Effective the day following final enactment.
42	<p data-bbox="355 354 818 382">Expiration for park and trail purposes.</p> <p data-bbox="355 401 1419 604">Provides that an agricultural preserve expires immediately when the public entity purchases the property or acquires an easement for purposes of a trail or park. The expiration would apply only to the portion of the preserve used for trail or park purposes. The remaining portion of the agricultural preserve remains an agricultural preserve, even if the trail or park lowers the total acreage to less than 40 acres. Requires the public entity to notify the preserve authority accordingly.</p> <p data-bbox="355 644 873 672">Effective the day following final enactment.</p>
43	<p data-bbox="355 728 561 756">Notice to others.</p> <p data-bbox="355 774 756 802">Conforming change to section 41.</p> <p data-bbox="355 842 873 869">Effective the day following final enactment.</p>
44	<p data-bbox="355 924 1320 984">Effective date (Northwest Minnesota Multicounty Housing and Redevelopment Authority).</p> <p data-bbox="355 1003 1320 1064">Extends the levy authority of the Northwest Minnesota Multicounty Housing and Redevelopment Authority by five years, to taxes payable in 2025.</p> <p data-bbox="355 1104 914 1131">Effective beginning with taxes payable in 2020.</p>
45	<p data-bbox="355 1186 1024 1213">Agreement (Cloquet Area Fire and Ambulance District).</p> <p data-bbox="355 1232 1330 1260">Changes the name of the Cloquet Area Fire and Ambulance Special Taxing District.</p> <p data-bbox="355 1299 1424 1360">Effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with approval and filing requirements.</p>
46	<p data-bbox="355 1415 963 1442">Board (Cloquet Area Fire and Ambulance District).</p> <p data-bbox="355 1461 1330 1488">Changes the name of the Cloquet Area Fire and Ambulance Special Taxing District.</p> <p data-bbox="355 1528 1424 1589">Effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with approval and filing requirements.</p>
47	<p data-bbox="355 1644 932 1671">Tax (Cloquet Area Fire and Ambulance District).</p> <p data-bbox="355 1690 1419 1856">Clarifies that the Cloquet Area Fire and Ambulance Special Taxing District may levy within its area for fire services or ambulance services or both. Exempts levies imposed to make debt service payments on the bonds that may be issued under the authority granted in section 47 from the levy limit requirements that exist under the current enabling legislation for the district.</p>

Section	Description – Article 5: Property Taxes
48	<p data-bbox="354 275 1425 338">Effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with approval and filing requirements.</p> <p data-bbox="354 390 1133 422">Public indebtedness (Cloquet Area Fire and Ambulance District).</p> <p data-bbox="354 432 1425 604">Clarifies the Cloquet Area Fire and Ambulance Special Taxing District’s ability to incur debt by designating the district as a municipality, for purposes of applying chapter 475 (municipal debt) and by allowing the district to issue equipment bonds under section 412.301. Effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with approval and filing requirements.</p>
49	<p data-bbox="354 659 1036 690">Withdrawal (Cloquet Area Fire and Ambulance District).</p> <p data-bbox="354 701 1425 842">Provides that a debt levy in a municipality that wishes to withdraw from the Cloquet Area Fire and Ambulance Special Taxing District remains in effect until the obligations outstanding (i.e. debt issued under the authority granted in section 47) on the date of withdrawal are satisfied.</p> <p data-bbox="354 877 1425 940">Effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with approval and filing requirements.</p>
50	<p data-bbox="354 995 760 1026">Effective date; application (SFIA).</p> <p data-bbox="354 1037 1425 1209">Amends the effective date to an SFIA provision enacted in 2017 that amended the definition of forest land to include land improved with a paved trail under an easement, lease, or license to the state or political subdivision. The change to the effective date clarifies that land improved with a paved trail at the same time an SFIA enrollee submits their annual certification meets the new definition of forest land.</p> <p data-bbox="354 1245 1175 1276">Effective retroactively for certifications made in 2018 and thereafter.</p>
51	<p data-bbox="354 1310 1003 1341">Valuation method of state-assessed property; report.</p> <p data-bbox="354 1352 1425 1486">This provision requires the commissioner of revenue to issue a report analyzing certain aspects of the state’s assessment of pipeline and utility property. The commissioner is required to issue the report by February 1, 2020, to the chairs of the legislative committees with jurisdiction over property taxes. The report must include:</p> <ul data-bbox="451 1520 1425 1812" style="list-style-type: none"><li data-bbox="451 1520 1425 1625">▪ a detailed description of administrative appeals and tax court petitions filed since 2012, including the final results of these appeals and petitions and any refunds paid by local taxing jurisdictions;<li data-bbox="451 1635 1425 1740">▪ a detailed description of the administrative appeal process, specifically explaining the criteria used by the commissioner to determine the appropriate increase or reduction of the original valuation;<li data-bbox="451 1751 1425 1812">▪ a detailed description of the process by which the commissioner determines preliminary and final valuation orders; and

Section Description – Article 5: Property Taxes

- a detailed comparison of the methodology used to administer Rule 8100 to methods used by other states, in at least two neighboring states and three non-neighboring states.

Effective the day following final enactment.

52 4d affordable housing programs report.

Requires the Department of Revenue to consult with the Minnesota Housing Finance Agency and the Department of Human Services to produce a report on 4d property tax classification. For each of the four qualifications which allow properties to be classified as 4d, the report must include the following data from the previous tax year:

- the number of units in qualifying properties classified as 4d;
- the number of units in qualifying properties not classified as 4d;
- the property tax paid by qualifying properties in 2019;
- the property tax reductions for qualifying properties resulting from 4d classification;
- the average household income of residents in 4d units; and
- the total number of units that qualified for 4d in each of the last ten years.

The report also requires the department to provide a profile of income limits and area median incomes used in Minnesota by the Department of Housing and Urban Development to determine eligibility for assisted housing programs. The report is due by January 15, 2020.

Effective the day following final enactment.

53 Special refund provision; disabled veterans homestead exclusion.

Allows a veteran who received a disability rating of 70 percent or more in 2016 or 2017 to apply for a refund of taxes paid in 2017 or 2018. The refund is equal to the difference between the tax paid and the tax that the veteran would have paid had they qualified for the exclusion in one or both of those years.

Effective for refund applications received in 2019, for refunds of tax paid in 2017 and 2018.

54 Repealer.

Repeals the statute describing the abstract of tax lists, which is no longer needed due to changes made in section 4.

Effective the day following final enactment.

Article 6: Aids and Credits

Makes changes to a number of existing aid and credit programs including:

- Extending the PERA aid program;
- Increasing the school building bond agricultural credit;
- Increasing the renter's credit and the homestead credit refund;
- Increasing funding for city LGA and county program aid (CPA) while providing for additional payments to specific cities and counties;
- establishing an annual appropriation for the border city enterprise zones; and
- modifying the distributions for the Taconite Municipal Aid Account.

Also provides for the development of an automated electronic system for generating certificates of rent paid.

Provides special appropriations to reimburse for a fire aid penalty for the city of Austin, and to cover costs associated with fires in Melrose and Mazeppa.

Section	Description – Article 6: Aids and Credits
1	<p>Aid termination (PERA).</p> <p>This provision extends the sunset of the aid paid by the commissioner of revenue to local governments for their employer contributions to the Public Employees Retirement Association until the earlier of:</p> <ul style="list-style-type: none">▪ June 30 of the fiscal year after the year in which the general employees retirement plan (GERP) is fully funded; or▪ June 30, 2048. <p>Effective the day following final enactment.</p>
2	<p>Credit amount (school building bond agricultural credit).</p> <p>Increases the school building bond agricultural credit from 40 percent to 70 percent of the tax on the property attributable to school district bonded debt levies. The credit is available to all property classified as agricultural, excluding the house, garage, and surrounding one acre of land of an agricultural homestead.</p> <p>Effective beginning with property taxes payable in 2020.</p>
3	<p>Homeowners; homestead credit refund.</p> <p>Increases the maximum refund amounts by \$200 for most existing recipients of the credit, and expands the range of incomes eligible for the credit.</p> <p><i>Changes to maximum credit amounts.</i></p> <p>The bill increases the maximums by \$200 for all recipients with household incomes less than \$103,229. The maximum credit under the bill is \$3,020 for taxpayers with</p>

Section Description – Article 6: Aids and Credits

household income of \$42,709 or less. For recipients with household incomes of \$103,230 to \$115,439, the maximums increase by \$180.

Expanding the range of incomes eligible for the credit.

Under current law, the credit is unavailable to taxpayers with household incomes greater than \$115,440. The bill expands eligibility for the credit for taxpayers with household incomes of up to \$155,439. The income thresholds for newly eligible taxpayers range from 2.6 percent to 3.5 percent; co-pays are 50 percent or 55 percent; maximum credits range from \$500 to \$100.

Effective for refunds payable in 2020 (based on 2020 property taxes).

4 Renters.

Reduces co-pays for existing recipients of the renter’s credit, and expands the range of incomes eligible for the credit.

Changes to co-payments.

The bill reduces the “co-payments” for existing recipients of the credit by 2.5 or 5 percentage points. For existing recipients with \$32,169 of household income or less, the co-payments are reduced by 5 percentage points, with the exception of the lowest income range which is reduced from 5 to 2.5 percent. For existing recipients with incomes of \$32,170 and greater, the co-payments are reduced by 2.5 percentage points.

Expanding the range of incomes eligible for the credit.

Under current law, the credit is unavailable to taxpayers with household incomes greater than \$62,560. The bill expands eligibility for the credit for taxpayers with household incomes of up to \$74,999. The threshold percentage for newly eligible taxpayers is 2.0 percent to 2.3 percent of household income. The co-payment rate is 55 percent. The maximum credit is \$550, which phases down to \$150 for claimants with \$72,500 to \$74,999 in household income.

Effective for refunds payable in 2020 (based on 2019 rents paid).

5 Certificates (rent).

Requires the commissioner to develop an automated electronic system for generating certificates of rent paid (CRPs). Requires property owners or managing agents to provide rental market information when generating certificates of rent paid. Requires property owners or managing agents to use the automated system, or to provide equivalent data to the Department of Revenue in a form and manner approved by the department.

Subd. 1. Owner or managing agent to furnish rent certificates. Beginning with CRPs for rents paid in 2021, requires property owners or managing agents to use the automated system to generate CRPs, or to provide equivalent data in a form and manner approved by the Department of Revenue. Requires the department

Section Description – Article 6: Aids and Credits

to retain data collected as long as is necessary to ensure compliance. Deems data collected to be return information.

Subd. 2. Rental market information. Beginning with CRPs for 2021 rents, requires landlords to provide the commissioner with information on the number of bedrooms in the rental unit, whether utilities are included in the rent amount, whether the renter paid a different rent amount due to a subsidy, and the city, county, and five-digit zip code of the rental unit. Requires landlords to provide the data either using the electronic system developed under subdivision 3, or in an alternate form and manner approved by the department. Requires the Department to retain data collected as long as is necessary to ensure compliance. Deems data collected to be return information. Owners and managing agents are not required to report the data if there is an equivalent publicly available data source.

These subdivisions are effective for refunds based on rents paid in 2021 and thereafter.

Subd. 3. Electronic system for certificates of rent paid. Requires the Department of Revenue to develop and implement an electronic system for generating CRPs. The system must be available for use by January 1, 2021, for CRPs for rents paid in 2020.

This subdivision is effective July 1, 2019.

6 Annual report on rents paid in Minnesota.

Requires the Department of Revenue to publish an annual report on rents paid in Minnesota using the rental market information collected under the previous section. The report must include aggregated summary data on rents, broken out by the number of bedrooms in the unit, and geographic region.

The report must include average and median rent amounts and year-to-year changes in rent paid.

The department must submit the report to the tax, property tax, and housing committees of the legislature on March 15, 2022, and every following March 15.

Effective the day following final enactment.

7 Guaranteed distribution.

Guarantees the production tax distributions allocated to the Taconite Municipal Aid Account at 100 percent of the 1983 distribution and eliminates the decrease in the distribution when production falls below 42 million taxable tons. The increase in the guarantee would reduce the amounts distributed to the Taconite Environmental Protection Fund and the Douglas J. Johnson Economic Protection Trust Fund.

Section	Description – Article 6: Aids and Credits
	Effective for distributions in 2020 and thereafter.
8	Cities; towns (taconite municipal aid). Indexes to inflation the amount of the distribution to the Taconite Municipal Aid Account. Effective for distributions in 2020 and thereafter.
9	Additional border city allocations. Provides an annual allocation of \$1,000,000 to be allocated on a per capita basis to cities with border city enterprise zones. The funds may be used for tax reductions currently allowed for the border cities enterprise zones. This section is effective July 1, 2020.
10	Restriction (border cities enterprise zone). Technical clean-up language clarifying the types of property that can qualify for border cities enterprise zone tax reductions. Effective the day following final enactment.
11	Sparsity adjustment. Sets the sparsity adjustment in the LGA formula for both large (10,000 or more population) and small cities (cities less than 10,000 population) at the current \$200 amount used for small cities. Effective beginning with aids payable in 2020.
12	Certified aid adjustments. Deletes language related to obsolete LGA adjustments for individual cities and provides additional LGA payments to the following cities out of the total LGA appropriation: <ul style="list-style-type: none">▪ \$20,000 per year for five years to the city of Floodwood;▪ \$200,000 per year for five years to the city of Hermantown;▪ \$920,000 per year for five years to the city of West St. Paul;▪ \$38,400 for one year only to the city of Flensburg;▪ \$275,000 for one year only to the city of Lilydale; \$40,000 per year for ten years to the city of Scanlon;▪ \$300,000 per year for five years to East Grand Forks; and▪ \$5.4 million in 2020 only to the city of Virginia. Effective beginning with aids payable in 2020.

Section	Description – Article 6: Aids and Credits
13	<p data-bbox="355 275 678 302">Cities (LGA appropriation).</p> <p data-bbox="355 317 1401 485">The city LGA appropriation is increased by about \$30.6 million beginning with aids payable in 2020 with an additional \$5.4 million added in 2020 only to cover the onetime aid to the city of Virginia. The permanent aid appropriation is \$564,990,952 for aids payable in 2021 and thereafter. This is the same amount that was appropriated for city LGA in calendar year 2002—the highest certified amount that was actually paid.</p> <p data-bbox="355 527 894 554">Effective beginning with aids payable in 2020.</p>
14	<p data-bbox="355 611 732 638">Counties (county program aid).</p> <p data-bbox="355 653 716 680">Increases county program aid:</p> <ul data-bbox="451 722 1401 863" style="list-style-type: none"><li data-bbox="451 722 1401 785">▪ \$15,296,470 is added to the county need portion of the formula raising that share of the appropriation to \$119,091,470.<li data-bbox="451 800 1401 863">▪ \$15,296,470 is added to the county tax base equalization portion of the formula, raising that share of the appropriation to \$146,169,914. <p data-bbox="355 905 1401 1031">This section also increases the aid distribution to Mahnomen County in 2020 by \$750,000. Of this amount, \$250,000 must be used by the county for the Mahnomen Health Center, and \$250,000 must be paid from the county to the White Earth Band of Ojibwe to reimburse the band for the costs of delivering child welfare services.</p> <p data-bbox="355 1073 1101 1100">Effective for aids payable in calendar year 2020 and thereafter.</p>
15	<p data-bbox="355 1157 857 1184">State fire aid penalty forgiveness; Austin.</p> <p data-bbox="355 1199 1401 1388">Makes a onetime appropriation from the general fund in fiscal year 2019 to reimburse the city of Austin for the calendar year 2016 state fire aid and 2016 supplemental police and fire retirement aid it did not receive due to a dispute over use of 2015 aid payments. The total payment to the city under this provision is \$129,093.40 and will be made by June 30, 2019.</p> <p data-bbox="355 1430 873 1457">Effective the day following final enactment.</p>
16	<p data-bbox="355 1514 976 1541">Appropriation of lapsed amounts; fire remediation.</p> <p data-bbox="355 1556 1401 1703">Appropriates in fiscal year 2019 from the general fund the amount of unused remediation grants to the city of Melrose that canceled back to the general fund at the beginning of fiscal year 2019. The appropriated amount is \$634,729 and is available for grants from the day after final enactment until June 30, 2022.</p> <p data-bbox="355 1745 873 1768">Effective the day following final enactment.</p>

Section	Description – Article 6: Aids and Credits
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17

Appropriation.

Appropriates \$5,000 from the general fund in fiscal year 2020 only, to make a \$2,600 grant to the city of Mazeppa and a \$2,400 grant to Wabasha County to pay for property tax abatements and other costs associated with a March 11, 2018 fire in the city.

Effective July 1, 2019.

Article 7: Local Option Sales Tax

Modifies the existing general law applying to the authorization of local sales tax special laws as follows:

- requires a more detailed resolution outlining and limiting the specific projects to be funded and providing more project specific costs, and documentation of a project's regional significance;
- requires the voter approval be sought only after the authority is granted and requires the voters to approve each project to be funded in a separate question with a reduction in the authority for any project that fails at the election; and
- allows cities that successfully passed a local sales tax referendum at the 2018 general election that did not get authority this year to come back and seek authority without an additional referendum provided that they meet the new resolution requirement and the projects listed in the resolution do not conflict with original referendum.

Modifies provisions for the following existing local sales taxes:

- lodging taxes for Minneapolis, St. Paul, and Two Harbors; and
- general sales tax for Cloquet.

Provides the following new or increased sales taxes:

- general local sales taxes for Duluth, Two Harbors, Avon, Blue Earth, Cambridge, Detroit Lakes, Elk River, Excelsior, Glenwood, International Falls, Perham, Sauk Centre, Virginia, Willmar, and Worthington; and
- new local lodging taxes for Lake County, La Crescent, North Mankato, and Plymouth.

Provides that certain cities granted new local sales tax authority to pass a new resolution providing more detail on the specific projects to be funded and limiting the use of the local sales tax revenues to funding only the projects listed in the new resolution.

Section	Description – Article 7: Local Options Sales Tax
1	<p data-bbox="354 275 618 302">Authorization; scope.</p> <p data-bbox="354 317 1419 415">Allows a local government to spend money to disseminate information on the resolution to seek a local sales tax but only if they provided a detailed list of proposed projects to be funded and each of the project’s costs.</p> <p data-bbox="354 453 873 480">Effective the day following final enactment.</p>
2	<p data-bbox="354 537 597 564">Purpose statement.</p> <p data-bbox="354 579 1419 716">Adds a statement clarifying that the purpose of local government sales taxes is to pay for capital projects with a clear regional benefit and that using the funds for local projects increases inequities between communities and undermines state assistance provided through property tax deductions and the property tax refund system.</p>
3	<p data-bbox="354 772 948 800">Local resolution before application for authority.</p> <p data-bbox="354 814 1419 877">Expands and changes the requirements for the local resolution that a political subdivision must pass prior to seeking local sales tax authority. Changes include:</p> <ul data-bbox="451 915 1419 1314" style="list-style-type: none"><li data-bbox="451 915 1419 978">▪ limiting the resolution to no more than five capital projects to be funded by the proposed tax;<li data-bbox="451 993 1419 1098">▪ including more detailed information on each project including the amount to be funded from the sales tax and documentation indicating the share of the benefit of each project going to persons other than local residents;<li data-bbox="451 1113 1419 1218">▪ requiring the political subdivision to submit the resolution and underlying documentation to the chairs of the house and senate tax committee by January 31 of the year in which it is seeking special legislation; and<li data-bbox="451 1232 1419 1314">▪ stating that the special legislation granted may only fund projects listed in the resolution, although it need not allow funding of all projects listed in the resolution. <p data-bbox="354 1356 1317 1419">Effective the day following final enactment and applies to all local sales taxes not authorized by the legislature before July 1, 2019.</p>
4	<p data-bbox="354 1476 1390 1539">Legislative authority required before voter approval; requirements for adoption, use, termination.</p> <p data-bbox="354 1554 1419 1652">Requires the political subdivision to receive authority to impose a local sales tax <u>before</u> seeking approval by the voters, rather than the current requirement that the referendum be held before seeking authorizing legislation.</p> <p data-bbox="354 1690 1419 1789">Also requires that a separate question be held for financing each authorized project with the tax. The maximum amount raised and the termination date for the tax must be adjusted proportionately for any project that is not approved by the voters.</p> <p data-bbox="354 1827 1419 1929">A city that passed a referendum at the 2018 general election but did not get special legislation enacted in 2019 will not have to go back and hold a second election if it receives authorization under special law before January 1, 2021, provided it submits a</p>

Section	Description – Article 7: Local Options Sales Tax
	<p>detailed resolution under subdivision 3 that does not conflict with the language in the 2018 referendum.</p>
	<p>Effective the day following final enactment and applies to all local sales taxes not authorized by the legislature before July 1, 2019.</p>
5	<p>Duluth (local sales tax).</p> <p>Increases the local sales tax by one-half of one percent, in addition to its existing one percent sales tax for to pay for road and bridge improvements.</p> <p>Paragraph (a). Corrects an obsolete cross reference in the city’s existing law.</p> <p>Paragraph (b). Based on approval by the voters at the city’s 2017 general election, allows the city to increase its existing local sales tax from one percent to 1.5 percent. Revenues from the additional half cent must be used for the projects listed in paragraph (c). Requires the city to comply with section 31 before imposing the tax increase.</p> <p>Paragraph (c). Requires the city to spend revenues from the extra one-half cent sales tax on improvements to improvements in the Duluth Street Improvement Program 2017, as of August 8, 2017.</p> <p>Paragraph (d). Allows the city to issue bonds to fund the projects in subdivision 2 without another referendum. Excludes the bonds from the city’s debt limits.</p> <p>Paragraph (e). Requires the extra one-half cent to terminate at the earlier of 25 years or when revenues are sufficient to fund the allowed projects plus associated bond costs. Any extra revenues not needed to pay for the projects or associated bonds go to the city general fund. The city council may terminate the tax early if desired.</p> <p>Effective upon the city complying with the approval and filing requirements for special laws.</p>
6	<p>Liquor, lodging, and restaurant taxes (Minneapolis).</p> <p>Removes the limit on the total combined state and local tax rate that may be imposed on lodging establishments of 50 or more rooms in the city of Minneapolis. Currently the combined rate is 13 percent which allows the city to impose only 2.125 percent of the three percent city lodging tax that has been authorized since 1986.</p> <p>Effective for sales and purchases made after June 30, 2019.</p>
7	<p>Authority for taxation (St. Paul).</p> <p>Allows the city of St. Paul to increase the extra three percent local lodging tax that applies to places with 50 or more rooms from three percent to four percent. Ninety-five percent of revenues from this lodging tax must be used to fund the convention bureau and to promote tourism and the city convention center. The total lodging tax rate for larger</p>

Section	Description – Article 7: Local Options Sales Tax
	<p>hotels in the city would be seven percent in addition to all general state and local sales taxes.</p>
	<p>Effective upon the city’s compliance with approval and filing requirements for special laws.</p>
8	<p>Two Harbors lodging tax.</p> <p>Adjusts the cap on the lodging tax imposed in the city of Two Harbors from three percent to five percent to account for the new county lodging tax in section 23. Currently the city may impose a one percent lodging tax under special law but this tax combined with a tax imposed under the general lodging tax law cannot exceed three percent. This change will allow the city to retain the tax under special law but not impose the tax under general law if the county imposes its four percent tax.</p> <p>Effective upon the city complying with approval and notice requirements for special laws.</p>
9	<p>Sales and use tax authorized (Two Harbors).</p> <p>Allows the city of Two Harbors to impose an additional one-half of one percent sales tax based on voter approval at the 2018 general election. This is in addition to its existing one-half of one percent sales tax. Requires the city to comply with section 31 before imposing the tax increase. Updates an obsolete cross-reference.</p> <p>Effective upon the city complying with approval and notice requirements for special laws.</p>
10	<p>Use of revenues (Two Harbors).</p> <p>Allows the city to use the revenues from the new additional sales tax rate for capital and administrative costs of water and sewer infrastructure projects, including associated street patching, property acquisition, and related construction expenses. Revenues from the current tax may be used for similar purposes (water, wastewater, and sewer projects) <u>plus</u> harbor refuge development projects.</p> <p>Effective upon the city complying with approval and notice requirements for special laws.</p>
11	<p>Bonding authority (Two Harbors).</p> <p>Allows the cities to issue up to \$30 million in bonds for the new projects without having an additional vote.</p> <p>Effective upon the city complying with approval and notice requirements for special laws.</p>
12	<p>Termination of taxes (Two Harbors).</p> <p>Provides a separate termination date for the additional local sales tax equal to the earlier of 25 years or when revenues are raised to pay for \$30 million plus associated bond costs the projects. The city may choose to terminate the extra tax earlier if it so chooses.</p>

Section	Description – Article 7: Local Options Sales Tax
13	<p>Effective upon the city complying with approval and notice requirements for special laws.</p> <p>Use of revenues (Cloquet).</p> <p>Allows the city of Cloquet to reallocate some of the \$5.8 million of local sales tax revenue currently earmarked for property development along Highway 33 and Interstate Highway 35 to the other projects that the city may already fund with its sales tax revenue (various park improvements, or other sewer and water infrastructure improvements identified in the city comprehensive land use plan.) The total amount the city may raise from its local sales tax does not change.</p> <p>Effective upon the city complying with approval and notice requirements for special laws.</p>
14	<p>City of Avon; local sales and use tax authorized.</p> <p>Allows the city of Avon to impose a local sales tax of up to one-half of one percent to raise \$1.5 million plus associated bond costs for transportation improvement projects in the city, based on approval by the voters in the 2018 general election. Requires the city to comply with section 31 before imposing the tax. Allows the city to issue up to \$1.5 million in bonds for the projects without additional voter approval. The tax expires at the earlier of December 31, 2045, or when allowed revenues are raised.</p> <p>Effective upon the city complying with approval and notice requirements for special laws.</p>
15	<p>City of Blue Earth; sales and use tax authorized.</p> <p>Allows the city of Blue Earth to impose a local sales tax of one-half of one percent to finance \$5 million plus associated bond costs for sewer plant improvements, street reconstruction projects, and recreational amenities. Requires the city to comply with section 31 before imposing the tax. Allows the city to issue up to \$5 million in bonds for the projects without additional voter approval. The tax expires at the earlier of 25 years or when allowed revenues are raised.</p> <p>Effective upon the city complying with approval and notice requirements for special laws.</p>
16	<p>City of Cambridge; local sales and use tax authorized.</p> <p>Allows the city of Cambridge to impose a local sales tax of up to one-half of one percent to finance \$8 million plus associated bond costs, for a new library facility, and \$14 million for street improvements. Requires the city to comply with section 31 as it relates to the street improvements before imposing the tax. Allows the city to issue up to \$22 million in bonds for the project without additional voter approval. The tax expires at the earlier of December 31, 2043, or when allowed revenues are raised.</p> <p>Effective upon the city complying with approval and notice requirements for special laws.</p>

Section	Description – Article 7: Local Options Sales Tax
17	<p>City of Detroit Lakes; local sales and use tax authorized.</p> <p>Allows the city of Detroit Lakes to impose a local sales tax of one-half of one percent to finance \$6.7 million plus associated bond costs for a new police department facility. Allows the city to issue up to \$6.7 million in bonds for the project without additional voter approval. The tax expires at the earlier of ten years or when allowed revenues are raised.</p> <p>Effective upon the city complying with approval and notice requirements for special laws.</p>
18	<p>City of Elk River; local sales and use tax authorized.</p> <p>Allows the city of Elk River to impose a local sales tax of one-half of one percent to finance \$35 million plus associated bond costs for a number of specified park and recreational facilities, and dredging of Lake Orono. Allows the city to issue up to \$35 million in bonds for the project without additional voter approval. The tax expires at the earlier of 25 years or when allowed revenues are raised.</p> <p>Effective upon the city complying with approval and notice requirements for special laws.</p>
19	<p>City of Excelsior; local sales and use tax authorized.</p> <p>Allows the city of Excelsior to impose a local sales tax of one-half of one percent if approved by the voters at a general election held by December 31, 2020. If approved the tax may be used to finance \$7 million plus associated bond costs for capital and administrative costs of improvements to the city commons as indicated in the Commons Master Plan adopted November 20, 2017. The tax expires at the earlier of 25 years after being imposed or when allowed revenues are raised.</p> <p>Effective upon the city complying with approval and notice requirements for special laws.</p>
20	<p>City of Glenwood; local sales and use tax authorized.</p> <p>Allows the city of Glenwood to impose a local sales tax of up to one-half of one percent to finance \$2.8 million plus associated bond costs for streets, park and recreational facility and trail improvements, and city municipal building. Requires the city to comply with section 31 before imposing the tax. Allows the city to issue up to \$2.8 million in bonds for the projects without additional voter approval. The tax expires at the earlier of 20 years or when allowed revenues are raised.</p> <p>Effective upon the city complying with approval and notice requirements for special laws.</p>
21	<p>City of International Falls; local sales and use tax authorized.</p> <p>Allows the city of International Falls to impose a local sales tax of up to one percent to raise \$30 million plus associated bond costs for transportation and other public infrastructure projects in the city. Requires the city to comply with section 31 before imposing the tax. Allows the city to issue up to \$30 million in bonds for the projects</p>

Section	Description – Article 7: Local Options Sales Tax
	<p>without additional voter approval. The tax expires at the earlier of 30 years or when allowed revenues are raised.</p> <p>Effective upon the city complying with approval and notice requirements for special laws.</p>
22	<p>La Crescent; local lodging tax authorized.</p> <p>Allows the city of La Crescent to impose an extra two percent local lodging tax in addition to the three percent lodging tax allowed under general law. The revenues from this additional tax must be split evenly between the city chamber of commerce to promote tourism and the La Crescent Area Event Center to promote local tourism. The city currently does not impose the three percent lodging tax under current law because it has no lodging within the city limits.</p> <p>Effective upon the city’s compliance with approval and filing requirements for special laws.</p>
23	<p>Lake County; local lodging tax authorized.</p> <p>Allows Lake County to impose up to a four percent lodging tax in the county with three-fourths of the money going for countywide marketing and one-fourth for promoting community events and festivals. The tax is in addition to any existing lodging tax imposed by a city, town, or the county in an unorganized territory under the general lodging tax statute; however no city or town may impose a new local lodging tax under the general authority while the county tax is in effect.</p> <p>Effective upon the city’s compliance with approval and filing requirements for special laws.</p>
24	<p>City of North Mankato; local food and beverage tax authorized.</p> <p>Allows the city of North Mankato to impose a food and beverage tax of up to one percent in the city. The tax also applies to retail on-sale of alcoholic beverages. Revenues from the tax must be used for operation, maintenance, and capital expenses for the Casewell Regional Sporting Complex, including paying associated bonds; and for costs related to regional tourism events. Allows the city to enter into an agreement with the commissioner of revenue to collect the tax on the city’s behalf.</p> <p>Effective upon the city’s compliance with approval and filing requirements for special laws.</p>
25	<p>City of Perham; local sales and use tax authorized.</p> <p>Allows the city of Perham to impose a local sales tax of up to one-half of one percent to raise \$5.2 million plus associated bond costs for capital costs related to the Perham Area Community Center project. Allows the city to issue up to \$5.2 million in bonds for the project without a separate referendum. The tax expires at the earlier of 20 years or when allowed revenues are raised.</p>

Section	Description – Article 7: Local Options Sales Tax
26	<p>Effective upon the city’s compliance with approval and filing requirements for special laws.</p> <p>City of Plymouth; local lodging tax authorized.</p> <p>Allows the city of Plymouth to impose an extra three percent local lodging tax for five years, in addition to the three percent lodging tax allowed under general law. Two thirds of the revenues from this special tax must be used for capital improvements to public recreational facilities and for marketing and promotion and the remaining one-third must be used as required under general law—to fund a local convention or tourism bureau.</p> <p>Effective upon the city’s compliance with approval and filing requirements for special laws.</p>
27	<p>City of Sauk Centre; local sales and use tax and excise tax authorized.</p> <p>Allows the city of Sauk Centre to impose a local sales tax of up to one-half of one percent and an excise tax of \$20 per motor vehicle sold commercially in the city. The city may use \$10 million in revenues plus associated bond costs from the taxes to fund city infrastructure projects, related to the reconstruction of Trunk Highway 71. Allows the city to issue up to \$10 million in bonds for the project without a separate referendum. The tax expires at the earlier of December 31, 2045, or when allowed revenues are raised.</p> <p>Effective upon the city’s compliance with approval and filing requirements for special laws.</p>
28	<p>City of Virginia; local sales and use tax authorized.</p> <p>Allows the city of Virginia to impose a local sales tax of up to one percent to fund \$30 million plus associated bond costs for renovation, reconstruction, expansion, and improvements of the Miner’s Memorial recreation complex and convention center. Allows the city to issue up to \$200,000 in bonds for the project without a separate referendum. The tax expires at the earlier of 20 years or when allowed revenues are raised.</p> <p>Effective upon the city’s compliance with approval and filing requirements for special laws.</p>
29	<p>City of Willmar; local sales and use tax authorized.</p> <p>Allows the city of Willmar to impose a local sales tax of up to one-half of one percent and up to a \$20 excise tax on commercial sales of motor vehicles to finance \$30 million plus associated bond costs, for replacement of a community center, a number of enumerated recreational facilities, and a storm water management project. Allows the city to issue up to \$30 million in bonds for the projects without a separate referendum. The tax expires at the earlier of 13 years or when allowed revenues are raised.</p>

Section	Description – Article 7: Local Options Sales Tax
	Effective upon the city’s compliance with approval and filing requirements for special laws.
30	<p>City of Worthington; local sales and use and excise taxes authorized.</p> <p>Allows the city of Worthington to impose a local sales tax of one-half of one percent and a \$20 excise tax on commercial sales of motor vehicles to finance \$25 million plus associated bond costs for various park and recreational facility improvements, lake quality improvements, and a street plaza. Requires the city to comply with section 31 before imposing the tax. Allows the city to issue up to \$25 million in bonds for the projects without a separate referendum. The tax expires at the earlier of 15 years or when allowed revenues are raised.</p> <p>Effective upon the city’s compliance with approval and filing requirements for special laws.</p>
31	<p>Resolution and public notice of specific projects to be funded with a local sales tax.</p> <p>Cities that must comply with this section must pass a new resolution before imposing or increasing a local sales tax. The resolution must list each specific project and dollar amount of each project to be funded with the sales tax revenue. Defines what qualifies as a “specific project.” The resolution must be approved by the commissioner of revenue before the tax is imposed and the resolution must be posted on the city website for the duration of the tax. Only projects listed in the new resolution may be funded with the sales tax revenues.</p> <p>Effective the day after final enactment.</p>

Article 8: Tax Increment Financing

Provides special tax increment financing (TIF) authority to the cities of Bloomington, Edina, Champlin, Minneapolis, Roseville, Duluth, and Burnsville.

Section	Description – Article 8: Tax Increment Financing
1	<p>Bloomington tax increment financing; five-year rule.</p> <p>Modifies a 2008 special law for the city of Bloomington, which provided special rules for the city’s Bloomington Central Station TIF district.</p> <p>This provision extends the five-year rule to 25 years.</p> <p>Effective upon local approval and compliance with filing requirements for special laws.</p>

Section	Description – Article 8: Tax Increment Financing
2	<p data-bbox="354 275 792 302">Authority to create districts (Edina).</p> <p data-bbox="354 317 1409 415">Amends a 2014 special law granting special TIF authority for the Southeast Edina Redevelopment Project Area. This provision provides authorization to create TIF districts within the project area until December 31, 2021.</p> <p data-bbox="354 457 1382 485">Effective upon local approval and compliance with filing requirements for special laws.</p>
3	<p data-bbox="354 537 667 564">Pooling authority (Edina).</p> <p data-bbox="354 579 1425 720">Provides authorization to use increment generated from the Southdale 2 district and used to fund housing projects in the districts established by section 2 (and previous special laws) to satisfy the five-year pooling requirement of the districts created by this bill and previous special laws.</p> <p data-bbox="354 758 1382 785">Effective upon local approval and compliance with filing requirements for special laws.</p>
4	<p data-bbox="354 842 1227 869">City of Champlin; tax increment financing district; project requirements.</p> <p data-bbox="354 884 1401 947">Authorizes the following special rules for the city of Champlin’s Mississippi Crossings TIF district:</p> <ul data-bbox="451 989 1401 1136" style="list-style-type: none"><li data-bbox="451 989 959 1016">▪ extends the five-year rule to ten years;<li data-bbox="451 1031 1166 1058">▪ extends the district’s duration an additional 5 years; and<li data-bbox="451 1073 1401 1136">▪ exempts the district from the requirement that starting in the district’s sixth year, increment must be used to decertify the district. <p data-bbox="354 1171 1382 1199">Effective upon local approval and compliance with filing requirements for special laws.</p>
5	<p data-bbox="354 1251 1170 1278">City of Minneapolis; upper harbor terminal redevelopment project.</p> <p data-bbox="354 1293 1409 1398">Authorizes the city of Minneapolis to create redevelopment TIF districts in a project area in North Minneapolis (generally referred to as the Upper Harbor Terminal area). Under this provision, the following special rules would apply to any TIF district created:</p> <ul data-bbox="451 1440 1409 1734" style="list-style-type: none"><li data-bbox="451 1440 1409 1503">▪ The established redevelopment districts do not have to meet the statutorily required blight findings for establishing a redevelopment district.<li data-bbox="451 1518 1409 1608">▪ Increments from the established districts would not be required to be spent on correction of blight conditions, as required by statute for redevelopment districts.<li data-bbox="451 1623 1003 1650">▪ The five-year rule is extended to ten years.<li data-bbox="451 1665 1328 1734">▪ The percentage pooling rules do not apply to these districts so long as increment is spent within the geographic area described in the bill. <p data-bbox="354 1770 1382 1797">Effective upon local approval and compliance with filing requirements for special laws.</p>

Section	Description – Article 8: Tax Increment Financing
6	<p data-bbox="355 275 1247 302">Expenditure of hazardous substance subdistrict tax increment (Roseville).</p> <p data-bbox="355 317 1406 453">Allows the city of Roseville to use all increment collected within its Hazardous Substance Subdistrict No. 17A for the purpose of funding environmental remediation on parcels within and adjacent to the district. This includes increment generated but not expended within the district’s first five years after certification.</p> <p data-bbox="355 491 1382 520">Effective upon local approval and compliance with filing requirements for special laws.</p>
7	<p data-bbox="355 575 1195 602">City of Duluth; tax increment financing district; project requirements.</p> <p data-bbox="355 617 1425 680">Authorizes the city of Duluth to create redevelopment TIF districts within a project area in downtown Duluth. The following special rules would apply to any TIF district created:</p> <ul data-bbox="451 722 1406 894" style="list-style-type: none"><li data-bbox="451 722 1406 785">▪ The established redevelopment districts do not have to meet the statutorily required blight findings for establishing a redevelopment district.<li data-bbox="451 800 1406 894">▪ Increments from the established districts would not be required to be spent on correction of blight conditions, as required by statute for redevelopment districts. <p data-bbox="355 936 1382 961">Effective upon local approval and compliance with filing requirements for special laws.</p>
8	<p data-bbox="355 1016 740 1043">City of Burnsville; TIF authority.</p> <p data-bbox="355 1058 1406 1163">Authorizes the city of Burnsville to create redevelopment TIF districts within the limited area of the Burnsville Center mall and adjacent rights-of-way. Under this provision, the following special rules apply to any TIF district created:</p> <ul data-bbox="451 1205 1406 1377" style="list-style-type: none"><li data-bbox="451 1205 1406 1268">▪ The established redevelopment districts do not have to meet the statutorily required blight findings for establishing a redevelopment district.<li data-bbox="451 1283 1406 1377">▪ Increments from the established districts would not be required to be spent on correction of blight conditions, as required by statute for redevelopment districts. <p data-bbox="355 1419 1382 1442">Effective upon local approval and compliance with filing requirements for special laws.</p>

Article 9: Public Finance

This bill makes a number of changes in laws relating to municipal financing and borrowing authority.

Section	Description – Article 9: Public Finance
1	<p>Bonding authority (State Agricultural Society)</p> <p>Increases the total amount of bonds issued and outstanding by the state agricultural society from \$20 million to \$30 million.</p>
2	<p>Interest (maximum interest rates on drainage lien).</p> <p>Increases the maximum interest rate that counties can charge on drainage lien principal to six percent. Present law sets the limit at the rate set by the State Court Administrator for interest on court judgments, a floating interest rate pegged to the rate on one-year Treasury securities.</p>
3	<p>Bond authorization (school districts).</p> <p>Eliminates the public notice requirement for solicitation of bids to allow school districts to solicit project bids prior to involving bond counsel.</p>
4	<p>Authorization; rates (transportation sales and use tax; authorization and rates).</p> <p>Amends current law to clarify that any county may impose a transportation sales and use tax under current law, as all counties are now defined as being outside the “metropolitan transportation area” due the disbanding of CTIB.</p>
5	<p>Municipality may file bankruptcy petition.</p> <p>Updates the reference to the United States Bankruptcy Code to reflect amendments made since 1996 and to adopt future amendments in law authorizing municipalities to file for bankruptcy.</p>
6	<p>Obligations.</p> <p>Provides authority for the Metropolitan Council to issue up to an additional \$92.3 million in “regional transit capital” bonds or similar forms of debt, with the authority spread over two years.</p> <p>Effective the day following final enactment and applies to the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.</p>
7	<p>Limitation; light rail transit (Metropolitan Council debt obligations).</p> <p>Limits the prohibition on using Metropolitan Council debt for light rail improvements, enacted in 2017, to obligations authorized by the 2017 law. Under present law, the prohibition applies to any debt obligations issued by the council under the amended section of law.</p>

Section	Description – Article 9: Public Finance
	Effective the day following final enactment and applies to the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.
8	Definitions (authority of towns to issue capital improvement bonds). Modifies the definition of “municipality” for purposes of capital improvement bonds so that any town can issue these bonds, regardless of population. This will permit a town board for the added towns to issue capital improvement bonds without holding a town meeting.
9	Repealer. Repeals the expiration of the state agricultural society’s bonding authority.

Article 10: Miscellaneous

Section	Description – Article 10: Miscellaneous
1	Taxpayer receipt. Requires Minnesota Management and Budget (MMB) to publish an interactive taxpayer receipt on its website. The receipt would describe the share of state general fund expenditures represented by major expenditure categories, as well as the approximate allocation of motor vehicle fuels taxes among transportation expenditures. Based on the user’s income, the website must estimate the amount of income, sales, alcohol, tobacco, and motor vehicle fuels taxes paid by the user. The bill additionally requires the receipt to display select data on performance goals and outcomes. Effective for taxable years beginning after December 31, 2018.
2	Tom Rukavina Memorial Bridge. Designates the bridge on U.S. Highway 53 over a mining area in the city of Virginia as the Tom Rukavina Memorial Bridge. Onetime money to the city of Virginia to retire debt associated with this bridge is included in city LGA in the aids and credit article.
3	Taxpayer assistance grants. Expands the Department of Revenue’s existing taxpayer assistance grants to include grants to qualifying organizations to provide financial capability services, such as opening and managing a bank account, reviewing a consumer report or credit score, and financial coaching, among other items. The bill also requires the commissioner of revenue to offer technical assistance to certain organizations interested in receiving a grant to provide these services, if resources allow. Effective for taxable years beginning after December 31, 2018.

Section	Description – Article 10: Miscellaneous
4	<p>Taxpayer receipt.</p> <p>Requires the Department of Revenue to include on the individual income tax forms the option to elect to receive information about the taxpayer receipt.</p> <p>Effective for taxable years beginning after December 31, 2018.</p>
5	<p>Taxpayer assistance grants appropriation.</p> <p>Provides an appropriation to support the expanded taxpayer assistance grant program established in section 2. This section also caps the total amount of the program funding that may be used for administrative costs at no more than five percent.</p>
6	<p>Appropriation; taxpayer receipt.</p> <p>Appropriates \$100,000 in fiscal year 2021 to MMB to develop the taxpayer receipt. The base for the appropriation is \$47,000.</p>

Article 11: Department of Revenue – Individual Income and Corporate Franchise Tax – Policy

This article provides changes to the married filing separately income tax bracket and to provisions related to accelerated installment sale receipts. This article also removes obsolete language.

Section	Description – Article 11: DOR Individual Income and Corporate Franchise Policy
1	<p>Social security benefits.</p> <p>Ensures the married filing separately bracket for the social security subtraction is exactly half of the married filing jointly bracket.</p> <p>Effective for taxable years beginning after December 31, 2018.</p>
2	<p>Accelerated recognition of certain installment sale gains.</p> <p>Deletes the phrase “allocable amount” which is rendered unnecessary by the changes in section 3, which will provide for the applicable standard.</p> <p>Effective the day following final enactment.</p>
3	<p>Schedule of rates for individuals, estates, and trusts.</p> <p>Provides for the representation of accelerated installment sale receipts in the nonresident apportionment fraction of taxpayers who pay income taxes on accelerated installment sale gains.</p>

Section Description – Article 11: DOR Individual Income and Corporate Franchise Policy

Also ensures the married filing separately bracket is exactly half of the married filing jointly bracket.

Adjustments made to the married filing separately bracket are effective for taxable years beginning after December 31, 2018, and adjustments made to accelerated installment sale receipts are effective the day following final enactment.

4 Inflation adjustment of brackets.

Ensures the married filing separately bracket is exactly half of the married filing jointly bracket.

Effective for taxable years beginning after December 31, 2018.

Article 12: Department of Revenue – Individual Income and Corporate Franchise Tax – Technical

This article includes technical provisions related to individual income taxes.

Section Description – Article 12: DOR Ind. Income and Corporate Franchise Technical

1 Federal tax changes.

Specifies that taxpayers are required to report adjustments to the department following a settlement or compromise with the IRS.

Effective the day following final enactment.

2 Payments to horse racing license holders.

Corrects a cross-reference that was moved in a prior session.

Effective the day following final enactment.

3 Designation of a qualified beneficiary.

Allows a taxpayer to designate the required beneficiary at the same time as they file their income tax return.

Effective the day following final enactment.

Article 13: Department of Revenue – Partnership Tax – Policy

This article modifies Minnesota’s reporting and payment requirements generated by federal audits and assessments in response to federal changes enacted in 2015. The federal changes provided for conducting audits at the partnership, rather than the partner, level. The changes made by the article incorporate aspects of model legislation developed by the Multistate Tax Commission.

The article is effective retroactively beginning with tax year 2018. However, for partnerships that elect partnership audits for prior periods under federal law, the article is effective retroactively and applies to the same tax periods to which the election relates.

Section	Description – Article 13: DOR Partnership Tax - Policy
1	<p>Enforcement; administrative order; penalties; cease and desist.</p> <p>Conforming changes and cross-references added to the changes made by section 7.</p> <p>Effective date: retroactively for tax year 2018 or earlier tax periods.</p>
2	<p>Individual income, fiduciary income, mining company, corporate franchise, and entertainment taxes.</p> <p>Conforming changes and cross-references added to the changes made by section 7.</p> <p>Effective date: retroactively for tax year 2018 or earlier tax periods.</p>
3	<p>Erroneous refunds.</p> <p>Conforming changes and cross-references added to the changes made by section 7.</p> <p>Effective date: retroactively for tax year 2018 or earlier tax periods.</p>
4	<p>Incorrect determination of federal adjusted gross income.</p> <p>Conforming changes and cross-references added to the changes made by section 7.</p> <p>Effective date: retroactively for tax year 2018 or earlier tax periods.</p>
5	<p>Definitions; partnerships; federal adjustments.</p> <p>Adds various definitions relating to the reporting of federal adjustments, and federal adjustments to partnership returns.</p> <p>Effective date: retroactively for tax year 2018 or earlier tax periods.</p>
6	<p>Reporting federal adjustments; general rule.</p> <p>Provides the general requirement that taxpayers report federal audit adjustments, and amended federal returns to Minnesota within 180 days. Partnerships having undergone</p>

Section Description – Article 13: DOR Partnership Tax - Policy

entity level audit are exempt from this provision and are required to report adjustments to Minnesota.

Effective date: retroactively for tax year 2018 or earlier tax periods.

7 Reporting and payment requirements.

Provides for the reporting of federal adjustments following a partnership level audit by the IRS. By default, each partnership will be required to file a federal adjustments report related to federal changes, and submit the report to both Minnesota and its direct partners within 90 days. Each partnership reporting changes must also file amended composite and withholding reports for nonresident partners within 180 days. Each direct partner, other than a tiered partner, receiving an adjustment report as described above is also required to make a federal adjustment report and pay any additional tax due within 180 days of the final determination date.

Each partnership reporting federal adjustments after a partnership level audit is also eligible to make an election to pay the additional tax due to Minnesota at the entity level. A partnership making the election is required to do so on a federal adjustments report filed with the commissioner within 90 days of the final determination date. A partnership making the election must be able to determine and report the residency status of all direct and indirect individual partners, and pay tax on the properly allocated and apportioned share of all income at the highest marginal rate for its individual and corporate partners.

Effective date: retroactively for tax year 2018 or earlier tax periods.

8 Assessment of tax, interest, penalties, and additional amounts.

Provides that when a taxpayer reports federal adjustments in a timely fashion that the statute of limitations on assessment for state tax purposes is extended for a period of one year. When a taxpayer files a federal adjustments report in an untimely fashion the statute of limitations is extended for the shorter of (1) one year after the filing of the untimely report, or (2) six years.

Effective date: retroactively for tax year 2018 or earlier tax periods.

9 Claims for refund or credits of state tax arising from final federal adjustments made by the Internal Revenue Service.

Provides that the statute of limitations on refund claims related to adjustments made by the IRS is equal to the general period of limitations on refund claims.

Effective date: retroactively for tax year 2018 or earlier tax periods.

10 Consent to extend statute.

Conforming changes and cross-references added to the changes made by section 7.

Section	Description – Article 13: DOR Partnership Tax - Policy
	Effective date: retroactively for tax year 2018 or earlier tax periods.
11	Penalty for failure to notify of federal change. Conforming changes and cross-references added to the changes made by section 7. Effective date: retroactively for tax year 2018 or earlier tax periods.
12	Partners, not partnership, subject to tax. Conforming changes and cross-references added to the changes made by section 7. Effective date: retroactively for tax year 2018 or earlier tax periods.
13	Time limit for bad debt refund. Conforming changes and cross-references added to the changes made by section 7. Effective date: retroactively for tax year 2018 or earlier tax periods.
14	Time limit for bad debt refund. Conforming changes and cross-references added to the changes made by section 7. Effective date: retroactively for tax year 2018 or earlier tax periods.
15	Repayment procedures. Conforming changes and cross-references added to the changes made by section 7. Effective date: retroactively for tax year 2018 or earlier tax periods.
16	Repealer. Conforming changes and cross-references added to the changes made by section 7. Effective date: retroactively for tax year 2018 or earlier tax periods.

Article 14: Department of Revenue – Sales and Use Tax – Technical

This article includes technical provisions related to sales taxes.

Section	Description – Article 14: DOR Sales and Use Tax - Technical
1	Ships used in interstate commerce; other vessels. Clarifies an ambiguity created by the chapter 297A recodification in 2000.

Section Description – Article 14: DOR Sales and Use Tax - Technical

Effective the day following final enactment.

2 Qualified data centers.

Clarifies that the commissioner of employment and economic development must issue a certification to the commissioner of revenue certifying a qualified data center as such, and the certification must include the date a data center first became qualified so the commissioner of revenue can determine when the data center’s electricity became exempt.

Effective the day following final enactment.

3 Greater Minnesota business expansions.

Clarifies that the commissioner of employment and economic development must certify to the commissioner of revenue that a greater Minnesota business is a qualifying business under Minn. Stat. § 116J.8738, and that any purchase made and delivery received was during the duration of the business subsidy agreement.

Effective the day following final enactment.

4 Biopharmaceutical manufacturing facility.

Clarifies that the commissioner of employment and economic development must certify to the commissioner of revenue that the biopharmaceutical manufacturing facility is qualified.

Effective the day following final enactment.

5 Records must be kept.

Clarifies language in Minn. Stat. § 297A.27, subd. 3, that was inadvertently omitted during the chapter 289A recodification in 1990.

Effective the day following final enactment.

Article 15: Department of Revenue – MinnesotaCare – Technical

The article provides technical changes to certain definitions for the purposes of:

- preserving the tax base for the wholesale drug distributor tax to conform to changes in federal law;
- providing a consistent definition of “staff model health plan company”;
- clarifying included entities in the definition of “health care provider” and “patient services”; and
- clarifying certain exclusions and exemptions.

Section	Description – Article 15: DOR MinnesotaCare - Technical
1	<p data-bbox="355 275 699 302">Emergency medical reasons.</p> <p data-bbox="355 317 1409 453">Defines the term “emergency medical reasons,” which is necessary to preserve the current tax base for purposes of the wholesale drug distributor tax in chapter 295 due to proposed legislation by the Pharmacy Board to amend chapter 151 to conform with federal requirements regarding drugs and licensure.</p> <p data-bbox="355 489 873 520">Effective the day following final enactment.</p>
2	<p data-bbox="355 573 548 600">Gross revenues.</p> <p data-bbox="355 615 1419 716">Replaces the term “staff model health carrier” with “staff model health plan company” to allow for consistent use of the term “staff model health plan company” throughout chapter 295.</p> <p data-bbox="355 751 873 785">Effective the day following final enactment.</p>
3	<p data-bbox="355 842 613 869">Health care provider.</p> <p data-bbox="355 884 1360 984">Clarifies that the definition of health care provider includes an entity, which may otherwise not be a healthcare provider, who employs or contracts with a health care provider to provide, supervise, oversee, or consult regarding patient services.</p> <p data-bbox="355 1020 1419 1157">Clarifies that home care providers required to be licensed under chapter 144A are not health care providers as long as the home care services are provided under chapter 144A; and to conform with proposed changes to Minn. Stat. § 295.53 regarding exclusions and exemptions.</p> <p data-bbox="355 1192 873 1224">Effective the day following final enactment.</p>
4	<p data-bbox="355 1276 532 1304">Manufacturer.</p> <p data-bbox="355 1318 1419 1455">Defines the term “manufacturer,” which is necessary to preserve the current tax base for purposes of the wholesale drug distributor tax in chapter 295 due to proposed legislation by the Pharmacy Board to amend chapter 151 to conform with federal requirements regarding drugs and licensure.</p> <p data-bbox="355 1491 873 1524">Effective the day following final enactment.</p>
5	<p data-bbox="355 1577 553 1604">Patient services.</p> <p data-bbox="355 1619 1382 1686">Clarifies which community support programs and family community support programs are not included in patient services.</p> <p data-bbox="355 1722 873 1751">Effective the day following final enactment.</p>
6	<p data-bbox="355 1803 703 1831">Pharmacy benefits manager.</p> <p data-bbox="355 1845 1125 1875">Consolidates this definition with other definitions for readability.</p>

Section	Description – Article 15: DOR MinnesotaCare - Technical
	<p>Effective the day following final enactment.</p>
7	<p>Third-party purchaser of health care services. Consolidates this definition with other definitions for readability.</p> <p>Effective the day following final enactment.</p>
8	<p>Wholesale drug distributor. Modifies the definition of “wholesale drug distributor,” which is necessary to preserve the current tax base for purposes of the wholesale drug distributor tax in chapter 295 due to proposed legislation by the Pharmacy Board to amend chapter 151 to conform with federal requirements regarding drugs and licensure.</p> <p>Effective the day following final enactment.</p>
9	<p>Legend drug. Clarifies that the definition of “legend drug” does not include blood and blood components.</p> <p>Effective the day following final enactment.</p>
10	<p>Wholesale drug distribution. Modifies the definition of “wholesale drug distribution,” which is necessary to preserve the current tax base for purposes of the wholesale drug distributor tax in chapter 295 due to proposed legislation by the Pharmacy Board to amend chapter 151 to conform with federal requirements regarding drugs and licensure.</p> <p>Effective the day following final enactment.</p>
11	<p>Exclusions and exemptions. Clarifies which clauses are exclusions and which clauses are exemptions for ease of tax administration. Also clarifies that Federal Tricare sourced funds are exempt, and deletes unnecessary language.</p> <p>Effective the day following final enactment.</p>
12	<p>Exemption for amounts paid for legend drugs. Clarifies an exemption for payments received for services under the federal Medicare Advantage Program.</p> <p>Effective the day following final enactment.</p>

Section	Description – Article 15: DOR MinnesotaCare - Technical
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13	<p>Tax expense transfer. Consolidates this definition with other definitions for readability.</p> <p>Effective the day following final enactment.</p>
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Article 16: Department of Revenue – Property Tax – Policy

This article includes a change related to the requirement of social security numbers on the homestead applications.

Section	Description – DOR Property Tax Policy
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1	<p>Administration (small cities assistance). Provides that the commissioner of transportation will certify aid amounts for the small cities assistance program to the commissioner of revenue by June 1.</p> <p>Effective for aids payable in 2019 and thereafter.</p>
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2	<p>Homestead application. Amends the homestead application requirement by only requiring the Social Security number of the spouse of a property owner when the property owner occupies the property.</p> <p>Effective for applications for homestead filed in 2020 and thereafter.</p>
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Article 17: Department of Revenue – Fire State Aid – Technical

This article includes a recodification of provisions related to Fire State Aid. Chapter 477B is a proposed new chapter of the Minnesota Statutes where the recodified provisions of the fire state aid program will reside.

Section	Description – Article 17: DOR Fire State Aid - Technical
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1	<p>Definitions. Defines various terms for purposes of the recodified fire state aid chapter.</p> <p>Effective for aids payable in 2020 and thereafter.</p>
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Section	Description – Article 17: DOR Fire State Aid - Technical
2	<p data-bbox="354 275 691 302">Qualifying for fire state aid.</p> <p data-bbox="354 317 1382 380">Establishes the criteria that must be met in order for a municipality or an independent nonprofit firefighting corporation to qualify to receive fire state aid.</p> <p data-bbox="354 422 935 447">Effective for aids payable in 2020 and thereafter.</p>
3	<p data-bbox="354 506 789 533">Calculation of fire state aid; appeal.</p> <p data-bbox="354 548 1425 680">Specifies how fire state aid is to be calculated and apportioned. Also describes the appeal process for a municipality, independent nonprofit firefighting corporation, fire relief association, and allows the voluntary statewide volunteer retirement plan to object to the amount of fire state aid apportioned to it.</p> <p data-bbox="354 722 935 751">Effective for aids payable in 2020 and thereafter.</p>
4	<p data-bbox="354 810 902 837">Appropriation, payment, and administration.</p> <p data-bbox="354 852 1414 947">Describes the process for paying fire state aid and the amount necessary to make the fire state aid payments is appropriated to the commissioner of revenue from the general fund.</p> <p data-bbox="354 989 935 1014">Effective for aids payable in 2020 and thereafter.</p>
5	<p data-bbox="354 1073 695 1100">Shortfall from general fund.</p> <p data-bbox="354 1115 1370 1209">Provides that any volunteer firefighter relief association funding shortfall is to be paid from the state general fund to the extent there is a legislative appropriation for this purpose.</p> <p data-bbox="354 1251 935 1276">Effective for aids payable in 2020 and thereafter.</p>
6	<p data-bbox="354 1335 464 1362">Purpose.</p> <p data-bbox="354 1377 1406 1472">This is an uncodified provision that describes the purpose of the fire state aid and police state aid recodification. This provision provides that prior provisions are repealed on the effective date of the new provisions.</p> <p data-bbox="354 1514 610 1539">Effective July 1, 2019.</p>
7	<p data-bbox="354 1598 472 1625">Repealer.</p> <p data-bbox="354 1640 1406 1703">Repeals the current provisions relating to fire state aid. The language of these provisions is recodified into the new sections described above.</p> <p data-bbox="354 1745 935 1770">Effective for aids payable in 2020 and thereafter.</p>

Article 18: Department of Revenue – Police State Aid – Technical

This article includes a recodification of provisions related to police state aid. Chapter 477C is a proposed new chapter of the Minnesota Statutes where the recodified provisions of the police state aid program will reside.

Section	Description – DOR Police State Aid - Technical
1	<p>Definitions.</p> <p>Defines various terms for purposes of the recodified police state aid chapter.</p> <p>Effective for aids payable in 2020 and thereafter.</p>
2	<p>Qualifying for police state aid.</p> <p>Establishes the criteria that must be met in order for a municipality to qualify to receive police state aid.</p> <p>Effective for aids payable in 2020 and thereafter.</p>
3	<p>Calculation of police state aid; appeal.</p> <p>Specifies how police state aid is to be calculated and apportioned, and describes the appeal process for a municipality to object to the amount of police state aid apportioned to it.</p> <p>Effective for aids payable in 2020 and thereafter.</p>
4	<p>Appropriation, payment, and administration.</p> <p>Describes the process of paying police state aid and the amount necessary to make the police state aid payments is appropriated to the commissioner of revenue from the general fund.</p> <p>Effective for aids payable in 2020 and thereafter.</p>

Article 19: Department of Revenue – Fire and Police State Aid – Miscellaneous Technical Changes

This article provides technical changes for the newly-recodified fire state aid and police state aid.

Section	Description – DOR Fire and Police State Aid - Technical
1	<p>Fire and police premium reports.</p> <p>Establishes the filing requirements for the Minnesota Fire Premium Report and the Minnesota Aid to Police Premium Report. Penalties apply if a company fails to file the</p>

Section	Description – DOR Fire and Police State Aid - Technical
	<p>required report by the due date, if a person whose duty it is to file the report fails or refuses to file the report within 30 days after notification by the commissioner of revenue that the report is late, and if a company knowingly makes and files an inaccurate or false report.</p> <p>Effective for reports filed after December 31, 2019.</p>
2	<p>Financial report; bond; examination.</p> <p>Establishes financial reporting requirements to the state auditor for volunteer firefighters' relief associations and each municipality with an organized fire department that does not have a relief association.</p> <p>Effective July 1, 2019.</p>
3	<p>Authorized administrative expenses from special fund.</p> <p>Provides that payment of certain necessary, reasonable, and direct expenses of maintaining, protecting, and administering the special fund constitutes authorized administrative expenses of a volunteer firefighters' relief association.</p> <p>Effective July 1, 2019.</p>
4	<p>Repealer.</p> <p>Repeals the current provisions relating to fire state aid and police state aid. The language of these provisions is recodified into the new sections described above.</p> <p>The repeal of statutes relating to section 1 of this article is effective for reports filed after December 31, 2019. The repeal of statutes relating to sections 2-4 of this article is effective July 1, 2019.</p>

Article 20: Department of Revenue – Fire and Police State Aid – Conforming Changes – Technical

This article provides technical changes for the newly-recodified fire state aid and police state aid.

Section	Description – Article 20: DOR Fire and Police State Aid Conforming Changes
1 - 28	<p>Report to commissioner of revenue.</p> <p>Amends various statutes to update cross-references to the new sections created pursuant to the chapter 69 recodification.</p>

Section Description – Article 20: DOR Fire and Police State Aid Conforming Changes

- 29 Repealer.**
Repeals the volunteer retention stipend aid pilot program originally created by this section sunset for aid payable after calendar year 2017.

Effective the day following final enactment.

Article 21: Department of Revenue – Miscellaneous – Policy

This article provides changes to the statutes relating to the revocation of sales tax permits for businesses that have unpaid sales tax liabilities.

Section Description – Article 21: DOR Miscellaneous - Policy

- 1 Revocation or cancellation.**
Expands the commissioner’s authority to disclose data identifying the holder of a sales tax permit that has been canceled.

Effective the day following final enactment.
- 2 Permits issued and not issued; cancellations.**
Prevents a business from evading a sales tax liability by prohibiting the issuance of a new sales tax permit to a business or person that has an unpaid sales tax liability not under appeal.

Effective for permit applications filed after December 31, 2019.
- 3 Cancellation of permits.**
Provides for cancellation with notice of sales tax permits of a business or person that has an unpaid sales tax liability.

Effective for permit applications filed after December 31, 2019.
- 4 Repealer.**
Repeals statute requiring a report to Explore Minnesota Tourism that will be developed through an inter-agency agreement and is no longer required to be referenced in statute.

Effective the day following final enactment.

Article 22: Department of Revenue – Miscellaneous – Technical

This article provides technical updates to the references of persons with disabilities and married spouses throughout tax chapters. It also provides clarifications to the net proceeds tax distribution of mining taxes, and provides a technical clarification to the deadline to submit post-trial briefing materials in tax court cases.

Section	Description – Article 22: DOR Miscellaneous - Technical
1 - 5, 10, 12 - 13, 18 - 27	<p>Persons who are blind or have a disability.</p> <p>Amends statutes to update language for persons who are blind or have a disability.</p> <p>Effective the day following final enactment.</p>
6 - 9, 11, 14 - 17, 27 - 28	<p>Married spouses.</p> <p>Amends statutes to update gender-specific language for spouses.</p> <p>Effective the day following final enactment.</p>
29	<p>Within taconite assistance area.</p> <p>Removes reference to the July 15 net proceeds tax distribution date and add related conforming language to ensure the distributions are administrable.</p> <p>Effective the day following final enactment.</p>
30	<p>Distribution date.</p> <p>Adds a subdivision to change the net proceeds tax distribution date from July 15 to December 15 to ensure the distributions are administrable.</p> <p>Effective the day following final enactment.</p>
31	<p>Distribution of taconite municipal aid account.</p> <p>Adds a conforming paragraph related to the net proceeds tax distribution date.</p> <p>Effective the day following final enactment.</p>
32	<p>Tax court written orders.</p> <p>Updates the effective date for the change enacted regarding the period of time to file post-trial motions. After June 30, 2019, all cases will have 30 days to file post-trial motions.</p> <p>Effective the day following final enactment.</p>



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