A bill for an act

relating to relating to financing and operation of state and local government; providing conformity and nonconformity to certain federal tax law changes; modifying individual income and corporate franchise taxes, estate taxes, sales and use taxes, special and excise taxes, property taxes, local government aids, provisions related to local taxes, tax increment financing, and public finance, and other miscellaneous taxes and tax provisions; modifying indexing provisions; changing the starting point for state individual income tax calculation from federal taxable income to federal adjusted gross income; providing for various individual and corporate additions and subtractions to income; modifying certain allowances and adjustments to income; modifying individual income tax brackets; modifying certain income tax credits; modifying and allowing certain exemptions from sales and use taxes; establishing property tax exemptions; modifying agricultural homestead provisions; modifying state general levy; modifying expiration and termination of agricultural preserves; allowing certain refunds for disabled veterans; modifying certain deadlines; modifying referendum equalization levy; phasing out school building bond agricultural credit; modifying aid and providing grants to cities and counties; modifying approval requirements for certain local sales taxes; modifying and authorizing certain local sales taxes; requiring reports; appropriating money; amending Minnesota Statutes 2018, sections 6.495, subdivision 3; 37.31, subdivision 1; 38.27, by adding a subdivision; 103D.905, subdivisions 5, 9; 103E.611, subdivision 2; 116J.8737, subdivisions 1, 2, 3, 4, 5, 6, 12; 123B.595, subdivision 5; 126C.17, subdivision 6; 138.053; 144E.42, subdivision 2; 162.145, subdivision 3; 197.603, subdivision 2; 256J.02, subdivision 2; 270A.03, subdivision 5; 270B.08, subdivision 2; 270C.57; 270C.85, subdivision 2; 270C.89, subdivisions 1, 2; 270C.91; 272.02, subdivisions 27, 49, 81, by adding subdivisions; 272.115, subdivision 1; 273.032; 273.061, subdivision 9; 273.0755; 273.113, subdivision 3; 273.119, subdivision 2; 273.1231, subdivision 3; 273.124, subdivisions 3a, 8, 13, 14, 21, by adding a subdivision; 273.1245, subdivision 2; 273.13, subdivisions 22, 23, 34; 273.136, subdivision 2; 273.1384, subdivisions 2, 3; 273.1387, subdivisions 2, 3; 273.18; 273.371, subdivision 1; 273.3711; 274.14; 274.16; 275.025, subdivision 1, by adding a subdivision; 276.131; 282.01, subdivision 6; 287.21, subdivision 1; 289A.08, subdivisions 1, 6, 7; 289A.20, subdivision 4; 289A.25, subdivision 1; 289A.31, subdivision 2; 289A.37, subdivision 6; 289A.38, subdivision 7; 289A.60, subdivision 15; 290.01, subdivisions 29a, 31, by adding subdivisions; 290.0131, subdivisions 1, 3, by adding subdivisions; 290.0132, subdivisions 1, 7, 19, 20, 26, by adding subdivisions; 290.0133, subdivision 6, by adding a subdivision; 290.0134, by

adding subdivisions; 290.0137; 290.032, subdivision 2; 290.05, subdivision 3; 290.06, subdivisions 2c, 2d, 2h; 290.067, subdivision 2b; 290.0671, subdivisions 1, 6, 7; 290.0672, subdivision 2; 290.0675, subdivision 1; 290.0681, subdivisions 1, 2, 3, 4; 290.0684, subdivision 2; 290.0802, subdivisions 2, 3; 290.091, subdivisions 2, 3; 290.0921, subdivisions 2, 3; 290.0922, subdivision 1; 290.095, subdivision 2; 290.191, subdivision 5; 290.21, subdivision 4, by adding a subdivision; 290.34, by adding a subdivision; 290.92, subdivisions 1, 5, 28; 290A.03, subdivisions 3, 4, 8, 12, 13; 290A.04, subdivision 4; 290A.05; 290A.08; 290A.09; 290B.04, subdivision 1; 290B.09, subdivision 1; 291.03, subdivisions 9, 10; 295.50, subdivisions 3, 4, 9b, 14, 15, by adding subdivisions; 295.51, subdivision 1a; 295.52, subdivisions 1, 1a, 2, 3, 4, 8; 295.53, subdivision 1; 295.57, subdivisions 3, 5; 295.582, subdivision 1; 296A.03, subdivision 2; 296A.04, by adding a subdivision; 296A.05, by adding a subdivision; 296A.06; 297A.61, subdivision 18; 297A.66, subdivisions 1, 2, 3; 297A.67, subdivisions 6, 12, by adding a subdivision; 297A.68, subdivisions 17, 25, 42, 44; 297A.70, subdivisions 3, 4, 10, 16, 20, by adding a subdivision; 297A.71, subdivisions 22, 45, 50, by adding subdivisions; 297A.75, subdivisions 1, 2; 297A.77, by adding a subdivision; 297A.84; 297A.85; 297A.99, subdivisions 1, 2, 3, by adding a subdivision; 297A.993, subdivisions 1, 2, by adding a subdivision; 297B.01, subdivisions 14, 16; 297B.03; 297F.01, subdivisions 19, 23, by adding a subdivision; 297F.08, subdivisions 8, 9; 297F.09, subdivision 10; 297G.09, subdivision 9; 297I.20, subdivision 3; 298.018, subdivision 1, by adding a subdivision; 298.225, subdivision 1; 298.28, subdivisions 3, 11; 298.282, subdivision 1; 353.27, subdivision 3c; 353.505; 353G.01, subdivision 9; 353G.05, subdivision 2; 353G.08, subdivisions 1, 1a; 353G.17, subdivision 2; 356.20, subdivision 4a; 356.219, subdivision 8; 423A.02, subdivisions 1b, 3; 423A.022, subdivisions 2, 4; 424A.016, subdivisions 2, 4; 424A.02, subdivisions 1, 3a, 10; 424A.03, subdivision 2; 424A.05, subdivisions 2, 3, by adding a subdivision; 424A.07; 424A.091, subdivision 3; 424A.092, subdivisions 3, 4; 424A.093, subdivision 5; 424B.09; 462D.03, subdivision 2; 469.169, by adding a subdivision; 469.171, subdivision 4; 469.177, subdivision 1; 469.316, subdivision 1; 471.831; 473H.08, subdivisions 1, 4, by adding a subdivision; 473H.09, by adding a subdivision; 474A.02, subdivision 22b; 475.521, subdivision 1; 477A.013, subdivision 9; 477A.03, subdivisions 2a, 2b; Minnesota Statutes 2019 Supplement, sections 289A.02, subdivision 7; 289A.12, subdivision 14; 289A.35; 290.01, subdivision 19; 290.0132, subdivision 21; 290.0672, subdivision 1; 290.0684, subdivision 1; 290.091, subdivision 2; 290.17, subdivision 2; 290A.03, subdivision 15; 291.005, subdivision 1; 462D.06, subdivisions 1, 2; Laws 1980, chapter 511, section 4; Laws 1986, chapter 396, section 5, as amended; Laws 1986, chapter 462, section 31, as amended; Laws 1994, chapter 587, article 9, section 11; Laws 1998, chapter 389, article 8, section 45, subdivisions 1, 3, as amended, 4, 5; Laws 2003, chapter 127, article 10, section 31, subdivision 1, as amended; Laws 2003, First Special Session chapter 14, article 13C, section 2, subdivision 6, as amended; Laws 2008, chapter 366, article 5, sections 26, as amended; 33, as amended; Laws 2009, chapter 88, article 2, section 46, subdivisions 1, as amended, 2, 3, as amended, 4, 5; Laws 2009, chapter 122, section 3, subdivisions 1, 2; Laws 2011, First Special Session chapter 7, article 4, section 10, subdivision 3; Laws 2014, chapter 308, article 6, section 8, subdivision 1, as amended; Laws 2017, First Special Session chapter 1, article 3, section 32; article 8, section 3; article 10, section 4; Laws 2018, chapter 211, article 14, section 26; proposing coding for new law in Minnesota Statutes, chapters 16A; 270B; 270C; 290; 297I; 424A; 469; proposing coding for new law as Minnesota Statutes, chapters 477B; 477C; repealing Minnesota Statutes 2018, sections 37.31, subdivision 8; 69.011, subdivisions 1, 2, 2b, 2c, 3, 4; 69.021, subdivisions 1, 2, 3, 4, 5, 7, 7a, 8, 9, 10, 11; 69.022; 69.031, subdivisions 1, 3, 5; 69.041; 69.051, subdivisions 1, 1a, 1b, 2, 3, 4; 69.33; 69.80; 270C.131; 275.29; 290.0131, subdivisions 7, 11, 12, 13; 290.0132, subdivision 8; 290.0133, subdivisions 13, 14; 290.0671, subdivision 6a; 290.10, subdivision 2; 296A.03, subdivision 5; 296A.04, subdivision 2; 296A.05, subdivision 2; 297A.66, subdivision 4b; 297F.08,

subdivision 5; 297I.25, subdivision 2; Laws 2011, First Special Session chapter 9, article 6, section 97, subdivision 6; Minnesota Rules, part 8125.0410, subpart 1.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

ARTICLE 1
FEDERAL CONFORMITY

Section 1. Minnesota Statutes 2018, section 270A.03, subdivision 5, is amended to read:

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

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

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

(1) for an unmarried debtor, an income of $12,560 or less;

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

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

(4) for a debtor with three dependents, an income of $21,580 or less;

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

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

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

(c) The commissioner shall annually adjust the ~~income~~ amounts in paragraph (b) ~~by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2014" shall be substituted for the word "1992." For 2016, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2014, to the 12 months ending on August 31, 2015, and in each subsequent year, from the 12 months ending on August 31, 2014, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14. The income amount as adjusted must be rounded to the nearest $10 amount. If the amount ends in $5, the amount is rounded up to the nearest $10 amount~~ as provided in section 270C.22. The statutory year is taxable year 2019.

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

EFFECTIVE DATE. This section is effective for adjustments beginning with taxable years beginning after December 31, 2019.

Sec. 2. **[270C.22] COST OF LIVING ADJUSTMENT.**

Subdivision 1. **Adjustment; definition; period; rounding.** (a) The commissioner shall annually make a cost of living adjustment to the dollar amounts noted in sections that reference this section. The commissioner shall adjust the amounts based on the index as provided in this section. For purposes of this section, "index" means the Chained Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics. The values of the index used to determine the adjustments under this section are the latest published values when the Bureau of Labor Statistics publishes the initial value of the index for August of the year preceding the year to which the adjustment applies.

(b) For the purposes of this section, "statutory year" means the year preceding the first year for which dollar amounts are to be adjusted for inflation under sections that reference this section. For adjustments under chapter 290A, the statutory year refers to the year in which a taxpayer's household income used to calculate refunds under chapter 290A was earned and not the year in which refunds are payable. For all other adjustments, the statutory year refers to the taxable year unless otherwise specified.

(c) To determine the dollar amounts for taxable year 2020, the commissioner shall determine the percentage change in the index for the 12-month period ending on August 31, 2019, and increase each of the unrounded dollar amounts in the sections referencing

this section by that percentage change. For each subsequent taxable year, the commissioner shall increase the dollar amounts by the percentage change in the index from August 31 of the year preceding the statutory year to August 31 of the year preceding the taxable year.

(d) To determine the dollar amounts for refunds payable in 2020 under chapter 290A, the commissioner shall determine the percentage change in the index for the 12-month period ending on August 31, 2019, and increase each of the unrounded dollar amounts in the sections referencing this section by that percentage change. For each subsequent year, the commissioner shall increase the dollar amounts by the percentage change in the index from August 31 of the year preceding the statutory year to August 31 of the year preceding the year in which refunds are payable.

(e) Unless otherwise provided, the commissioner shall round the amounts as adjusted to the nearest $10 amount. If an amount ends in $5, the amount is rounded up to the nearest $10 amount.

Subd. 2. **Publication.** The commissioner shall announce and publish the adjusted dollar amounts required by subdivision 1 on the Department of Revenue's website on or before December 15 of each year.

Subd. 3. **Special provision.** The determination of the commissioner under this subdivision is not a rule and is not subject to the Administrative Procedure Act under chapter 14, including section 14.386.

EFFECTIVE DATE. This section is effective for adjustments beginning with taxable years beginning after December 31, 2019, calendar years beginning after December 31, 2019, and for refunds based on rent paid in 2019 and property taxes payable in 2020.

Sec. 3. Minnesota Statutes 2018, section 289A.02, subdivision 7, is amended to read:

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

EFFECTIVE DATE. This section is effective the day following final enactment except the changes incorporated by federal changes are effective retroactively at the same time the changes became effective for federal purposes.

Sec. 4. Minnesota Statutes 2018, section 289A.08, subdivision 1, is amended to read:

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

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

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

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

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

(d) The commissioner of revenue must annually determine the gross income levels at which individuals are required to file a return for each taxable year based on the amounts allowed as a deduction under section 290.0123.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 5. Minnesota Statutes 2018, section 289A.08, subdivision 7, is amended to read:

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

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

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

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

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

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

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

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

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

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

(j) For the purposes of this subdivision, "income" means the partner's share of federal adjusted gross income from the partnership modified by the additions provided in section 290.0131, subdivisions 8 to ~~11~~ 10 and 16, and the subtractions provided in: (1) section 290.0132, subdivision 9, to the extent the amount is assignable or allocable to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed under section 290.0132, subdivision 9, is only allowed on the composite tax computation to the extent the electing partner would have been allowed the subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 6. Minnesota Statutes 2018, section 289A.12, subdivision 14, is amended to read:

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

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

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 7. Minnesota Statutes 2018, section 289A.35, is amended to read:

289A.35 ASSESSMENTS ON RETURNS.

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

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

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 8. Minnesota Statutes 2018, section 290.01, is amended by adding a subdivision to read:

Subd. 3c. **Determination of marital status.** The determination of marital status is made by section 7703 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 9. Minnesota Statutes 2018, section 290.01, is amended by adding a subdivision to read:

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 10. Minnesota Statutes 2018, section 290.01, subdivision 19, is amended to read:

Subd. 19. **Net income.** (a) For a trust or estate taxable under section 290.03, and a corporation taxable under section 290.02, the term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating the federal effective dates of changes to the Internal Revenue Code and any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in sections 290.0131 to 290.0136.

(b) For an individual, the term "net income" means federal adjusted gross income with the modifications provided in sections 290.0131, 290.0132, and 290.0135 to 290.0137.

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

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

(2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest

dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code; and

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

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

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

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

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

EFFECTIVE DATE. (a) The amendments to paragraphs (a) and (b) are effective for taxable years beginning after December 31, 2018.

(b) The amendment to paragraph (f) is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time as the changes became effective for federal purposes, but are subject to the application of Minnesota Statutes, section 290.993.

Sec. 11. Minnesota Statutes 2018, section 290.01, is amended by adding a subdivision to read:

Subd. 19i. **Deferred foreign income.** "Deferred foreign income" means the income of a domestic corporation that is included in net income under section 965 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective retroactively at the same time as the changes in Public Law 115-97 relating to deferred foreign income were effective for federal purposes.

Sec. 12. Minnesota Statutes 2018, section 290.01, is amended by adding a subdivision to read:

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

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

Sec. 13. Minnesota Statutes 2018, section 290.01, subdivision 29a, is amended to read:

Subd. 29a. **State itemized deduction.** "State itemized ~~deduction~~ deductions" means ~~federal itemized deductions, as defined in section 63(d) of the Internal Revenue Code, disregarding any limitation under section 68 of the Internal Revenue Code, and reduced by the amount of the addition required under section 290.0131, subdivision 13~~ the itemized deductions for individual income tax allowed under section 290.0122, subdivision 1, reduced by the limit under section 290.0122, subdivision 2.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 14. Minnesota Statutes 2018, section 290.01, subdivision 31, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ December 31, 2018. Internal Revenue Code also includes any uncodified provision in federal law that relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by the federal changes are effective retroactively at the same time as the changes became effective for federal purposes, but are subject to the application of Minnesota Statutes, section 290.993.

Sec. 15. **[290.0121] DEPENDENT EXEMPTION.**

Subdivision 1. **Exemption amount.** (a) A taxpayer's dependent exemption equals:

(1) the exemption amount multiplied by the number of individuals who are dependents, as defined in sections 151 and 152 of the Internal Revenue Code, of the taxpayer for the taxable year; minus

(2) the disallowed exemption amount under subdivision 2, but the remainder may not be less than zero.

(b) The exemption amount equals $4,250.

Subd. 2. **Disallowed exemption amount.** (a) The disallowed exemption amount equals the dependent exemption allowed under subdivision 1, paragraph (a), clause (1), multiplied by the applicable percentage.

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

(c) "Threshold amount" means:

(1) $291,950 for a joint return or a surviving spouse;

(2) $243,300 for a head of a household;

(3) $194,650 for an individual who is not married and who is not a surviving spouse or head of a household; and

(4) half the amount for a joint return for a married individual filing a separate return.

Subd. 3. **Inflation adjustment.** For taxable years beginning after December 31, 2019, the commissioner must adjust for inflation the exemption amount in subdivision 1, paragraph (a), clause (1), and the threshold amounts in subdivision 2, as provided in section 270C.22. The statutory year is taxable year 2019. The amounts as adjusted must be rounded down to the nearest $50 amount. If the amount ends in $25, the amount is rounded down to the nearest $50 amount. The threshold amount for married individuals filing separate returns must be one-half of the adjusted amount for married individuals filing joint returns.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 16. **[290.0122] ITEMIZED DEDUCTIONS.**

Subdivision 1. **Itemized deductions.** A taxpayer's itemized deductions equal the sum of the amounts allowed as a deduction under this section, reduced by the amount calculated under subdivision 2.

Subd. 2. **Deductions limited; inflation adjustment.** (a) The itemized deductions of a taxpayer with adjusted gross income in excess of the applicable amount are reduced by the lesser of:

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

(2) 80 percent of the amount of the taxpayer's itemized deductions.

(b) "Applicable amount" means $194,650, or $97,325 for a married individual filing a separate return.

(c) For the purposes of this subdivision, "itemized deductions" means the itemized deductions otherwise allowable to the taxpayer under subdivision 1, except itemized deductions excludes:

(1) the portion of the deduction for interest under subdivision 5 that represents investment interest;

(2) the deduction for medical expenses under subdivision 6; and

(3) the deduction for losses under subdivision 8.

(d) For taxable years beginning after December 31, 2019, the commissioner must adjust for inflation the applicable amounts under paragraph (b) as provided in section 270C.22. The statutory year is taxable year 2019. The amounts as adjusted must be rounded down to the nearest $50 amount. The threshold amount for married individuals filing separate returns must be one-half of the adjusted amount for married individuals filing joint returns.

Subd. 3. **Taxes paid.** (a) A taxpayer is allowed a deduction for taxes paid. The deduction equals the sum of the following amounts for the taxable year:

(1) state and local personal property taxes and real property taxes, in a total amount for both types not to exceed $10,000, or $5,000 for a married taxpayer filing a separate return;

(2) foreign income, war profits, and excess profits taxes to the extent not reduced by the federal foreign tax credit; and

(3) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit, and to the extent not deducted under clause (2).

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

(1) "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit;

(2) "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code; and

(3) "foreign, income, war profits, and excess profits taxes" and "state and local real and personal property taxes" have the meanings given in section 164 of the Internal Revenue Code.

Subd. 4. **Charitable contributions.** (a) A taxpayer is allowed a deduction for charitable contributions. The deduction equals the amount of the charitable contribution deduction allowable to the taxpayer under section 170 of the Internal Revenue Code, including the denial of the deduction under section 408(d)(8), except that the provisions of section 170(b)(1)(G) apply regardless of the taxable year.

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

Subd. 5. **Interest.** A taxpayer is allowed a deduction for interest. The deduction equals the amount allowed to the taxpayer as interest paid or accrued during the taxable year under section 163 of the Internal Revenue Code with the following exceptions:

(1) qualified residence interest excludes home equity interest;

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

(3) mortgage insurance premiums treated as interest under section 163(h)(3)(E) are not interest for the purposes of this subdivision.

Subd. 6. **Medical expenses.** A taxpayer is allowed a deduction for medical expenses. The deduction equals the amount allowed under section 213 of the Internal Revenue Code, except that the threshold percentage of adjusted gross income in paragraph (a) is ten percent regardless of the federal percentage for the taxable year.

Subd. 7. **Unreimbursed employee expenses.** A taxpayer is allowed a deduction for unreimbursed employee expenses. The deduction equals the amount of the taxpayer's trade or business expenses incurred as an employee and allowed under section 162 of the Internal Revenue Code in excess of two percent of the taxpayer's adjusted gross income, disregarding the suspension of the deduction in section 67, paragraph (g), of the Internal Revenue Code.

Subd. 8. **Losses.** A taxpayer is allowed a deduction for losses. The deduction equals the amount allowed under sections 165(d) and 165(h) of the Internal Revenue Code, disregarding the limitation on personal casualty losses in paragraph (h)(5).

Subd. 9. **Miscellaneous deduction.** A taxpayer is allowed a miscellaneous deduction. The deduction equals the sum of the following amounts for the taxable year:

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

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 17. **[290.0123] STANDARD DEDUCTION.**

Subdivision 1. **Standard deduction amount.** A taxpayer's standard deduction equals:

(1) for a married joint filer or a surviving spouse, $24,400;

(2) for a head of household filer, $18,350; or

(3) for any other filer, one-half the amount in clause (1); plus

(4) the additional amount for the taxpayer under subdivision 2.

A taxpayer's standard deduction amount is reduced in accordance with subdivision 5.

Subd. 2. **Additional amount for seniors or blind taxpayers.** (a) The additional amount equals the sum of the following amounts:

(1) $1,300 if the taxpayer has attained age 65 before the close of the taxable year or $1,650 for such a taxpayer who is not married or a surviving spouse;

(2) $1,300 for the spouse of the taxpayer if the spouse has attained the age of 65 before the close of the taxable year and qualifies for an exemption under section 151(b) of the Internal Revenue Code;

(3) $1,300 if the taxpayer is blind at the close of the taxable year or $1,650 for such a taxpayer who is not married or a surviving spouse; and

(4) $1,300 for the spouse of the taxpayer if the spouse is blind as of the close of the taxable year and qualifies for an exemption under section 151(b) of the Internal Revenue Code.

(b) The commissioner must disregard section 151(d)(5) of the Internal Revenue Code when determining if the taxpayer's spouse is eligible for an exemption under paragraph (a).

Subd. 3. **Amount for dependents.** For an individual who is a dependent, as defined in sections 151 and 152 of the Internal Revenue Code, of another taxpayer for a taxable year beginning in the calendar year in which the individual's taxable year begins, the standard deduction for that individual is limited to the greater of:

(1) $1,100; or

(2) the lesser of (i) the sum of $350 and that individual's earned income, as defined in section 32(c) of the Internal Revenue Code; or (ii) the standard deduction amount allowed under subdivision 1, clause (3).

Subd. 4. **Deduction disallowed.** The standard deduction is zero for: (1) a married individual filing a separate return if either spouse itemizes deductions; (2) an individual making a return for a period of less than twelve months on account of changes in the annual accounting period; and (3) a nonresident alien individual, except as allowed under a United States income tax treaty.

Subd. 5. **Deduction limited.** (a) The standard deduction of a taxpayer with adjusted gross income in excess of the applicable amount is reduced by the lesser of:

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

(2) 80 percent of the standard deduction otherwise allowable under this section.

(b) "Applicable amount" means $194,650, or $97,325 for a married individual filing a separate return.

Subd. 6. **Inflation adjustment.** For taxable years beginning after December 31, 2019, the commissioner must adjust for inflation the standard deduction amounts in subdivision 1, the additional amounts in subdivision 2, the amounts in subdivision 3, and the applicable amounts in subdivision 5 as provided in section 270C.22. The statutory year is taxable year 2019. The amounts as adjusted must be rounded down to the nearest $50 amount. The standard deduction amount for married individuals filing separate returns is one-half of the adjusted amount for married individuals filing joint returns.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 18. Minnesota Statutes 2018, section 290.0131, subdivision 1, is amended to read:

Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "addition" means an amount that must be added to federal taxable income for a trust or an estate or federal adjusted gross income for an individual in computing net income for the taxable year to which the amounts relate.

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

(c) Unless specifically indicated or unless the context clearly indicates otherwise, only amounts that were deducted or excluded in computing federal taxable income for a trust or an estate or federal adjusted gross income for individuals are an addition under this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 19. Minnesota Statutes 2018, section 290.0131, subdivision 3, is amended to read:

Subd. 3. **Income, sales and use, motor vehicle sales, or excise taxes paid.** ~~(a)~~ For trusts and estates, the amount of income, sales and use, motor vehicle sales, or excise taxes paid or accrued within the taxable year under this chapter and the amount of taxes based on net income, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any

province or territory of Canada is an addition to the extent deducted under section 63(d) of the Internal Revenue Code.

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 20. Minnesota Statutes 2018, section 290.0131, is amended by adding a subdivision to read:

Subd. 15. **529 plan addition.** The lesser of the following amounts is an addition:

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

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

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

Sec. 21. Minnesota Statutes 2018, section 290.0131, is amended by adding a subdivision to read:

Subd. 16. **Section 199A addition.** For trusts and estates, the amount deducted under section 199A of the Internal Revenue Code in computing the trust or estate's federal taxable income is an addition.

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

Sec. 22. Minnesota Statutes 2018, section 290.0131, is amended by adding a subdivision to read:

Subd. 17. **Foreign-derived intangible income** To the extent deducted from net income, the amount of foreign-derived intangible income deducted under section 250 of the Internal Revenue Code for the taxable year is an addition.

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

Sec. 23. Minnesota Statutes 2018, section 290.0132, subdivision 1, is amended to read:

Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "subtraction" means an amount that shall be subtracted from federal taxable income for a trust or an estate or federal adjusted gross income for an individual in computing net income for the taxable year to which the amounts relate.

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

(c) Unless specifically indicated or unless the context clearly indicates otherwise, no amount deducted, subtracted, or otherwise excluded in computing federal taxable income for a trust or an estate or federal adjusted gross income for an individual is a subtraction under this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 24. Minnesota Statutes 2018, section 290.0132, subdivision 7, is amended to read:

Subd. 7. **Charitable contributions for taxpayers who do not itemize.** ~~To the extent not deducted or not deductible under section 408(d)(8)(E) of the Internal Revenue Code in determining federal taxable income by~~ For an individual who does not itemize deductions ~~for federal income tax purposes~~ under section 290.0132, subdivision 19, for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over $500 allowable as a deduction for the taxable year under section ~~170(a) of the Internal Revenue Code~~ 290.0122, subdivision 4, is a subtraction. The subtraction under this subdivision must not include a distribution that is excluded from federal adjusted gross income and that is not deductible under section 408(d)(8)(E) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 25. Minnesota Statutes 2018, section 290.0132, subdivision 19, is amended to read:

Subd. 19. ~~**Disallowed**~~ **Standard or itemized deductions.** (a) The standard deduction amount allowed under section 290.0123, subdivision 1, is a subtraction.

(b) A taxpayer may elect to claim a subtraction equal to the amount of ~~the limitation on~~ itemized deductions calculated under section ~~68(b) of the Internal Revenue Code is a subtraction~~ 290.0122, subdivision 1, in lieu of the subtraction for the standard deduction in paragraph (a).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 26. Minnesota Statutes 2018, section 290.0132, subdivision 20, is amended to read:

Subd. 20. ~~**Disallowed Personal**~~ **Dependent exemption.** ~~The amount of the phaseout of personal exemptions under section 151(d) of the Internal Revenue Code is a subtraction.~~ The dependent exemption under section 290.0121, subdivision 1, paragraph (a), is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 27. Minnesota Statutes 2018, section 290.0132, subdivision 21, is amended to read:

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 28. Minnesota Statutes 2018, section 290.0132, is amended by adding a subdivision to read:

Subd. 27. **Deferred foreign income.** The amount of deferred foreign income recognized because of section 965 of the Internal Revenue Code is a subtraction.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time the changes become effective for federal purposes.

Sec. 29. Minnesota Statutes 2018, section 290.0132, is amended by adding a subdivision to read:

Subd. 28. **Global intangible low-taxed income.** The amount of global intangible low-taxed income included in gross income under section 951A of the Internal Revenue Code is a subtraction.

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

Sec. 30. Minnesota Statutes 2018, section 290.0133, subdivision 6, is amended to read:

Subd. 6. **Special deductions.** The amount of any special deductions under sections 241 to 247 ~~and 965~~ of the Internal Revenue Code is an addition.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time the changes become effective for federal purposes.

Sec. 31. Minnesota Statutes 2018, section 290.0133, is amended by adding a subdivision to read:

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

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

Sec. 32. Minnesota Statutes 2018, section 290.0134, is amended by adding a subdivision to read:

Subd. 17. **Global intangible low-taxed income.** The amount of global intangible low-taxed income included in gross income under section 951A of the Internal Revenue Code, after the deduction for global intangible low-taxed income under section 250 of the Internal Revenue Code, is a subtraction.

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

Sec. 33. Minnesota Statutes 2018, section 290.0134, is amended by adding a subdivision to read:

Subd. 18. **Deferred foreign income.** The amount of deferred foreign income recognized because of section 965 of the Internal Revenue Code, after any deduction under section 965(c) of the Internal Revenue Code, is a subtraction.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time the changes become effective for federal purposes.

Sec. 34. Minnesota Statutes 2018, section 290.032, subdivision 2, is amended to read:

Subd. 2. **Computation.** The amount of tax imposed by subdivision 1 shall be computed in the same way as the tax imposed under section 402(d) of the Internal Revenue Code of 1986, as amended through December 31, 1995, except that the initial separate tax shall be an amount equal to five times the tax which would be imposed by section 290.06, subdivision 2c, if the recipient was an unmarried individual, and the taxable net income was an amount equal to one-fifth of the excess of

(i) the total taxable amount of the lump-sum distribution for the year, over

(ii) the minimum distribution allowance, and except that references in section 402(d) of the Internal Revenue Code of 1986, as amended through December 31, 1995, to paragraph (1)(A) thereof shall instead be references to subdivision 1, and the excess, if any, of the subtraction base amount over ~~federal~~ taxable net income for a qualified individual as provided under section 290.0802, subdivision 2.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 35. Minnesota Statutes 2018, section 290.05, subdivision 3, is amended to read:

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

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

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

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

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

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

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

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

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

(3) amounts included in unrelated business taxable income under section 512(a)(7) of the Internal Revenue Code.

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

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

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

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

Sec. 36. Minnesota Statutes 2018, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. **Inflation adjustment of brackets.** ~~(a) For taxable years beginning after December 31, 2013,~~ The commissioner shall annually adjust the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c ~~shall be adjusted for inflation by the percentage determined under paragraph (b). For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, 2012, and before January 1, 2014~~ as provided in section 270C.22. The statutory year is taxable year 2019. The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest $10 amount. If the rate bracket ends in $5, it must be rounded up to the nearest $10 amount.

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

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

EFFECTIVE DATE. This section is effective for adjustments beginning with taxable years beginning after December 31, 2019.

Sec. 37. Minnesota Statutes 2018, section 290.06, subdivision 2h, is amended to read:

Subd. 2h. **Section 529 plan recapture.** (a) For the purposes of this subdivision:

(1) the definitions under section 290.0684 apply;

(2) "account owner" means an individual who owns one or more qualified accounts;

(3) "credit ratio" means the ratio of (i) two times the total amount of credits that an account owner claimed under section 290.0684 for contributions to the account owner's qualified accounts to (ii) the total contributions in all taxable years to the account owner's qualified accounts; ~~and~~

(4) "qualified higher education expenses" has the meaning given in section 529(e)(3) of the Internal Revenue Code, except section 529(c)(7) does not apply; and

(5) "subtraction ratio" means the ratio of (i) the total amount of subtractions that an account owner claimed under section 290.0132, subdivision 23, for contributions to the account owner's qualified accounts to (ii) the total contributions in all taxable years to the account owner's qualified accounts.

(b) If a distribution from a qualified account is used for a purpose other than to pay for qualified higher education expenses, the account owner must pay an additional tax equal to:

(1) 50 percent of the product of the credit ratio and the amount of the distribution; plus

(2) ten percent of the product of the subtraction ratio and the amount of the distribution.

(c) The additional tax under this subdivision does not apply to any portion of a distribution that is subject to the additional tax under section 529(c)(6) of the Internal Revenue Code.

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

Sec. 38. Minnesota Statutes 2018, section 290.067, subdivision 2b, is amended to read:

Subd. 2b. **Inflation adjustment.** The commissioner shall annually adjust the dollar amount of the income threshold at which the maximum credit begins to be reduced under subdivision 1 ~~by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2016" shall be substituted for the word "1992." For 2018, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision must not be considered a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. The threshold amount as adjusted must be rounded to the nearest $10 amount. If the amount ends in $5, the amount is rounded up to the nearest $10 amount~~ as provided in section 270C.22. The statutory year is taxable year 2019.

EFFECTIVE DATE. This section is effective for adjustments beginning with taxable years beginning after December 31, 2019.

Sec. 39. Minnesota Statutes 2018, section 290.0671, subdivision 7, is amended to read:

Subd. 7. **Inflation adjustment.** The commissioner shall annually adjust the earned income amounts used to calculate the credit and the ~~income~~ phase-out thresholds ~~at which the maximum credit begins to be reduced~~ in subdivision 1 ~~must be adjusted for inflation. The commissioner shall adjust by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2013" shall be substituted for the word "1992." For 2015, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2013, to the 12 months ending on August 31, 2014, and in each subsequent year, from the 12 months ending on August 31, 2013, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest $10 amount. If the amount ends in $5, the amount is rounded up to the nearest $10 amount. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act~~ as provided in section 270C.22. The statutory year is taxable year 2019.

EFFECTIVE DATE. This section is effective for adjustments for taxable years beginning after December 31, 2019.

Sec. 40. Minnesota Statutes 2018, section 290.0672, subdivision 1, is amended to read:

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

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

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

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

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

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

(d) "Premiums deducted in determining ~~federal taxable~~ net income" means the lesser of (1) long-term care insurance premiums that qualify as deductions under section 213 of the Internal Revenue Code; and (2) the total amount ~~deductible~~ deducted for medical care under ~~section 213 of the Internal Revenue Code~~ section 290.0122, subdivision 6.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 41. Minnesota Statutes 2018, section 290.0672, subdivision 2, is amended to read:

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 42. Minnesota Statutes 2018, section 290.0675, subdivision 1, is amended to read:

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

(b) "Earned income" means the sum of the following, to the extent included in Minnesota taxable income:

(1) earned income as defined in section 32(c)(2) of the Internal Revenue Code;

(2) income received from a retirement pension, profit-sharing, stock bonus, or annuity plan; and

(3) Social Security benefits as defined in section 86(d)(1) of the Internal Revenue Code.

(c) "Taxable income" means net income as defined in section 290.01, subdivision 19.

(d) "Earned income of lesser-earning spouse" means the earned income of the spouse with the lesser amount of earned income as defined in paragraph (b) for the taxable year minus ~~the sum of (i) the amount for one exemption under section 151(d) of the Internal Revenue Code and (ii)~~ one-half the amount of the standard deduction under section ~~63(c)(2)(A) and (4) of the Internal Revenue Code~~ 290.0123, subdivision 1, clause (1).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 43. Minnesota Statutes 2018, section 290.0681, subdivision 1, is amended to read:

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

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

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

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

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

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

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

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

Sec. 44. Minnesota Statutes 2018, section 290.0681, subdivision 2, is amended to read:

Subd. 2. **Credit or grant allowed; certified historic structure.** (a) A credit is allowed against the tax imposed under this chapter equal to not more than 100 percent of the credit allowed under section ~~47(a)(2)~~ 47(a) of the Internal Revenue Code for a project. The credit is payable in five equal yearly installments beginning with the year the project is placed in service. To qualify for the credit:

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

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

(b) The commissioner of administration may pay a grant in lieu of the credit. The grant equals 90 percent of the credit that would be allowed for the project. The grant is payable in five equal yearly installments beginning with the year the project is placed in service.

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

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

Sec. 45. Minnesota Statutes 2018, section 290.0681, subdivision 3, is amended to read:

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

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

(1) verify eligibility for the credit or grant;

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

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

(4) state the fiscal year in which the credit or grant is allocated, and that the taxpayer or grant recipient is entitled to receive one-fifth of the total amount of either the credit or the grant at the time the project is placed in service, provided that date is within three calendar years following the issuance of the allocation certificate.

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

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

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

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

Sec. 46. Minnesota Statutes 2018, section 290.0681, subdivision 4, is amended to read:

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

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

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

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

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

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

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

Sec. 47. Minnesota Statutes 2018, section 290.0684, subdivision 1, is amended to read:

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

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

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

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

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

(d) "Qualified account" means an account qualifying under section 529 of the Internal Revenue Code.

~~(e) "Qualified higher education expenses" has the meaning given in section 529 of the Internal Revenue Code.~~

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

Sec. 48. Minnesota Statutes 2018, section 290.0684, subdivision 2, is amended to read:

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

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

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

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

(1) for married couples with adjusted gross income in excess of $75,000, but not more than $100,000, the maximum credit is reduced by one percent of adjusted gross income in excess of $75,000;

(2) for married couples with adjusted gross income in excess of $100,000, but not more than $135,000, the maximum credit is $250; and

(3) for married couples with adjusted gross income in excess of $135,000, the maximum credit is $250, reduced by one percent of adjusted gross income in excess of $135,000.

(e) The commissioner shall annually adjust the income thresholds in paragraphs (c) and (d) ~~used to calculate the maximum credit must be adjusted for inflation. The commissioner shall adjust the income thresholds by the percentage determined under the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2016" is substituted for the word "1992." For 2018, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding the taxable year. The income thresholds as adjusted for inflation must be rounded to the nearest $10 amount. If the amount ends in $5, the amount is rounded up to the nearest $10 amount. The determination of the commissioner under this subdivision is not subject to chapter 14, including section 14.386~~ as provided in section 270C.22. The statutory year is taxable year 2019.

EFFECTIVE DATE. This section is effective for adjustments beginning with taxable years beginning after December 31, 2019.

Sec. 49. Minnesota Statutes 2018, section 290.0802, subdivision 2, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 50. Minnesota Statutes 2018, section 290.091, subdivision 2, is amended to read:

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

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

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

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

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

(ii) the medical expense deduction;

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

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

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

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

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

(6) the amount of addition required by section 290.0131, subdivisions 9 ~~to 11~~;, 10, and 16;

(7) the deduction allowed under section 199A of the Internal Revenue Code, to the extent not included in the addition required under clause (6); and

(8) to the extent not included in federal alternative minimum taxable income, the amount of foreign-derived intangible income deducted under section 250 of the Internal Revenue Code;

less the sum of the amounts determined under the following:

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

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

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

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

(v) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c); and

(vi) the amount allowable as a Minnesota itemized deduction under section 290.0122, subdivision 7.

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code, except alternative minimum taxable income must be increased by the addition in section 290.0131, subdivision 16.

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

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 51. Minnesota Statutes 2018, section 290.091, subdivision 3, is amended to read:

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

(b) The exemption amount determined under this subdivision is subject to the phase out under section ~~55(d)(3)~~ 55(d)(2) of the Internal Revenue Code, except that alternative minimum taxable income as determined under this section must be substituted in the computation of the phase out, and section 55(d)(4) of the Internal Revenue Code does not apply.

(c) ~~For taxable years beginning after December 31, 2006,~~ The commissioner shall annually adjust the ~~exemption amount under~~ amounts in paragraph (a) ~~must be adjusted for inflation. The commissioner shall adjust the exemption amount by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2005" shall be substituted for the word "1992." For 2007, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2005, to the 12 months ending on August 31, 2006, and in each subsequent year, from the 12 months ending on August 31, 2005, to the 12 months ending on August 31 of the year preceding the taxable year. The exemption amount as adjusted must be rounded to the nearest $10. If the amount ends in $5, it must be rounded up to the nearest $10 amount. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act~~ as provided in section 270C.22. The statutory year is taxable year 2019.

EFFECTIVE DATE. (a) The amendment to paragraph (b) is effective the day following final enactment.

(b) The amendment to paragraph (c) is effective for taxable years beginning after December 31, 2019.

Sec. 52. Minnesota Statutes 2018, section 290.0921, subdivision 2, is amended to read:

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

(b) "Alternative minimum taxable net income" is alternative minimum taxable income,

(1) less the exemption amount, and

(2) apportioned or allocated to Minnesota under section 290.17, 290.191, or 290.20.

(c) The "exemption amount" is $40,000, reduced, but not below zero, by 25 percent of the excess of alternative minimum taxable income over $150,000.

(d) "Minnesota alternative minimum taxable income" is alternative minimum taxable net income, less the deductions for alternative tax net operating loss under subdivision 4; and dividends received under subdivision 6. The sum of the deductions under this paragraph may not exceed 90 percent of alternative minimum taxable net income. This limitation does not apply to:

(1) a deduction for dividends paid to or received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code; or

(2) a deduction for dividends received from a property and casualty insurer as defined under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (i) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (ii) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

(e) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 16, 2016.

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

Sec. 53. Minnesota Statutes 2018, section 290.0921, subdivision 3, is amended to read:

Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable income" is Minnesota net income as defined in section 290.01, subdivision 19, and includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e), (f), and (h) of the Internal Revenue Code. If a corporation files a separate company Minnesota tax return, the minimum tax must be computed on a separate company basis. If a corporation is part

of a tax group filing a unitary return, the minimum tax must be computed on a unitary basis. The following adjustments must be made.

(1) The portion of the depreciation deduction allowed for federal income tax purposes under section 168(k) of the Internal Revenue Code that is required as an addition under section 290.0133, subdivision 11, is disallowed in determining alternative minimum taxable income.

(2) The subtraction for depreciation allowed under section 290.0134, subdivision 13, is allowed as a depreciation deduction in determining alternative minimum taxable income.

(3) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d) of the Internal Revenue Code does not apply.

(4) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

(5) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

(6) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

(7) The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

(8) For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

(9) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.0134, subdivision 2, or (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.0134, subdivision 8.

(10) Alternative minimum taxable income excludes the income from operating in a job opportunity building zone as provided under section 469.317.

Items of tax preference must not be reduced below zero as a result of the modifications in this subdivision.

(11) The subtraction for disallowed section 280E expenses under section 290.0134, subdivision 19, is allowed as a deduction in determining alternative minimum taxable income.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 54. Minnesota Statutes 2018, section 290.0922, subdivision 1, is amended to read:

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

If the sum of the corporation's Minnesota property, payrolls, and sales or receipts is:			the tax equals:
less than		$ 930,000	$ 0
$ 930,000	to	$ 1,869,999	$ 190
$ 1,870,000	to	$ 9,339,999	$ 560
$ 9,340,000	to	$ 18,679,999	$ 1,870
$ 18,680,000	to	$ 37,359,999	$ 3,740
$ 37,360,000	or more		$ 9,340

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

If the sum of the S corporation's or partnership's Minnesota property, payrolls, and sales or receipts is:			the tax equals:
less than		$ 930,000	$ 0
$ 930,000	to	$ 1,869,999	$ 190
$ 1,870,000	to	$ 9,339,999	$ 560
$ 9,340,000	to	$ 18,679,999	$ 1,870

$ 18,680,000	to	$ 37,359,999	$ 3,740
$ 37,360,000	or more		$ 9,340

(c) The commissioner shall annually adjust the dollar amounts of both the tax and the property, payrolls, and sales or receipts thresholds in paragraphs (a) and (b) ~~by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2012" must be substituted for the word "1992." For 2014, the commissioner shall determine the percentage change from the 12 months ending on August 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision is not a "rule" subject to the Administrative Procedure Act contained in chapter 14~~ as provided in section 270C.22. The statutory year is taxable year 2019. The tax amounts as adjusted must be rounded to the nearest $10 amount and the threshold amounts must be adjusted to the nearest $10,000 amount. For tax amounts that end in $5, the amount is rounded up to the nearest $10 amount and for the threshold amounts that end in $5,000, the amount is rounded up to the nearest $10,000.

EFFECTIVE DATE. This section is effective for adjustments beginning with taxable years beginning after December 31, 2019.

Sec. 55. Minnesota Statutes 2018, section 290.095, subdivision 2, is amended to read:

Subd. 2. **Defined and limited.** (a) The term "net operating loss" as used in this section shall mean a net operating loss as defined in section 172(c) of the Internal Revenue Code, with the modifications specified in subdivision 4. The deductions provided in section 290.21 cannot be used in the determination of a net operating loss.

(b) The term "net operating loss deduction" as used in this section means the aggregate of the net operating loss carryovers to the taxable year, computed in accordance with subdivision 3. The provisions of section 172(b) of the Internal Revenue Code relating to the carryback of net operating losses, do not apply.

(c) The amount of net operating loss deduction under this section must not exceed 80 percent of taxable net income in a single taxable year.

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

Sec. 56. Minnesota Statutes 2018, section 290.17, subdivision 2, is amended to read:

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

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

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

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

(i) the amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota. For purposes of this paragraph, off-season training activities, unless conducted at the team's facilities as part of a team imposed program, are not included in the total number of duty days. Bonuses earned as a result of play during the regular season or for participation in championship, play-off, or all-star games must be allocated under the formula. Signing bonuses are not subject to allocation under the formula if they are not conditional on playing any games for the team, are payable separately from any other compensation, and are nonrefundable; and

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 57. Minnesota Statutes 2018, section 290.21, is amended by adding a subdivision to read:

Subd. 9. **Controlled foreign corporations.** The net income of a domestic corporation that is included pursuant to section 951 of the Internal Revenue Code is dividend income.

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

Sec. 58. Minnesota Statutes 2018, section 290.34, is amended by adding a subdivision to read:

Subd. 5. **Interest limitation.** The interest expense limitation under section 163(j) of the Internal Revenue Code must be computed using the combined report entities included in the unitary group under section 290.17, subdivision 4. The limitation must be aggregated between combined report entities consistent with the application to a consolidated group for federal income tax purposes.

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

Sec. 59. Minnesota Statutes 2018, section 290.92, subdivision 1, is amended to read:

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

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

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

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

(5) **Number of withholding exemptions claimed.** For purposes of this section, the term "number of withholding exemptions claimed" means the number of withholding exemptions claimed in a withholding exemption certificate in effect under subdivision 5, except that if no such certificate is in effect, the number of withholding exemptions claimed shall be considered to be zero.

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

Sec. 60. Minnesota Statutes 2018, section 290.92, subdivision 5, is amended to read:

Subd. 5. **Exemptions.** (1) **Entitlement.** An employee receiving wages shall on any day be entitled to claim withholding exemptions in a number not to exceed the number of withholding exemptions that the employee claims and that are allowable pursuant to section 3402(f)(1), (m), and (n) of the Internal Revenue Code for federal withholding purposes, except:

(i) the standard deduction amount for the purposes of section 3402(f)(1)(E) of the Internal Revenue Code shall be the amount calculated under section 290.0123, subdivision 1; and

(ii) the exemption amount for the purposes of section 3402(f)(1)(A) of the Internal Revenue Code shall be the amount calculated under section 290.0121, subdivision 1.

(2) **Withholding exemption certificate.** The provisions concerning exemption certificates contained in section 3402(f)(2) and (3) of the Internal Revenue Code shall apply.

(3) **Form of certificate.** Withholding exemption certificates shall be in such form and contain such information as the commissioner may by rule prescribe.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 61. **[290.993] SPECIAL LIMITED ADJUSTMENT.**

(a) For an individual income taxpayer subject to tax under section 290.06, subdivision 2c, or a partnership that elects to file a composite return under section 289A.08, subdivision 7, for taxable years beginning after December 31, 2017, and before January 1, 2019, the following special rules apply:

(1) an individual income taxpayer may: (i) take the standard deduction; or (ii) make an election under section 63(e) of the Internal Revenue Code to itemize, for Minnesota individual income tax purposes, regardless of the choice made on their federal return; and

(2) there is an adjustment to tax equal to the difference between the tax calculated under this chapter using the Internal Revenue Code as amended through December 16, 2016, and the tax calculated under this chapter using the Internal Revenue Code amended through December 31, 2018, before the application of credits. The end result must be zero additional tax due or refund.

(b) The adjustment in paragraph (a), clause (2), does not apply to any changes due to sections 11012, 13101, 13201, 13202, 13203, 13204, 13205, 13207, 13301, 13302, 13303, 13313, 13502, 13503, 13801, 14101, 14102, 14211 through 14215, and 14501 of Public Law 115-97; and section 40411 of Public Law 115-123.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017, and before January 1, 2019.

Sec. 62. Minnesota Statutes 2018, section 290A.03, subdivision 3, is amended to read:

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

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

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

(i) all nontaxable income;

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

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

(iv) cash public assistance and relief;

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

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

(vii) workers' compensation;

(viii) nontaxable strike benefits;

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

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

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

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

(xiii) nontaxable scholarship or fellowship grants;

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

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

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

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

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

(b) "Income" does not include:

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

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

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

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

(5) relief granted under this chapter;

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

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

(8) alimony paid.

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

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

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

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

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

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

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

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

(1) "exemption amount" means the exemption amount under section ~~151(d) of the Internal Revenue Code~~ 290.0121, subdivision 1, paragraph (b), for the taxable year for which the income is reported;

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

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

EFFECTIVE DATE. This section is effective beginning with refunds based on property taxes payable in 2020 and rent paid in 2019.

Sec. 63. Minnesota Statutes 2018, section 290A.03, subdivision 12, is amended to read:

Subd. 12. **Gross rent.** (a) "Gross rent" means rental paid for the right of occupancy, at arm's length, of a homestead, exclusive of charges for any medical services furnished by the landlord as a part of the rental agreement, whether expressly set out in the rental agreement or not.

(b) The gross rent of a resident of a nursing home or intermediate care facility is $350 per month. The gross rent of a resident of an adult foster care home is $550 per month. ~~Beginning for rent paid in 2002,~~ The commissioner shall annually adjust ~~for inflation~~ the ~~gross rent~~ amounts ~~stated~~ in this paragraph~~. The adjustment must be made in accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this paragraph the percentage increase shall be determined from the year ending on June 30, 2001, to the year ending on June 30 of the year in which the rent is paid. The commissioner shall round the gross rents to the nearest $10 amount. If the amount ends in $5, the commissioner shall round it up to the next $10 amount. The determination of the commissioner under this paragraph is not a rule under the Administrative Procedure Act~~ as provided in section 270C.22. The statutory year is 2018.

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

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

EFFECTIVE DATE. This section is effective for adjustments beginning with refunds based on rent paid in 2019.

Sec. 64. Minnesota Statutes 2018, section 290A.03, subdivision 15, is amended to read:

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

EFFECTIVE DATE. This section is effective beginning with refunds based on property taxes payable in 2020 and rent paid in 2019.

Sec. 65. Minnesota Statutes 2018, section 290A.04, subdivision 4, is amended to read:

Subd. 4. **Inflation adjustment.** ~~(a) Beginning for property tax refunds payable in calendar year 2002,~~ The commissioner shall annually adjust the dollar amounts of the income thresholds and the maximum refunds under subdivisions 2 and 2a ~~for inflation. The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this subdivision the percentage increase shall be determined as provided in this subdivision~~ as provided in section 270C.22. The statutory year is 2018.

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

~~(c) In adjusting the dollar amounts of the income thresholds and the maximum refunds under subdivision 2a for inflation, the percentage increase shall be determined from the~~

~~year ending on June 30, 2013, to the year ending on June 30 of the year preceding that in which the refund is payable.~~

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

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

EFFECTIVE DATE. This section is effective for adjustments for refunds based on rent paid in 2019 and property taxes payable in 2020.

Sec. 66. Minnesota Statutes 2018, section 291.005, subdivision 1, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

(iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue Code, owned by a nonresident decedent and that is normally kept or located in this state because it is on loan to an organization, qualifying as exempt from taxation under section 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

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

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

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective the day following final enactment except the changes incorporated by federal changes are effective retroactively at the same time the changes became effective for federal purposes.

Sec. 67. Minnesota Statutes 2018, section 297A.68, subdivision 25, is amended to read:

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

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

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

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

(4) the sale is a farm auction sale;

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

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

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

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

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

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

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

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

Sec. 68. Minnesota Statutes 2018, section 297B.03, is amended to read:

297B.03 EXEMPTIONS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(12) purchase of a motor vehicle for use by a transit provider exclusively to provide transit service is exempt if the transit provider is either (i) receiving financial assistance or

reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29, 473.388, or 473.405;

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

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

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

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

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

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

Sec. 69. Minnesota Statutes 2018, section 462D.06, subdivision 1, is amended to read:

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 70. Minnesota Statutes 2018, section 462D.06, subdivision 2, is amended to read:

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

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 71. Minnesota Statutes 2018, section 469.316, subdivision 1, is amended to read:

Subdivision 1. **Application.** An individual, estate, or trust operating a trade or business in a job opportunity building zone, and an individual, estate, or trust making a qualifying investment in a qualified business operating in a job opportunity building zone qualifies for the exemptions from taxes imposed under chapter 290, as provided in this section. The exemptions provided under this section apply only to the extent that the income otherwise would be taxable under chapter 290. Subtractions under this section from federal adjusted gross income, federal taxable income, alternative minimum taxable income, or any other base subject to tax are limited to the amount that otherwise would be included in the tax base absent the exemption under this section. This section applies only to taxable years beginning during the duration of the job opportunity building zone.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 72. **SPECIAL PROVISION FOR TAX YEAR 2017.**

Notwithstanding any law to the contrary or other provision of this article, sections 40202 and 40203 of Public Law 115-123 shall not apply for the purpose of calculating net income under Minnesota Statutes, section 290.01, subdivision 6, for taxable years beginning after December 31, 2016, and before January 1, 2018.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016, and before January 1, 2018.

Sec. 73. **REVISOR INSTRUCTION.**

The commissioner of revenue must promptly notify the revisor of statutes in writing of the adjusted statutory year amounts for each of the statutory sections that are indexed for inflation under Minnesota Statutes, section 270C.22. The revisor shall publish the updated statutory amounts in the 2019 Supplement of Minnesota Statutes.

Sec. 74. **REPEALER.**

Minnesota Statutes 2018, sections 290.0131, subdivisions 7, 11, 12, and 13; 290.0132, subdivision 8; 290.0133, subdivisions 13 and 14; and 290.10, subdivision 2, are repealed.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

ARTICLE 2
INDIVIDUAL INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

Section 1. Minnesota Statutes 2018, section 116J.8737, subdivision 1, is amended to read:

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

(b) "Qualified small business" means a business that has been certified by the commissioner under subdivision 2.

(c) "Qualified investor" means an investor who has been certified by the commissioner under subdivision 3.

(d) "Qualified fund" means a pooled angel investment network fund that has been certified by the commissioner under subdivision 4.

(e) "Qualified investment" means a cash investment in a qualified small business of a minimum of:

(1) $10,000 in a calendar year by a qualified investor; ~~or~~

(2) $7,500 in a calendar year by a qualified investor in qualified greater Minnesota businesses, or veteran-owned, minority-owned, or women-owned businesses in Minnesota; or

~~(2)~~ (3) $30,000 in a calendar year by a qualified fund.

A qualified investment must be made in exchange for common stock, a partnership or membership interest, preferred stock, debt with mandatory conversion to equity, or an equivalent ownership interest as determined by the commissioner.

(f) "Family" means a family member within the meaning of the Internal Revenue Code, section 267(c)(4).

(g) "Pass-through entity" means a corporation that for the applicable taxable year is treated as an S corporation or a general partnership, limited partnership, limited liability partnership, trust, or limited liability company and which for the applicable taxable year is not taxed as a corporation under chapter 290.

(h) "Intern" means a student of an accredited institution of higher education, or a former student who has graduated in the past six months from an accredited institution of higher education, who is employed by a qualified small business in a nonpermanent position for a duration of nine months or less that provides training and experience in the primary business activity of the business.

(i) "Liquidation event" means a conversion of qualified investment for cash, cash and other consideration, or any other form of equity or debt interest.

(j) "Qualified greater Minnesota business" means a qualified small business that is also certified by the commissioner as a qualified greater Minnesota business under subdivision 2, paragraph (h).

(k) "Minority group member" means a United States citizen who is Asian, Pacific Islander, Black, Hispanic, or Native American.

(l) "Minority-owned business" means a business for which one or more minority group members:

(1) own at least 50 percent of the business, or, in the case of a publicly owned business, own at least 51 percent of the stock; and

(2) manage the business and control the daily business operations.

(m) "Women" means persons of the female gender.

(n) "Women-owned business" means a business for which one or more women:

(1) own at least 50 percent of the business, or, in the case of a publicly owned business, own at least 51 percent of the stock; and

(2) manage the business and control the daily business operations.

(o) "Veteran" has the meaning given in section 197.447.

(p) "Veteran-owned business" means a business for which one or more veterans:

(1) own at least 50 percent of the business, or, in the case of a publicly owned business, own at least 51 percent of the stock; and

(2) manage the business and control the daily business operations.

~~(o)~~ (q) "Officer" means a person elected or appointed by the board of directors to manage the daily operations of the qualified small business.

~~(p)~~ (r) "Principal" means a person having authority to act on behalf of the qualified small business.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 2. Minnesota Statutes 2018, section 116J.8737, subdivision 2, is amended to read:

Subd. 2. **Certification of qualified small businesses.** (a) Businesses may apply to the commissioner for certification as a qualified small business or qualified greater Minnesota small business for a calendar year. The application must be in the form and be made under the procedures specified by the commissioner, accompanied by an application fee of $150. Application fees are deposited in the small business investment tax credit administration account in the special revenue fund. ~~The application for certification for 2010 must be made available on the department's website by August 1, 2010.~~ Applications for ~~subsequent years'~~ certification must be made available on the department's website by November 1 of the preceding year.

(b) Within 30 days of receiving an application for certification under this subdivision, the commissioner must either certify the business as satisfying the conditions required of a qualified small business or qualified greater Minnesota small business, request additional information from the business, or reject the application for certification. If the commissioner requests additional information from the business, the commissioner must either certify the business or reject the application within 30 days of receiving the additional information. If the commissioner neither certifies the business nor rejects the application within 30 days of receiving the original application or within 30 days of receiving the additional information requested, whichever is later, then the application is deemed rejected, and the commissioner

must refund the $150 application fee. A business that applies for certification and is rejected may reapply.

(c) To receive certification as a qualified small business, a business must satisfy all of the following conditions:

(1) the business has its headquarters in Minnesota;

(2) at least: (i) 51 percent of the business's employees are employed in Minnesota; (ii) 51 percent of the business's total payroll is paid or incurred in the state; and (iii) 51 percent of the total value of all contractual agreements to which the business is a party in connection with its primary business activity is for services performed under contract in Minnesota, unless the business obtains a waiver under paragraph (i);

(3) the business is engaged in, or is committed to engage in, innovation in Minnesota in one of the following as its primary business activity:

(i) using proprietary technology to add value to a product, process, or service in a qualified high-technology field;

(ii) researching or developing a proprietary product, process, or service in a qualified high-technology field;

(iii) researching or developing a proprietary product, process, or service in the fields of agriculture, tourism, forestry, mining, manufacturing, or transportation; or

(iv) researching, developing, or producing a new proprietary technology for use in the fields of agriculture, tourism, forestry, mining, manufacturing, or transportation;

(4) other than the activities specifically listed in clause (3), the business is not engaged in real estate development, insurance, banking, lending, lobbying, political consulting, information technology consulting, wholesale or retail trade, leisure, hospitality, transportation, construction, ethanol production from corn, or professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants;

(5) the business has fewer than 25 employees;

(6) the business must pay its employees annual wages of at least 175 percent of the federal poverty guideline for the year for a family of four and must pay its interns annual wages of at least 175 percent of the federal minimum wage used for federally covered employers, except that this requirement must be reduced proportionately for employees and interns who work less than full-time, and does not apply to an executive, officer, or member

of the board of the business, or to any employee who owns, controls, or holds power to vote more than 20 percent of the outstanding securities of the business;

(7) the business has (i) not been in operation for more than ten years, or (ii) not been in operation for more than 20 years if the business is engaged in the research, development, or production of medical devices or pharmaceuticals for which United States Food and Drug Administration approval is required for use in the treatment or diagnosis of a disease or condition;

(8) the business has not previously received private equity investments of more than $4,000,000;

(9) the business is not an entity disqualified under section 80A.50, paragraph (b), clause (3); and

(10) the business has not issued securities that are traded on a public exchange.

(d) In applying the limit under paragraph (c), clause (5), the employees in all members of the unitary business, as defined in section 290.17, subdivision 4, must be included.

(e) In order for a qualified investment in a business to be eligible for tax credits:

(1) the business must have applied for and received certification for the calendar year in which the investment was made prior to the date on which the qualified investment was made;

(2) the business must not have issued securities that are traded on a public exchange;

(3) the business must not issue securities that are traded on a public exchange within 180 days after the date on which the qualified investment was made; and

(4) the business must not have a liquidation event within 180 days after the date on which the qualified investment was made.

(f) The commissioner must maintain a list of qualified small businesses and qualified greater Minnesota businesses certified under this subdivision for the calendar year and make the list accessible to the public on the department's website.

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

(1) "qualified high-technology field" includes aerospace, agricultural processing, renewable energy, energy efficiency and conservation, environmental engineering, food technology, cellulosic ethanol, information technology, materials science technology, nanotechnology, telecommunications, biotechnology, medical device products, pharmaceuticals, diagnostics, biologicals, chemistry, veterinary science, and similar fields;

(2) "proprietary technology" means the technical innovations that are unique and legally owned or licensed by a business and includes, without limitation, those innovations that are patented, patent pending, a subject of trade secrets, or copyrighted; and

(3) "greater Minnesota" means the area of Minnesota located outside of the metropolitan area as defined in section 473.121, subdivision 2.

(h) To receive certification as a qualified greater Minnesota business, a business must satisfy all of the requirements of paragraph (c) and must satisfy the following conditions:

(1) the business has its headquarters in greater Minnesota; and

(2) at least: (i) 51 percent of the business's employees are employed in greater Minnesota; (ii) 51 percent of the business's total payroll is paid or incurred in greater Minnesota; and (iii) 51 percent of the total value of all contractual agreements to which the business is a party in connection with its primary business activity is for services performed under contract in greater Minnesota, unless the business obtains a waiver under paragraph (i).

(i) The commissioner must exempt a business from the requirement under paragraph (c), clause (2), item (iii), if the business certifies to the commissioner that the services required under a contract in connection with the primary business activity cannot be performed in Minnesota if the business otherwise qualifies as a qualified small business, or in greater Minnesota if the business otherwise qualifies as a qualified greater Minnesota business. The business must submit the certification required under this paragraph every six months from the month the exemption was granted. The exemption allowed under this paragraph must be submitted in a form and manner prescribed by the commissioner.

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

Sec. 3. Minnesota Statutes 2018, section 116J.8737, subdivision 3, is amended to read:

Subd. 3. **Certification of qualified investors.** (a) Investors may apply to the commissioner for certification as a qualified investor for a taxable year. The application must be in the form and be made under the procedures specified by the commissioner, accompanied by an application fee of $350. Application fees are deposited in the small business investment tax credit administration account in the special revenue fund. ~~The application for certification for 2010 must be made available on the department's website by August 1, 2010.~~ Applications for ~~subsequent years'~~ certification must be made available on the department's website by November 1 of the preceding year.

(b) Within 30 days of receiving an application for certification under this subdivision, the commissioner must either certify the investor as satisfying the conditions required of a

qualified investor, request additional information from the investor, or reject the application for certification. If the commissioner requests additional information from the investor, the commissioner must either certify the investor or reject the application within 30 days of receiving the additional information. If the commissioner neither certifies the investor nor rejects the application within 30 days of receiving the original application or within 30 days of receiving the additional information requested, whichever is later, then the application is deemed rejected, and the commissioner must refund the $350 application fee. An investor who applies for certification and is rejected may reapply.

(c) To receive certification, an investor must (1) be a natural person; and (2) certify to the commissioner that the investor will only invest in a transaction that is exempt under section 80A.46, clause (13) or (14), in a security exempt under section 80A.461, or in a security registered under section 80A.50, paragraph (b).

(d) In order for a qualified investment in a qualified small business to be eligible for tax credits, a qualified investor who makes the investment must have applied for and received certification for the calendar year prior to making the qualified investment, except in the case of an investor who is not an accredited investor, within the meaning of Regulation D of the Securities and Exchange Commission, Code of Federal Regulations, title 17, section 230.501, paragraph (a), application for certification may be made within 30 days after making the qualified investment.

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

Sec. 4. Minnesota Statutes 2018, section 116J.8737, subdivision 4, is amended to read:

Subd. 4. **Certification of qualified funds.** (a) A pass-through entity may apply to the commissioner for certification as a qualified fund for a calendar year. The application must be in the form and be made under the procedures specified by the commissioner, accompanied by an application fee of $1,000. Application fees are deposited in the small business investment tax credit administration account in the special revenue fund. ~~The application for certification for 2010 of qualified funds must be made available on the department's website by August 1, 2010.~~ Applications for ~~subsequent years'~~ certification must be made available by November 1 of the preceding year.

(b) Within 30 days of receiving an application for certification under this subdivision, the commissioner must either certify the fund as satisfying the conditions required of a qualified fund, request additional information from the fund, or reject the application for certification. If the commissioner requests additional information from the fund, the commissioner must either certify the fund or reject the application within 30 days of receiving

the additional information. If the commissioner neither certifies the fund nor rejects the application within 30 days of receiving the original application or within 30 days of receiving the additional information requested, whichever is later, then the application is deemed rejected, and the commissioner must refund the $1,000 application fee. A fund that applies for certification and is rejected may reapply.

(c) To receive certification, a fund must:

(1) invest or intend to invest in qualified small businesses;

(2) be organized as a pass-through entity; and

(3) have at least three separate investors, of whom at least three whose investment is made in the certified business and who seek a tax credit allocation satisfy the conditions in subdivision 3, paragraph (c).

(d) Investments in the fund may consist of equity investments or notes that pay interest or other fixed amounts, or any combination of both.

(e) In order for a qualified investment in a qualified small business to be eligible for tax credits, a qualified fund that makes the investment must have applied for and received certification for the calendar year prior to making the qualified investment.

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

Sec. 5. Minnesota Statutes 2018, section 116J.8737, subdivision 5, is amended to read:

Subd. 5. **Credit allowed.** (a)~~(1)~~ A qualified investor or qualified fund is eligible for a credit equal to 25 percent of the qualified investment in a qualified small business. Investments made by a pass-through entity qualify for a credit only if the entity is a qualified fund. The commissioner must not allocate more than ~~$15,000,000~~ $10,000,000 in credits to qualified investors or qualified funds for taxable years beginning after December 31, ~~2013, and before January 1, 2017, and must not allocate more than $10,000,000 in credits to qualified investors or qualified funds for taxable years beginning after December 31, 2016, and before January 1, 2018; and (2) for taxable years beginning after December 31, 2014, and before January 1, 2018~~ 2020, and before January 1, 2022. For each taxable year, 50 percent must be allocated to credits for qualifying investments in qualified greater Minnesota businesses and ~~minority- or~~ minority-owned, women-owned, or veteran-owned qualified small businesses in Minnesota. Any portion of a taxable year's credits that is reserved for qualifying investments in greater Minnesota businesses and ~~minority- or~~ minority-owned, women-owned, or veteran-owned qualified small businesses in Minnesota that is not allocated by September 30 of the taxable year is available for allocation to other

credit applications beginning on October 1. Any portion of a taxable year's credits that is not allocated by the commissioner does not cancel and may be carried forward to subsequent taxable years until all credits have been allocated.

(b) The commissioner may not allocate more than a total maximum amount in credits for a taxable year to a qualified investor for the investor's cumulative qualified investments as an individual qualified investor and as an investor in a qualified fund; for married couples filing joint returns the maximum is $250,000, and for all other filers the maximum is $125,000. The commissioner may not allocate more than a total of $1,000,000 in credits over all taxable years for qualified investments in any one qualified small business.

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

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

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

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

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

(e) Qualified investors and qualified funds must apply to the commissioner for tax credits. Tax credits must be allocated to qualified investors or qualified funds in the order that the tax credit request applications are filed with the department. The commissioner must approve or reject tax credit request applications within 15 days of receiving the application. The investment specified in the application must be made within 60 days of the allocation of the credits. If the investment is not made within 60 days, the credit allocation is canceled and available for reallocation. A qualified investor or qualified fund that fails to invest as specified in the application, within 60 days of allocation of the credits, must notify the

commissioner of the failure to invest within five business days of the expiration of the 60-day investment period.

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

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

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 6. Minnesota Statutes 2018, section 116J.8737, subdivision 6, is amended to read:

Subd. 6. **Annual reports.** (a) By February 1 of each year each qualified small business that received an investment that qualified for a credit, and each qualified investor and qualified fund that made an investment that qualified for a credit, must submit an annual report to the commissioner and pay a filing fee of $100 as required under this subdivision. Each qualified investor and qualified fund must submit reports for three years following each year in which it made an investment that qualified for a credit, and each qualified small business must submit reports for five years following the year in which it received an investment qualifying for a credit. Reports must be made in the form required by the commissioner. All filing fees collected are deposited in the small business investment tax credit administration account in the special revenue fund.

(b) A report from a qualified small business must certify that the business satisfies the following requirements:

(1) the business has its headquarters in Minnesota;

(2) at least 51 percent of the business's employees are employed in Minnesota, and 51 percent of the business's total payroll is paid or incurred in the state;

(3) that the business is engaged in, or is committed to engage in, innovation in Minnesota as defined under subdivision 2; and

(4) that the business meets the payroll requirements in subdivision 2, paragraph (c), clause (6).

(c) Reports from qualified investors must certify that the investor remains invested in the qualified small business as required by subdivision 5, paragraph (g).

(d) Reports from qualified funds must certify that the fund remains invested in the qualified small business as required by subdivision 5, paragraph (g).

(e) A qualified small business that ceases all operations and becomes insolvent must file a final annual report in the form required by the commissioner documenting its insolvency.

In following years the business is exempt from the annual reporting requirement, the report filing fee, and the fine for failure to file a report.

(f) A qualified small business, qualified investor, or qualified fund that fails to file an annual report by February 1 as required under this subdivision is subject to a ~~$500~~ $100 fine.

(g) A qualified investor or qualified fund that fails to file an annual report by April 1 may, at the commissioner's discretion, have any credit allocated and certified to the investor or fund revoked and such credit must be repaid by the investor.

(h) A qualified business that fails to file an annual report by April 1 may, at the commissioner's discretion, be subject to the credit repayment provisions in subdivision 7, paragraph (b).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 7. Minnesota Statutes 2018, section 116J.8737, subdivision 12, is amended to read:

Subd. 12. **Sunset.** This section expires for taxable years beginning after December 31, ~~2017~~ 2021, except that reporting requirements under subdivision 6 and revocation of credits under subdivision 7 remain in effect through ~~2019~~ 2023 for qualified investors and qualified funds, and through ~~2021~~ 2025 for qualified small businesses, reporting requirements under subdivision 9 remain in effect through ~~2022~~ 2021, and the appropriation in subdivision 11 remains in effect through ~~2021~~ 2025.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 8. Minnesota Statutes 2018, section 256J.02, subdivision 2, is amended to read:

Subd. 2. **Use of money.** State money appropriated for purposes of this section and TANF block grant money must be used for:

(1) financial assistance to or on behalf of any minor child who is a resident of this state under section 256J.12;

(2) the health care and human services training and retention program under chapter 116L, for costs associated with families with children with incomes below 200 percent of the federal poverty guidelines;

(3) the pathways program under section 116L.04, subdivision 1a;

(4) welfare to work transportation authorized under Public Law 105-178;

(5) reimbursements for the federal share of child support collections passed through to the custodial parent;

(6) ~~reimbursements for the working family credit under section 290.0671;~~

~~(7)~~ program administration under this chapter;

~~(8)~~ (7) the diversionary work program under section 256J.95;

~~(9)~~ (8) the MFIP consolidated fund under section 256J.626; and

~~(10)~~ (9) the Minnesota Department of Health consolidated fund under Laws 2001, First Special Session chapter 9, article 17, section 3, subdivision 2.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 9. Minnesota Statutes 2018, section 289A.31, subdivision 2, is amended to read:

Subd. 2. **Joint income tax returns.** (a) If a joint income tax return is made by a husband and wife, the liability for the tax is joint and several. A spouse who qualifies for relief from a liability attributable to an underpayment under section 6015 subsection (b) of the Internal Revenue Code, or determined by the commissioner of internal revenue for relief under section 6015 subsection (f) of the Internal Revenue Code is relieved of the state income tax liability on the underpayment.

(b) In the case of individuals who were a husband and wife prior to the dissolution of their marriage or their legal separation, or prior to the death of one of the individuals, for tax liabilities reported on a joint or combined return, the liability of each person is limited to the proportion of the tax due on the return that equals that person's proportion of the total tax due if the husband and wife filed separate returns for the taxable year. This provision is effective only when the commissioner receives written notice of the marriage dissolution, legal separation, or death of a spouse from the husband or wife. No refund may be claimed by an ex-spouse, legally separated or widowed spouse for any taxes paid more than 60 days before receipt by the commissioner of the written notice.

(c) ~~A request for calculation of separate liability pursuant to paragraph (b) for taxes reported on a return must be made within six years after the due date of the return. For calculation of separate liability for taxes assessed by the commissioner under section 289A.35 or 289A.37, the request must be made within six years after the date of assessment.~~ The commissioner is not required to calculate separate liability pursuant to paragraph (b) if the remaining unpaid liability for which recalculation is requested is $100 or less.

EFFECTIVE DATE. This section is effective for returns first due for taxable years beginning after December 31, 2018.

Sec. 10. Minnesota Statutes 2018, section 290.0132, subdivision 26, is amended to read:

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

(b) For married taxpayers filing a joint return and surviving spouses, the maximum subtraction equals ~~$4,500~~ $5,150. The maximum subtraction is reduced by 20 percent of provisional income over ~~$77,000~~ $78,180. In no case is the subtraction less than zero.

(c) For single or head-of-household taxpayers, the maximum subtraction equals ~~$3,500~~ $4,020. The maximum subtraction is reduced by 20 percent of provisional income over ~~$60,200~~ $61,080. In no case is the subtraction less than zero.

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

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

(f) The commissioner shall adjust the maximum subtraction and threshold amounts in paragraphs (b) to (d) ~~by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) of the Internal Revenue Code the word "2016" shall be substituted for the word "1992." For 2018, the commissioner shall then determine the percentage change from the 12 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision must not be considered a rule and is not subject to the Administrative Procedure Act contained in chapter 14, including section 14.386~~ as provided in section 270C.22. The statutory year is taxable year 2019. The maximum subtraction and threshold amounts as adjusted must be rounded to the nearest $10 amount. If the amount ends in $5, the amount is rounded up to the nearest $10 amount.

EFFECTIVE DATE. (a) The amendments to paragraphs (b), (c), and (d) are effective for taxable years beginning after December 31, 2018.

(b) The amendments to paragraphs (a) and (e) are effective retroactively for taxable years beginning after December 31, 2017.

(c) The amendments to paragraph (f) are effective for adjustments beginning with taxable years beginning after December 31, 2019.

Sec. 11. Minnesota Statutes 2018, section 290.0132, is amended by adding a subdivision to read:

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 12. Minnesota Statutes 2018, section 290.0134, is amended by adding a subdivision to read:

Subd. 19. **Disallowed section 280E expenses; medical cannabis manufacturers.** The amount of expenses of a medical cannabis manufacturer, as defined under section 152.22, subdivision 7, related to the business of medical cannabis under sections 152.21 to 152.37, and not allowed for federal income tax purposes under section 280E of the Internal Revenue Code is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 13. Minnesota Statutes 2018, section 290.06, subdivision 2c, is amended to read:

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

(1) On the first ~~$35,480~~ $38,770, 5.35 percent;

(2) On all over ~~$35,480~~ $38,770, but not over ~~$140,960~~ $154,020, ~~7.05~~ 6.8 percent;

(3) On all over ~~$140,960~~ $154,020, but not over ~~$250,000~~ $269,010, 7.85 percent;

(4) On all over ~~$250,000~~ $269,010, 9.85 percent.

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

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

(1) On the first ~~$24,270~~ $26,520, 5.35 percent;

(2) On all over ~~$24,270~~ $26,520, but not over ~~$79,730~~ $87,110, ~~7.05~~ 6.8 percent;

(3) On all over ~~$79,730~~ $87,110, but not over ~~$150,000~~ $161,720, 7.85 percent;

(4) On all over ~~$150,000~~ $161,720, 9.85 percent.

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

(1) On the first ~~$29,880~~ $32,650, 5.35 percent;

(2) On all over ~~$29,880~~ $32,650, but not over ~~$120,070~~ $131,190, ~~7.05~~ 6.8 percent;

(3) On all over ~~$120,070~~ $131,190, but not over ~~$200,000~~ $214,980, 7.85 percent;

(4) On all over ~~$200,000~~ $214,980, 9.85 percent.

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

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

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code and increased by the additions required

under section 290.0131, subdivisions 2 ~~and~~, 6, 8 to ~~11~~ 10, 16, and 17, and reduced by the Minnesota assignable portion of the subtraction for United States government interest under section 290.0132, subdivision 2, and the subtractions under section 290.0132, subdivisions 9, 10, 14, 15, 17, ~~and~~ 18, and 27, after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code, increased by the amounts specified in section 290.0131, subdivisions 2 ~~and~~, 6, 8 to ~~11~~ 10, 16, and 17, and reduced by the amounts specified in section 290.0132, subdivisions 2, 9, 10, 14, 15, 17, ~~and~~ 18, and 27.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 14. Minnesota Statutes 2018, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota is allowed a credit against the tax imposed by this chapter equal to a percentage of earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code, except that:

(1) a taxpayer with no qualifying children who has attained the age of 21, but not attained age 65 before the close of the taxable year and is otherwise eligible for a credit under section 32 of the Internal Revenue Code may also receive a credit~~.~~; and

(2) a taxpayer who is otherwise eligible for a credit under section 32 of the Internal Revenue Code remains eligible for the credit even if the taxpayer's earned income or adjusted gross income exceeds the income limitation under section 32 of the Internal Revenue Code.

(b) For individuals with no qualifying children, the credit equals ~~2.10~~ 3.9 percent of the first ~~$6,180~~ $7,150 of earned income. The credit is reduced by ~~2.01~~ 2.0 percent of earned income or adjusted gross income, whichever is greater, in excess of ~~$8,130~~ the phaseout threshold, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals 9.35 percent of the first ~~$11,120~~ $11,950 of earned income. The credit is reduced by ~~6.02~~ 6.0 percent of earned income or adjusted gross income, whichever is greater, in excess of ~~$21,190~~ the phaseout threshold, but in no case is the credit less than zero.

(d) For individuals with two ~~or more~~ qualifying children, the credit equals 11 percent of the first ~~$18,240~~ $19,600 of earned income. The credit is reduced by ~~10.82~~ 10.5 percent

of earned income or adjusted gross income, whichever is greater, in excess of ~~$25,130~~ the phaseout threshold, but in no case is the credit less than zero.

(e) For individuals with three or more qualifying children, the credit equals 12.5 percent of the first $20,000 of earned income. The credit is reduced by 10.5 percent of earned income or adjusted gross income, whichever is greater, in excess of the phaseout threshold, but in no case is the credit less than zero.

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

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

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

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

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

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

(h) For the purposes of this section, the phaseout threshold equals:

(1) $14,570 for married taxpayers filing joint returns with no qualifying children;

(2) $8,730 for all other taxpayers with no qualifying children;

(3) $28,610 for married taxpayers filing joint returns with one qualifying child;

(4) $22,770 for all other taxpayers with one qualifying child;

(5) $32,840 for married taxpayers filing joint returns with two qualifying children;

(6) $27,000 for all other taxpayers with two qualifying children;

(7) $33,140 for married taxpayers filing joint returns with three or more qualifying children; and

(8) $27,300 for all other taxpayers with three or more qualifying children.

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 15. Minnesota Statutes 2018, section 290.0671, subdivision 6, is amended to read:

Subd. 6. **Appropriation.** An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund. ~~This amount includes any amounts appropriated to the commissioner of human services from the federal Temporary Assistance for Needy Families (TANF) block grant funds for transfer to the commissioner of revenue.~~

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 16. Minnesota Statutes 2018, section 290.0684, subdivision 2, is amended to read:

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

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

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

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

(1) for married couples with adjusted gross income in excess of $75,000, but not more than ~~$100,000~~ $135,000, the maximum credit is reduced by one percent of adjusted gross income in excess of $75,000 until the maximum credit amount equals $250; and

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

~~(3)~~ (2) for married couples with adjusted gross income in excess of $135,000, the maximum credit is $250, reduced by one percent of adjusted gross income in excess of $135,000.

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2019.

Sec. 17. Minnesota Statutes 2018, section 290.191, subdivision 5, is amended to read:

Subd. 5. **Determination of sales factor.** For purposes of this section, the following rules apply in determining the sales factor.

(a) The sales factor includes all sales, gross earnings, or receipts received in the ordinary course of the business, except that the following types of income are not included in the sales factor:

(1) interest;

(2) dividends;

(3) sales of capital assets as defined in section 1221 of the Internal Revenue Code;

(4) sales of property used in the trade or business, except sales of leased property of a type which is regularly sold as well as leased; and

(5) sales of debt instruments as defined in section 1275(a)(1) of the Internal Revenue Code or sales of stock.

(b) Sales of tangible personal property are made within this state if the property is received by a purchaser at a point within this state, regardless of the f.o.b. point, other conditions of the sale, or the ultimate destination of the property.

(c) Tangible personal property delivered to a common or contract carrier or foreign vessel for delivery to a purchaser in another state or nation is a sale in that state or nation, regardless of f.o.b. point or other conditions of the sale.

(d) Notwithstanding paragraphs (b) and (c), when intoxicating liquor, wine, fermented malt beverages, cigarettes, or tobacco products are sold to a purchaser who is licensed by a state or political subdivision to resell this property only within the state of ultimate destination, the sale is made in that state.

(e) Sales made by or through a corporation that is qualified as a domestic international sales corporation under section 992 of the Internal Revenue Code are not considered to have been made within this state.

(f) Sales, rents, royalties, and other income in connection with real property is attributed to the state in which the property is located.

(g) Receipts from the lease or rental of tangible personal property, including finance leases and true leases, must be attributed to this state if the property is located in this state and to other states if the property is not located in this state. Receipts from the lease or rental of moving property including, but not limited to, motor vehicles, rolling stock, aircraft, vessels, or mobile equipment are included in the numerator of the receipts factor to the extent that the property is used in this state. The extent of the use of moving property is determined as follows:

(1) A motor vehicle is used wholly in the state in which it is registered.

(2) The extent that rolling stock is used in this state is determined by multiplying the receipts from the lease or rental of the rolling stock by a fraction, the numerator of which is the miles traveled within this state by the leased or rented rolling stock and the denominator of which is the total miles traveled by the leased or rented rolling stock.

(3) The extent that an aircraft is used in this state is determined by multiplying the receipts from the lease or rental of the aircraft by a fraction, the numerator of which is the

number of landings of the aircraft in this state and the denominator of which is the total number of landings of the aircraft.

(4) The extent that a vessel, mobile equipment, or other mobile property is used in the state is determined by multiplying the receipts from the lease or rental of the property by a fraction, the numerator of which is the number of days during the taxable year the property was in this state and the denominator of which is the total days in the taxable year.

(h) Royalties and other income received for the use of or for the privilege of using intangible property, including patents, know-how, formulas, designs, processes, patterns, copyrights, trade names, service names, franchises, licenses, contracts, customer lists, or similar items, must be attributed to the state in which the property is used by the purchaser. If the property is used in more than one state, the royalties or other income must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the royalties or other income must be excluded from both the numerator and the denominator. Intangible property is used in this state if the purchaser uses the intangible property or the rights therein in the regular course of its business operations in this state, regardless of the location of the purchaser's customers.

(i) Sales of intangible property are made within the state in which the property is used by the purchaser. If the property is used in more than one state, the sales must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the sale must be excluded from both the numerator and the denominator of the sales factor. Intangible property is used in this state if the purchaser used the intangible property in the regular course of its business operations in this state.

(j) Receipts from the performance of services must be attributed to the state where the services are received. For the purposes of this section, receipts from the performance of services provided to a corporation, partnership, or trust may only be attributed to a state where it has a fixed place of doing business. If the state where the services are received is not readily determinable or is a state where the corporation, partnership, or trust receiving the service does not have a fixed place of doing business, the services shall be deemed to be received at the location of the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering office cannot be determined, the services shall be deemed to be received at the office of the customer to which the services are billed.

(k) For the purposes of this subdivision and subdivision 6, paragraph (l), receipts from management, distribution, or administrative services performed by a person or corporation

~~or trust~~ for a fund of a person or corporation ~~or trust~~ regulated under United States Code, title 15, ~~sections 80a-1 through 80a-64~~ chapter 2D, subchapter I, must be attributed to the state where the shareholder of the fund resides. Under this paragraph, receipts for services attributed to shareholders are determined on the basis of the ratio of: (1) the average of the outstanding shares in the fund owned by shareholders residing within Minnesota at the beginning and end of each year; and (2) the average of the total number of outstanding shares in the fund at the beginning and end of each year. Residence of the shareholder, in the case of an individual, is determined by the mailing address furnished by the shareholder to the fund. Residence of the shareholder, when the shares are held by an insurance company as a depositor for the insurance company policyholders, is the mailing address of the policyholders. In the case of an insurance company holding the shares as a depositor for the insurance company policyholders, if the mailing address of the policyholders cannot be determined by the taxpayer, the receipts must be excluded from both the numerator and denominator. Residence of other shareholders is the mailing address of the shareholder.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 18. Minnesota Statutes 2018, section 290.21, subdivision 4, is amended to read:

Subd. 4. **Dividends received from another corporation.** (a)(1) Eighty percent of dividends received by a corporation during the taxable year from another corporation, in which the recipient owns 20 percent or more of the stock, by vote and value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom; and

(2)(i) the remaining 20 percent of dividends if the dividends received are the stock in an affiliated company transferred in an overall plan of reorganization and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989;

(ii) the remaining 20 percent of dividends if the dividends are received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and the dividend is eliminated in

consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989, or is deducted under an election under section 243(b) of the Internal Revenue Code; or

(iii) the remaining 20 percent of the dividends if the dividends are received from a property and casualty insurer as defined under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (A) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

(b) Seventy percent of dividends received by a corporation during the taxable year from another corporation in which the recipient owns less than 20 percent of the stock, by vote or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of income and gain therefrom.

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code.

The dividend deduction provided in this subdivision does not apply to a dividend received from a real estate investment trust as defined in section 856 of the Internal Revenue Code.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) or 246A of the Internal Revenue Code.

(d) If dividends received by a corporation that does not have nexus with Minnesota under the provisions of Public Law 86-272 are included as income on the return of an affiliated corporation permitted or required to file a combined report under section 290.17, subdivision 4, or 290.34, subdivision 2, then for purposes of this subdivision the determination as to whether the trade or business of the corporation consists principally of the holding of stocks and the collection of income and gains therefrom shall be made with reference to the trade or business of the affiliated corporation having a nexus with Minnesota.

(e) The deduction provided by this subdivision does not apply if the dividends are paid by a FSC as defined in section 922 of the Internal Revenue Code.

(f) If one or more of the members of the unitary group whose income is included on the combined report received a dividend, the deduction under this subdivision for each member of the unitary business required to file a return under this chapter is the product of: (1) 100 percent of the dividends received by members of the group; (2) the percentage allowed pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income apportionable to this state for the taxable year under section 290.191 or 290.20.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 19. Minnesota Statutes 2018, section 291.03, subdivision 9, is amended to read:

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

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

(2) The property consists of the assets of a trade or business or shares of stock or other ownership interests in a corporation or other entity engaged in a trade or business. Shares of stock in a corporation or an ownership interest in another type of entity do not qualify under this subdivision if the shares or ownership interests are traded on a public stock exchange at any time during the three-year period ending on the decedent's date of death. For purposes of this subdivision, an ownership interest includes the interest the decedent is deemed to own under sections 2036, 2037, ~~and~~ 2038, 2040, or 2044 of the Internal Revenue Code.

(3) During the taxable year that ended before the decedent's death, the trade or business must not have been a passive activity within the meaning of section 469(c) of the Internal Revenue Code, and the decedent or the decedent's spouse must have materially participated in the trade or business within the meaning of section 469(h) of the Internal Revenue Code,

excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided by United States Treasury Department regulation that substitutes material participation in prior taxable years for material participation in the taxable year that ended before the decedent's death.

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

(5) The property does not include:

(i) cash;

(ii) cash equivalents;

(iii) publicly traded securities; or

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

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

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

(8) For three years following the date of death of the decedent, the trade or business is not a passive activity within the meaning of section 469(c) of the Internal Revenue Code, and a family member materially participates in the operation of the trade or business within the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided by United States Treasury Department regulation that substitutes material participation in prior taxable years for material participation in the three years following the date of death of the decedent.

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

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

Sec. 20. Minnesota Statutes 2018, section 291.03, subdivision 10, is amended to read:

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

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

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

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

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

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

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

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

Sec. 21. **SPECIAL WAIVER OF INCOME TAX PENALTIES FOR TAX YEARS 2017 AND 2018.**

For taxable years beginning after December 31, 2016, and before January 1, 2019, no addition to tax is imposed under Minnesota Statutes, sections 289A.25, subdivision 2, and

289A.26, subdivision 4, if the tax shown on the return for the taxable year or, if no return is filed, the tax, reduced by the credits allowable, is less than $1,000. This paragraph applies only to taxpayers who submit a request for a waiver of addition to tax due under Minnesota Statutes, sections 289A.25, subdivision 2, and 289A.26, subdivision 4. The request for waiver must attest that the underpayment of estimated tax for the taxable year is due to uncertainties in tax planning resulting from the enactment of Public Laws 115-63, 115-97, 115-123, and 115-141. The request for waiver must be in a form and manner prescribed by the commissioner of revenue.

Sec. 22. **REPEALER.**

Minnesota Statutes 2018, section 290.0671, subdivision 6a, is repealed.

EFFECTIVE DATE. This section is effective July 1, 2019.

ARTICLE 3
SALES AND USE TAXES

Section 1. Minnesota Statutes 2018, section 38.27, is amended by adding a subdivision to read:

Subd. 4. **Use of a portion of county fair revenues.** A county agricultural society must annually determine the amount of sales tax savings attributable to section 297A.70, subdivision 21. If the county agricultural society owns its own fairgrounds, it must use the amount equal to the sales tax savings to maintain, improve, or expand society owned buildings and facilities on the fairgrounds; otherwise it must transfer this amount to the owner of the fairgrounds. An owner that receives a transfer of money under this subdivision must use the transferred amount to maintain, improve, and expand entity owned buildings and facilities on the county fairgrounds.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 2. Minnesota Statutes 2018, section 289A.20, subdivision 4, is amended to read:

Subd. 4. **Sales and use tax.** (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f) or (g), except that use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

(b) A vendor having a liability of $250,000 or more during a fiscal year ending June 30 must remit the June liability for the next year in the following manner:

(1) Two business days before June 30 of ~~the year~~ calendar year 2020 and 2021, the vendor must remit ~~81.4~~ 87.5 percent of the estimated June liability to the commissioner. Two business days before June 30 of calendar year 2022 and thereafter, the vendor must remit 84.5 percent of the estimated June liability to the commissioner.

(2) On or before August 20 of the year, the vendor must pay any additional amount of tax not remitted in June.

(c) A vendor having a liability of:

(1) $10,000 or more, but less than $250,000 during a fiscal year ending June 30, 2013, and fiscal years thereafter, must remit by electronic means all liabilities on returns due for periods beginning in all subsequent calendar years on or before the 20th day of the month following the month in which the taxable event occurred, or on or before the 20th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4; or

(2) $250,000 or more, during a fiscal year ending June 30, 2013, and fiscal years thereafter, must remit by electronic means all liabilities in the manner provided in paragraph (a) on returns due for periods beginning in the subsequent calendar year, except for ~~81.4~~ 90 percent of the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 20.

(d) Notwithstanding paragraph (b) or (c), a person prohibited by the person's religious beliefs from paying electronically shall be allowed to remit the payment by mail. The filer must notify the commissioner of revenue of the intent to pay by mail before doing so on a form prescribed by the commissioner. No extra fee may be charged to a person making payment by mail under this paragraph. The payment must be postmarked at least two business days before the due date for making the payment in order to be considered paid on a timely basis.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2019.

Sec. 3. Minnesota Statutes 2018, section 289A.60, subdivision 15, is amended to read:

Subd. 15. **Accelerated payment of June sales tax liability; penalty for underpayment.** (a) For payments made after December 31, ~~2013~~ 2019, if a vendor is required by law to submit an estimation of June sales tax liabilities and ~~81.4~~ 87.5 percent

payment by a certain date, the vendor shall pay a penalty equal to ten percent of the amount of actual June liability required to be paid in June less the amount remitted in June. The penalty must not be imposed, however, if the amount remitted in June equals the lesser of ~~81.4~~ 87.5 percent of the preceding May's liability or ~~81.4~~ 87.5 percent of the average monthly liability for the previous calendar year.

(b) Notwithstanding paragraph (a), for calendar year 2022 and thereafter, the percent of the estimated June liability the vendor must remit by two business days before June 30 is 84.5 percent.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2019.

Sec. 4. Minnesota Statutes 2018, section 297A.66, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) To the extent allowed by the United States Constitution and the laws of the United States, the terms "retailer maintaining a place of business in this state," and "marketplace provider maintaining a place of business in this state," or ~~a~~ similar ~~term, means~~ terms mean a retailer or marketplace provider:

(1) having or maintaining within this state, directly or by a subsidiary or an affiliate, an office, place of distribution, sales, storage, or sample room or place, warehouse, or other place of business, including the employment of a resident of this state who works from a home office in this state; or

(2) having a representative, including, but not limited to, an affiliate, agent, salesperson, canvasser, ~~marketplace provider,~~ solicitor, or other third party operating in this state under the authority of the retailer or marketplace provider, or its subsidiary, for any purpose, including the repairing, selling, delivering, installing, facilitating sales, processing sales, or soliciting of orders for the retailer's or a retailer's goods or services, or the leasing of tangible personal property located in this state, whether the place of business or agent, representative, affiliate, salesperson, canvasser, or solicitor is located in the state permanently or temporarily, or whether or not the retailer or marketplace provider, subsidiary, or affiliate is authorized to do business in this state. ~~A retailer is represented by a marketplace provider in this state if the retailer makes sales in this state facilitated by a marketplace provider that maintains a place of business in this state.~~

~~(b) "Destination of a sale" means the location to which the retailer makes delivery of the property sold, or causes the property to be delivered, to the purchaser of the property,~~

~~or to the agent or designee of the purchaser. The delivery may be made by any means, including the United States Postal Service or a for-hire carrier.~~

~~(c)~~ (b) To the extent allowed by the United States Constitution and the laws of the United States, the terms "retailer not maintaining a place of business in this state," and "marketplace provider not maintaining a place of business in this state," or similar terms mean a retailer or marketplace provider making or facilitating retail sales from outside this state to a destination within this state and not maintaining a place of business in this state as provided in paragraph (a) that engages in the regular or systematic soliciting of sales from potential customers in this state by:

(1) distribution, by mail or otherwise, of catalogs, periodicals, advertising flyers, or other written solicitations of business to customers in this state;

(2) advertisements on billboards or other outdoor advertising in this state;

(3) advertisements in newspapers published in this state;

(4) advertisements in trade journals or other periodicals the circulation of which is primarily within this state;

(5) advertisements in a Minnesota edition of a national or regional publication or a limited regional edition in which this state is included as part of a broader regional or national publication that are not placed in other geographically defined editions of the same issue of the same publication;

(6) advertisements in regional or national publications in an edition that is not by its contents geographically targeted to Minnesota but is sold over the counter in Minnesota or by subscription to Minnesota residents;

(7) advertisements broadcast on a radio or television station located in Minnesota; or

(8) any other solicitation by telephone, computer database, cable, optic, microwave, or any other communication system, including but not limited to a website accessible from within Minnesota.

The location of independent vendors that provide products or services to a retailer or marketplace provider in connection with a retailer or marketplace provider's solicitation of customers within this state, including such products and services as creation of copy, printing, distribution, and recording is not considered in determining whether the retailer or marketplace provider is required to collect tax. Paragraph (b) must be construed without regard to the state from which distribution of the materials originated or in which they were prepared.

(c) "Regular or systematic soliciting of sales from potential customers in this state" means the retailer not maintaining a place of business in this state or marketplace provider not maintaining a place of business in this state is engaged in any of the solicitations listed in paragraph (b), and:

(1) makes or facilitates 200 or more retail sales from outside this state to destinations in this state during the prior 12-month period; or

(2) makes or facilitates retail sales totaling more than $100,000 from outside this state to destinations in this state during the prior 12-month period.

(d) "Marketplace provider" means any person who facilitates a retail sale by a retailer by:

(1) listing or advertising for sale by the retailer in any forum, tangible personal property, services, or digital goods that are subject to tax under this chapter; and

(2) either directly or indirectly through agreements or arrangements with third parties collecting payment from the customer and transmitting that payment to the retailer regardless of whether the marketplace provider receives compensation or other consideration in exchange for its services.

~~(d) "Total taxable retail sales" means the gross receipts from the sale of all tangible goods, services, and digital goods subject to sales and use tax under this chapter.~~

(e) "Destination of a sale" means the location to which the retailer makes delivery of the property sold, or causes the property to be delivered, to the purchaser of the property, or to the agent or designee of the purchaser. The delivery may be made by any means, including the United States Postal Service or a for-hire carrier.

EFFECTIVE DATE. This section is effective for sales and purchases made after September 30, 2019.

Sec. 5. Minnesota Statutes 2018, section 297A.66, subdivision 2, is amended to read:

Subd. 2. ~~**Retailer maintaining place of business in this state**~~ **Collection and remittance requirements for retailers and marketplace providers.** (a) Except as provided in paragraph ~~(b)~~ (d), a retailer maintaining a place of business in this state and a retailer not maintaining a place of business in this state who makes retail sales in Minnesota or to a destination in Minnesota shall collect sales and use taxes and remit them to the commissioner under section 297A.77 for all retail sales other than those facilitated by a marketplace provider maintaining

a place of business in this state or a marketplace provider not maintaining a place of business in this state that is required to collect and remit sales and use taxes under paragraph (b).

(b) ~~A retailer with total taxable retail sales to customers in this state of less than $10,000 in the 12-month period ending on the last day of the most recently completed calendar quarter is not required to collect and remit sales tax if it is determined to be a retailer maintaining a place of business in the state solely because it made sales through one or more marketplace providers. The provisions of this paragraph do not apply to a retailer that is or was registered to collect sales and use tax in this state.~~ Except as provided in paragraph (d), a marketplace provider maintaining a place of business in this state and a marketplace provider not maintaining a place of business in this state who facilitates retail sales in Minnesota or to a destination in Minnesota shall collect sales and use taxes and remit them to the commissioner under section 297A.77 unless:

(1) the retailer provides a copy of the retailer's registration to collect sales and use taxes in this state to the marketplace provider; and

(2) the marketplace provider and retailer agree that the retailer will collect and remit the sales and use taxes on marketplace sales facilitated by the marketplace provider.

(c) Nothing in paragraph (b) shall be construed to interfere with the ability of a marketplace provider and a retailer to enter into an agreement regarding fulfillment of the requirements of this chapter.

(d) A retailer not maintaining a place of business in this state and a marketplace provider not maintaining a place of business in this state shall:

(1) begin collecting and remitting sales and use taxes to the commissioner on the first day of a calendar month occurring no later than 60 days after the retailer or marketplace provider engages in regular or systematic soliciting of sales from potential customers in this state; and

(2) continue to collect and remit sales and use taxes to the commissioner until at least the last day of the 12th calendar month following the calendar month in which the retailer or marketplace provider began collecting and remitting sales and use taxes under clause (1).

(e) A retailer not maintaining a place of business in this state and a marketplace provider not maintaining a place of business in this state may cease collecting and remitting sales and use taxes to the commissioner after the period in paragraph (d), clause (2), if the retailer

or marketplace provider no longer engages in regular or systematic soliciting of sales from potential customers in this state.

(f) A retailer or marketplace provider may cease collecting and remitting sales and use taxes under paragraph (e) only after notifying the commissioner that the retailer or marketplace provider is no longer engaged in the regular or systematic soliciting of sales from potential customers in this state. The commissioner shall prescribe the content, format, and manner of the notification pursuant to section 270C.30. If a retailer or marketplace provider subsequently engages in regular or systematic soliciting of sales from potential customers in this state, the retailer shall again comply with the requirements of paragraph (d).

EFFECTIVE DATE. This section is effective for sales and purchases made after September 30, 2019.

Sec. 6. Minnesota Statutes 2018, section 297A.66, subdivision 3, is amended to read:

Subd. 3. ~~**Retailer not maintaining place of business in this state**~~ **Marketplace provider liability.** ~~(a) To the extent allowed by the United States Constitution and in accordance with the terms and conditions of federal remote seller law, a retailer making retail sales from outside this state to a destination within this state and not maintaining a place of business in this state shall collect sales and use taxes and remit them to the commissioner under section 297A.77.~~

~~(b) To the extent allowed by the United States Constitution and the laws of the United States, a retailer making retail sales from outside this state to a destination within this state and not maintaining a place of business in this state shall collect sales and use taxes and remit them to the commissioner under section 297A.77, if the retailer engages in the regular or systematic soliciting of sales from potential customers in this state by:~~

~~(1) distribution, by mail or otherwise, of catalogs, periodicals, advertising flyers, or other written solicitations of business to customers in this state;~~

~~(2) display of advertisements on billboards or other outdoor advertising in this state;~~

~~(3) advertisements in newspapers published in this state;~~

~~(4) advertisements in trade journals or other periodicals the circulation of which is primarily within this state;~~

~~(5) advertisements in a Minnesota edition of a national or regional publication or a limited regional edition in which this state is included as part of a broader regional or national~~

~~publication which are not placed in other geographically defined editions of the same issue of the same publication;~~

~~(6) advertisements in regional or national publications in an edition which is not by its contents geographically targeted to Minnesota but which is sold over the counter in Minnesota or by subscription to Minnesota residents;~~

~~(7) advertisements broadcast on a radio or television station located in Minnesota; or~~

~~(8) any other solicitation by telegraphy, telephone, computer database, cable, optic, microwave, or other communication system.~~

~~This paragraph must be construed without regard to the state from which distribution of the materials originated or in which they were prepared.~~

~~(c) The location within or without this state of independent vendors that provide products or services to the retailer in connection with its solicitation of customers within this state, including such products and services as creation of copy, printing, distribution, and recording, is not considered in determining whether the retailer is required to collect tax.~~

~~(d) A retailer not maintaining a place of business in this state is presumed, subject to rebuttal, to be engaged in regular solicitation within this state if it engages in any of the activities in paragraph (b) and:~~

~~(1) makes 100 or more retail sales from outside this state to destinations in this state during a period of 12 consecutive months; or~~

~~(2) makes ten or more retail sales totaling more than $100,000 from outside this state to destinations in this state during a period of 12 consecutive months.~~

(a) A marketplace provider is subject to audit on the retail sales it facilitates if it is required to collect sales and use taxes and remit them to the commissioner under subdivision 2, paragraphs (b) and (c).

(b) A marketplace provider is not liable for failing to file, collect, and remit sales and use taxes to the commissioner if the marketplace provider demonstrates that the error was due to incorrect or insufficient information given to the marketplace provider by the retailer. This paragraph does not apply if the marketplace provider and the marketplace retailer are related as defined in subdivision 4, paragraph (b).

EFFECTIVE DATE. This section is effective for sales and purchases made after September 30, 2019.

Sec. 7. Minnesota Statutes 2018, section 297A.67, is amended by adding a subdivision to read:

Subd. 37. **Certain herbicides.** (a) Purchases of herbicides authorized for use pursuant to an invasive aquatic plant management permit as defined under section 103G.615 are exempt if purchased by:

(1) a lakeshore property owner;

(2) an association of lakeshore property owners organized under chapter 317A; or

(3) a contractor hired by a lakeshore owner or association to provide invasive aquatic plant management under the permit.

(b) For purposes of this subdivision, "herbicides" means a substance or mixture of substances intended for use as a plant regulator, defoliant, or desiccant that are:

(1) labeled for use in water;

(2) registered for use in this state by the Department of Agriculture under section 18B.26; and

(3) listed as one of the herbicides proposed for use on the invasive aquatic plant management permit.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2019.

Sec. 8. Minnesota Statutes 2018, section 297A.70, subdivision 10, is amended to read:

Subd. 10. **Nonprofit tickets or admissions.** (a) Tickets or admissions to an event are exempt if all the gross receipts are recorded as such, in accordance with generally accepted accounting principles, on the books of one or more organizations whose primary mission is to provide an opportunity for citizens of the state to participate in the creation, performance, or appreciation of the arts, and provided that each organization is:

(1) an organization described in section 501(c)(3) of the Internal Revenue Code in which voluntary contributions make up at least five percent of the organization's annual revenue in its most recently completed 12-month fiscal year, or in the current year if the organization has not completed a 12-month fiscal year;

(2) a municipal board that promotes cultural and arts activities; or

(3) the University of Minnesota, a state college and university, or a private nonprofit college or university provided that the event is held at a facility owned by the educational institution holding the event.

The exemption only applies if the entire proceeds, after reasonable expenses, are used solely to provide opportunities for citizens of the state to participate in the creation, performance, or appreciation of the arts.

(b) Tickets or admissions to the premises of the Minnesota Zoological Garden are exempt, provided that the exemption under this paragraph does not apply to tickets or admissions to performances or events held on the premises unless the performance or event is sponsored and conducted exclusively by the Minnesota Zoological Board or employees of the Minnesota Zoological Garden.

(c) Tickets or admissions to a performance or event on the premises of a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code are exempt if:

(1) the nonprofit organization was established to preserve Minnesota's rural agricultural heritage and focuses on educating the public about rural history and how farms in Minnesota helped to provide food for the nation and the world;

(2) the premises of the nonprofit organization is at least 115 acres;

(3) the performance or event is sponsored and conducted exclusively by volunteers, employees of the nonprofit organization, or members of the board of directors of the nonprofit organization; and

(4) the performance or event is consistent with the nonprofit organization's purposes under section 501(c)(3) of the Internal Revenue Code.

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

Sec. 9. Minnesota Statutes 2018, section 297A.70, subdivision 20, is amended to read:

Subd. 20. **Ice arenas and rinks.** Sales to organizations that exist primarily for the purpose of owning or operating ice arenas or rinks that are (1) part of either the Duluth Heritage Sports Center or the David M. Thaler Sports Center; and (2) are used for youth and high school programs, are exempt if the organization is a private, nonprofit corporation exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2019.

Sec. 10. Minnesota Statutes 2018, section 297A.70, is amended by adding a subdivision to read:

Subd. 21. **County agricultural society sales at county fairs.** Sales by a county agricultural society during a regularly scheduled county fair are exempt. For purposes of this subdivision, sales include admissions to and parking at the county fairgrounds, admissions to separately ticketed events run by the county agricultural society, and concessions and other sales made by employees or volunteers of the county agricultural society on the county fairgrounds. This exemption does not apply to sales or events by a county agricultural society held at a time other than at the time of the regularly scheduled county fair, or events not held on the county fairgrounds.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2019.

Sec. 11. Minnesota Statutes 2018, section 297A.71, subdivision 50, is amended to read:

Subd. 50. **Properties destroyed by fire.** (a) Building materials and supplies used in, and equipment incorporated into, the construction or replacement of real property that is located in Melrose affected by the fire on September 8, 2016, are exempt.

(b) For sales and purchases made for the periods of (1) after September 30, 2016, and before July 1, 2017, and (2) after December 31, 2018, and before July 1, 2019, the tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after December 31, 2018.

Sec. 12. Minnesota Statutes 2018, section 297A.71, is amended by adding a subdivision to read:

Subd. 51. **Properties destroyed by fire.** (a) Building materials and supplies used or consumed in, and equipment incorporated into, the construction or replacement of real property affected by, and capital equipment to replace equipment destroyed in, the fire on March 11, 2018, in the city of Mazeppa are exempt. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75. For purposes of this subdivision, "capital equipment" includes durable equipment used in a restaurant for food storage, preparation, and serving.

(b) The exemption under this subdivision applies to sales and purchases made after March 11, 2018, and before January 1, 2022.

EFFECTIVE DATE. This section is effective retroactively from March 11, 2018.

Sec. 13. Minnesota Statutes 2018, section 297A.71, is amended by adding a subdivision to read:

Subd. 52. **Construction; certain local government facilities.** (a) Materials and supplies used in and equipment incorporated into the construction, reconstruction, upgrade, expansion, or remodeling of the following local government owned facilities are exempt:

(1) a new fire station, which includes firefighting, emergency management, public safety training, and other public safety facilities in the city of Monticello if materials, supplies, and equipment are purchased after January 31, 2019, and before January 1, 2022;

(2) a new fire station, which includes firefighting and public safety training facilities and public safety facilities, in the city of Inver Grove Heights if materials, supplies, and equipment are purchased after June 30, 2018, and before January 1, 2021;

(3) a fire station and police station, including access roads, lighting, sidewalks, and utility components, on or adjacent to the property on which the fire station or police station are located that are necessary for safe access to and use of those buildings, in the city of Minnetonka if materials, supplies, and equipment are purchased after May 23, 2019, and before January 1, 2021;

(4) the school building in Independent School District No. 414, Minneota, if materials, supplies, and equipment are purchased after January 1, 2018, and before January 1, 2021;

(5) a fire station in the city of Mendota Heights, if materials, supplies, and equipment are purchased after December 31, 2018, and before January 1, 2021; and

(6) a Dakota County law enforcement collaboration center, also known as the Safety and Mental Health Alternative Response Training (SMART) Center, if materials, supplies, and equipment are purchased after June 30, 2019, and before July 1, 2021.

(b) The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

(c) The total refund for the project listed in paragraph (a), clause (3), must not exceed $850,000.

EFFECTIVE DATE. This section is effective the day following final enactment and applies retroactively to sales and purchases made during the time periods listed for each project in paragraph (a).

Sec. 14. Minnesota Statutes 2018, section 297A.75, subdivision 1, is amended to read:

Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

(1) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;

(2) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;

(3) building materials for correctional facilities under section 297A.71, subdivision 3;

(4) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;

(5) elevators and building materials exempt under section 297A.71, subdivision 12;

(6) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;

(7) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;

(8) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37;

(9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph (a), clause (10);

(10) materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivision 40;

(11) materials, supplies, and equipment for construction, improvement, or expansion of:

(i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 42;

(ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision 45;

(iii) a research and development facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 46; and

(iv) an industrial measurement manufacturing and controls facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 47;

(12) enterprise information technology equipment and computer software for use in a qualified data center exempt under section 297A.68, subdivision 42;

(13) materials, supplies, and equipment for qualifying capital projects under section 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);

(14) items purchased for use in providing critical access dental services exempt under section 297A.70, subdivision 7, paragraph (c);

(15) items and services purchased under a business subsidy agreement for use or consumption primarily in greater Minnesota exempt under section 297A.68, subdivision 44;

(16) building materials, equipment, and supplies for constructing or replacing real property exempt under section 297A.71, ~~subdivision~~ subdivisions 49; 50, paragraph (b); and 51; and

(17) building materials, equipment, and supplies for ~~constructing or replacing real property exempt under section 297A.71, subdivision 50, paragraph (b).~~ qualifying capital projects under section 297A.71, subdivision 52.

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

Sec. 15. Minnesota Statutes 2018, section 297A.75, subdivision 2, is amended to read:

Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the exempt items must be paid to the applicant. Only the following persons may apply for the refund:

(1) for subdivision 1, clauses (1), (2), and (14), the applicant must be the purchaser;

(2) for subdivision 1, clause (3), the applicant must be the governmental subdivision;

(3) for subdivision 1, clause (4), the applicant must be the recipient of the benefits provided in United States Code, title 38, chapter 21;

(4) for subdivision 1, clause (5), the applicant must be the owner of the homestead property;

(5) for subdivision 1, clause (6), the owner of the qualified low-income housing project;

(6) for subdivision 1, clause (7), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities;

(7) for subdivision 1, clauses (8), (11), (12), and (15), the owner of the qualifying business;

(8) for subdivision 1, clauses (9), (10), ~~and~~ (13), and (17), the applicant must be the governmental entity that owns or contracts for the project or facility; and

(9) for subdivision 1, clause (16), the applicant must be the owner or developer of the building or project~~; and~~.

~~(10) for subdivision 1, clause (17), the applicant must be the owner or developer of the building or project.~~

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

Sec. 16. Minnesota Statutes 2018, section 297F.09, subdivision 10, is amended to read:

Subd. 10. **Accelerated tax payment; cigarette or tobacco products distributor.** A cigarette or tobacco products distributor having a liability of $250,000 or more during a fiscal year ending June 30, shall remit the June liability for the next year in the following manner:

(a) Two business days before June 30 of ~~the year~~ calendar years 2020 and 2021, the distributor shall remit the actual May liability and ~~81.4~~ 87.5 percent of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner.

(b) On or before August 18 of the year, the distributor shall submit a return showing the actual June liability and pay any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid in June, less the amount remitted in June. However, the penalty is not imposed if the amount remitted in June equals the lesser of:

(1) ~~81.4~~ 87.5 percent of the actual June liability for the calendar year 2020 and 2021 June liabilities and 84.5 of the actual June liability for June 2022 and thereafter; or

(2) ~~81.4~~ 87.5 percent of the preceding May liability for the calendar year 2020 and 2021 June liabilities and 84.5 percent of the preceding May liability for June 2022 and thereafter.

(c) For calendar year 2022 and thereafter, the percent of the estimated June liability the vendor must remit by two business days before June 30 is 84.5 percent.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2019.

Sec. 17. Minnesota Statutes 2018, section 297G.09, subdivision 9, is amended to read:

Subd. 9. **Accelerated tax payment; penalty.** A person liable for tax under this chapter having a liability of $250,000 or more during a fiscal year ending June 30, shall remit the June liability for the next year in the following manner:

(a) Two business days before June 30 of ~~the year~~ calendar years 2020 and 2021, the taxpayer shall remit the actual May liability and ~~81.4~~ 87.5 percent of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner.

(b) On or before August 18 of the year, the taxpayer shall submit a return showing the actual June liability and pay any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid in June less the amount remitted in June. However, the penalty is not imposed if the amount remitted in June equals the lesser of:

(1) ~~81.4~~ 87.5 percent of the actual June liability for the calendar year 2020 and 2021 June liabilities and 84.5 percent of the actual June liability for June 2022 and thereafter; or

(2) ~~81.4~~ 87.5 percent of the preceding May liability for the calendar year 2020 and 2021 June liabilities and 84.5 percent of the preceding May liability for June 2022 and thereafter.

(c) For calendar year 2022 and thereafter, the percent of the estimated June liability the vendor must remit by two business days before June 30 is 84.5 percent.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2019.

Sec. 18. Laws 2017, First Special Session chapter 1, article 3, section 32, the effective date, is amended to read:

EFFECTIVE DATE. Paragraph (a) is effective retroactively for sales and purchases made after September 30, 2016, and before January 1, ~~2019~~ 2023. Paragraph (b) is effective

for sales and purchases made (1) after September 30, 2016, and before July 1, 2017; and (2) after December 31, 2018, and before July 1, 2019.

EFFECTIVE DATE. This section is effective retroactively from January 1, 2019.

Sec. 19. **REPEALER.**

Minnesota Statutes 2018, section 297A.66, subdivision 4b, is repealed.

EFFECTIVE DATE. This section is effective for sales and purchases made after September 30, 2019.

ARTICLE 4
PROPERTY TAX

Section 1. Minnesota Statutes 2018, section 103D.905, subdivision 5, is amended to read:

Subd. 5. **Construction or implementation fund.** (a) A construction or implementation fund consists of:

(1) the proceeds of watershed district bonds or notes or of the sale of county bonds;

(2) construction or implementation loans or grants from the ~~Pollution Control Agency under sections 103F.701 to 103F.755,~~ state or from any agency of the federal government; and

(3) special assessments, storm water charges, loan repayments, and ad valorem tax levies levied or to be levied to supply funds for the construction or implementation of the projects of the watershed district, including reservoirs, ditches, dikes, canals, channels, storm water facilities, sewage treatment facilities, wells, and other works, and the expenses incident to and connected with the construction or implementation.

(b) Construction or implementation loans or grants from the ~~Pollution Control Agency under sections 103F.701 to 103F.755,~~ state or from an agency of the federal government may be repaid from the proceeds of watershed district bonds or notes or from the collections of storm water charges, loan repayments, ad valorem tax levies, or special assessments on properties benefited by the project.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020 and thereafter.

Sec. 2. Minnesota Statutes 2018, section 103D.905, subdivision 9, is amended to read:

Subd. 9. **Project tax levy.** (a) In addition to other tax levies provided in this section or in any other law, a watershed district may levy a tax:

(1) to pay the costs of projects undertaken by the watershed district ~~which~~ that are ~~to be~~ funded, in whole or in part, with ~~the proceeds of~~ money appropriated by law for grants or ~~construction or implementation~~ loans ~~under sections 103F.701 to 103F.755~~ to the district;

(2) to pay the principal of, or premium or administrative surcharge, if any, and interest on~~, the~~ bonds ~~and~~ or notes issued by the watershed district ~~pursuant to section 103F.725~~ to repay such loans; or

(3) to repay ~~the construction or implementation~~ such loans ~~under sections 103F.701 to 103F.755~~.

(b) Taxes levied with respect to payment of bonds and notes ~~shall~~ must comply with section 475.61.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020 and thereafter.

Sec. 3. Minnesota Statutes 2018, section 138.053, is amended to read:

138.053 COUNTY HISTORICAL SOCIETY; TAX LEVY; CITIES OR TOWNS.

The governing body of any home rule charter or statutory city or town may annually appropriate from its general fund an amount not to exceed 0.02418 percent of estimated market value, derived from ad valorem taxes on property or other revenues, to be paid to the historical society of its respective city, town, or county to be used for the promotion of historical work and to aid in defraying the expenses of carrying on the historical work in the city, town, or county. No city or town may appropriate any funds for the benefit of any historical society unless the society is affiliated with and approved by the Minnesota Historical Society.

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

Sec. 4. Minnesota Statutes 2018, section 197.603, subdivision 2, is amended to read:

Subd. 2. **Records; data privacy.** Pursuant to chapter 13 the county veterans service officer is the responsible authority with respect to all records in the officer's custody. The data on clients' applications for assistance is private data on individuals, as defined in section 13.02, subdivision 12. The county veterans service officer may disclose to the county or

local assessor private data necessary to determine a client's eligibility for the veteran with a disability homestead market value exclusion under section 273.13, subdivision 34.

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

Sec. 5. Minnesota Statutes 2018, section 272.02, subdivision 49, is amended to read:

Subd. 49. **Agricultural historical society property.** Property is exempt from taxation if it is owned by a nonprofit charitable or educational organization that qualifies for exemption under section 501(c)(3) of the Internal Revenue Code and meets the following criteria:

(1) the property is primarily used for storing and exhibiting tools, equipment, and artifacts useful in providing an understanding of local or regional agricultural history. Primary use is determined each year based on the number of days the property is used solely for storage and exhibition purposes;

(2) the property is limited to a maximum of ~~20~~ 40 acres per owner per county, but includes the land and any taxable structures, fixtures, and equipment on the land;

(3) the property is not used for a revenue-producing activity for more than ten days in each calendar year; and

(4) the property is not used for residential purposes on either a temporary or permanent basis.

For assessment year 2019 only, an exemption application under this subdivision must be filed with the county assessor by July 1, 2019.

EFFECTIVE DATE. This section is effective beginning with assessment year 2019, for taxes payable in 2020, and thereafter.

Sec. 6. Minnesota Statutes 2018, section 272.02, is amended by adding a subdivision to read:

Subd. 102. **Certain property owned by an Indian tribe.** (a) Property is exempt that:

(1) is located in a city of the first class with a population of more than 380,000 as of the 2010 federal census;

(2) was on January 1, 2016, and is for the current assessment, owned by a federally recognized Indian tribe, or its instrumentality, that is located within the state of Minnesota; and

(3) is used exclusively as a pharmacy, as defined in section 151.01, subdivision 2.

(b) Property that qualifies for the exemption under this subdivision is limited to parcels and structures that do not exceed, in the aggregate, 4,000 square feet. Property acquired for single-family housing, market-rate apartments, agriculture, or forestry does not qualify for this exemption.

For assessment year 2019 only, an exemption application under this subdivision must be filed with the county assessor by July 1, 2019. The exemption created by this subdivision expires with taxes payable in 2029.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020 and thereafter.

Sec. 7. Minnesota Statutes 2018, section 272.02, is amended by adding a subdivision to read:

Subd. 103. **Licensed child care facility.** Property used as a licensed child care facility that accepts families participating in the child care assistance program under chapter 119B, and that is owned and operated by a nonprofit charitable organization that qualifies for tax exemption under section 501(c)(3) of the Internal Revenue Code, is exempt. For the purposes of this subdivision, "licensed child care facility" means a child care center licensed under Minnesota Rules, chapter 9503, or a facility used to provide licensed family day care or group family day care as defined under Minnesota Rules, chapter 9502.

For assessment year 2019 only, an exemption application under this subdivision must be filed with the county assessor by July 1, 2019.

EFFECTIVE DATE. This section is effective beginning with assessment year 2019, for taxes payable in 2020.

Sec. 8. Minnesota Statutes 2018, section 272.115, subdivision 1, is amended to read:

Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5, 6, or 7, whenever any real estate is sold for a consideration in excess of ~~$1,000~~ $3,000, whether by warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor, grantee or the legal agent of either shall file a certificate of value with the county auditor in the county in which the property is located when the deed or other document is presented for recording. Contract for deeds are subject to recording under section 507.235, subdivision 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration thereof, paid or to be paid, including the amount of any lien or liens assumed. The items

and value of personal property transferred with the real property must be listed and deducted from the sale price. The certificate of value shall include the classification to which the property belongs for the purpose of determining the fair market value of the property, and shall include any proposed change in use of the property known to the person filing the certificate that could change the classification of the property. The certificate shall include financing terms and conditions of the sale which are necessary to determine the actual, present value of the sale price for purposes of the sales ratio study. If the property is being acquired as part of a like-kind exchange under section 1031 of the Internal Revenue Code of 1986, as amended through December 31, 2006, that must be indicated on the certificate. The commissioner of revenue shall promulgate administrative rules specifying the financing terms and conditions which must be included on the certificate. The certificate of value must include the Social Security number or the federal employer identification number of the grantors and grantees. However, a married person who is not an owner of record and who is signing a conveyance instrument along with the person's spouse solely to release and convey their marital interest, if any, in the real property being conveyed is not a grantor for the purpose of the preceding sentence. A statement in the deed that is substantially in the following form is sufficient to allow the county auditor to accept a certificate for filing without the Social Security number of the named spouse: "(Name) claims no ownership interest in the real property being conveyed and is executing this instrument solely to release and convey a marital interest, if any, in that real property." The identification numbers of the grantors and grantees are private data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or nonpublic data may be disclosed to the commissioner of revenue for purposes of tax administration. The information required to be shown on the certificate of value is limited to the information required as of the date of the acknowledgment on the deed or other document to be recorded.

EFFECTIVE DATE. This section is effective for certificates of value filed after December 31, 2019.

Sec. 9. Minnesota Statutes 2018, section 273.124, subdivision 3a, is amended to read:

Subd. 3a. **Manufactured home park cooperative.** (a) When a manufactured home park is owned by a corporation or association organized under chapter 308A or 308B, and each person who owns a share or shares in the corporation or association is entitled to occupy a lot within the park, the corporation or association may claim homestead treatment for the park. Each lot must be designated by legal description or number, and each lot is limited to not more than one-half acre of land.

(b) The manufactured home park shall be entitled to homestead treatment if all of the following criteria are met:

(1) the occupant or the cooperative corporation or association is paying the ad valorem property taxes and any special assessments levied against the land and structure either directly, or indirectly through dues to the corporation or association; and

(2) the corporation or association organized under chapter 308A or 308B is wholly owned by persons having a right to occupy a lot owned by the corporation or association.

(c) A charitable corporation, organized under the laws of Minnesota with no outstanding stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status, qualifies for homestead treatment with respect to a manufactured home park if its members hold residential participation warrants entitling them to occupy a lot in the manufactured home park.

(d) "Homestead treatment" under this subdivision means the classification rate provided for class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause (5), item (ii)~~.~~, and the homestead market value exclusion under section 273.13, subdivision 35, does not apply ~~and the property taxes assessed against the park shall not be included in the determination of taxes payable for rent paid under section 290A.03~~.

EFFECTIVE DATE. This section is effective beginning with claims for taxes payable in 2020.

Sec. 10. Minnesota Statutes 2018, section 273.124, subdivision 8, is amended to read:

Subd. 8. **Homestead owned by or leased to family farm corporation, joint farm venture, limited liability company, or partnership.** (a) Each family farm corporation; each joint family farm venture; and each limited liability company or partnership which operates a family farm; is entitled to class 1b under section 273.13, subdivision 22, paragraph (b), or class 2a assessment for one homestead occupied by a shareholder, member, or partner thereof who is residing on the land, and actively engaged in farming of the land owned by the family farm corporation, joint family farm venture, limited liability company, or partnership. Homestead treatment applies even if:

(1) legal title to the property is in the name of the family farm corporation, joint family farm venture, limited liability company, or partnership, and not in the name of the person residing on it~~.~~; or

(2) the family farm is operated by a family farm corporation, joint family farm venture, partnership, or limited liability company other than the family farm corporation, joint family farm venture, partnership, or limited liability company that owns the land, provided that:

(i) the shareholder, member, or partner residing on and actively engaged in farming the land is a shareholder, member, or partner of the family farm corporation, joint family farm venture, partnership, or limited liability company that is operating the farm and;

(ii) more than half of the shareholders, members, or partners of each family farm corporation, joint family farm venture, partnership, or limited liability company are persons or spouses of persons who are a qualifying relative under section 273.124, subdivision 1, paragraphs (c) and (d).

"Family farm corporation," "family farm," and "partnership operating a family farm" have the meanings given in section 500.24, except that the number of allowable shareholders, members, or partners under this subdivision shall not exceed 12. "Limited liability company" has the meaning contained in sections 322C.0102, subdivision 12, and 500.24, subdivision 2, paragraphs (l) and (m). "Joint family farm venture" means a cooperative agreement among two or more farm enterprises authorized to operate a family farm under section 500.24.

(b) In addition to property specified in paragraph (a), any other residences owned by family farm corporations, joint family farm ventures, limited liability companies, or partnerships described in paragraph (a) which are located on agricultural land and occupied as homesteads by its shareholders, members, or partners who are actively engaged in farming on behalf of that corporation, joint farm venture, limited liability company, or partnership must also be assessed as class 2a property or as class 1b property under section 273.13.

(c) Agricultural property that is owned by a member, partner, or shareholder of a family farm corporation or joint family farm venture, limited liability company operating a family farm, or by a partnership operating a family farm and leased to the family farm corporation, limited liability company, partnership, or joint farm venture, as defined in paragraph (a), is eligible for classification as class 1b or class 2a under section 273.13, if the owner is actually residing on the property, and is actually engaged in farming the land on behalf of that corporation, joint farm venture, limited liability company, or partnership. This paragraph applies without regard to any legal possession rights of the family farm corporation, joint family farm venture, limited liability company, or partnership under the lease.

(d) Nonhomestead agricultural property that is owned by a family farm corporation, joint farm venture, limited liability company, or partnership; and located not farther than four townships or cities, or combination thereof, from agricultural land that is owned, and

used for the purposes of a homestead by an individual who is a shareholder, member, or partner of the corporation, venture, company, or partnership; is entitled to receive the first tier homestead classification rate on any remaining market value in the first homestead class tier that is in excess of the market value of the shareholder's, member's, or partner's class 2 agricultural homestead property, if the owner, or someone acting on the owner's behalf notifies the county assessor by July 1 that the property may be eligible under this paragraph for the current assessment year, for taxes payable in the following year. As used in this paragraph, "agricultural property" means property classified as 2a under section 273.13, along with any contiguous property classified as 2b under section 273.13, if the contiguous 2a and 2b properties are under the same ownership.

EFFECTIVE DATE. This section is effective beginning with assessment year 2019.

Sec. 11. Minnesota Statutes 2018, section 273.124, subdivision 14, is amended to read:

Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than ten acres that is the homestead of its owner must be classified as class 2a under section 273.13, subdivision 23, paragraph (a), if:

(1) the parcel on which the house is located is contiguous on at least two sides to (i) agricultural land, (ii) land owned or administered by the United States Fish and Wildlife Service, or (iii) land administered by the Department of Natural Resources on which in lieu taxes are paid under sections 477A.11 to 477A.14;

(2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20 acres;

(3) the noncontiguous land is located not farther than four townships or cities, or a combination of townships or cities from the homestead; and

(4) the agricultural use value of the noncontiguous land and farm buildings is equal to at least 50 percent of the market value of the house, garage, and one acre of land.

Homesteads initially classified as class 2a under the provisions of this paragraph shall remain classified as class 2a, irrespective of subsequent changes in the use of adjoining properties, as long as the homestead remains under the same ownership, the owner owns a noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use value qualifies under clause (4). Homestead classification under this paragraph is limited to property that qualified under this paragraph for the 1998 assessment.

(b)(i) Agricultural property shall be classified as the owner's homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the agricultural property consists of at least 40 acres including undivided government lots and correctional 40's;

(2) the owner, the owner's spouse, or a grandchild, child, sibling, or parent of the owner or of the owner's spouse, is actively farming the agricultural property, either on the person's own behalf as an individual or on behalf of a partnership operating a family farm, family farm corporation, joint family farm venture, or limited liability company of which the person is a partner, shareholder, or member;

(3) both the owner of the agricultural property and the person who is actively farming the agricultural property under clause (2), are Minnesota residents;

(4) neither the owner nor the spouse of the owner claims another agricultural homestead in Minnesota; and

(5) neither the owner nor the person actively farming the agricultural property lives farther than four townships or cities, or a combination of four townships or cities, from the agricultural property, except that if the owner or the owner's spouse is required to live in employer-provided housing, the owner or owner's spouse, whichever is actively farming the agricultural property, may live more than four townships or cities, or combination of four townships or cities from the agricultural property.

The relationship under this paragraph may be either by blood or marriage.

(ii) ~~Agricultural property held by a trustee under a trust is eligible for agricultural homestead classification under this paragraph if the qualifications in clause (i) are met, except that "owner" means the grantor of the trust.~~

~~(iii)~~ Property containing the residence of an owner who owns qualified property under clause (i) shall be classified as part of the owner's agricultural homestead, if that property is also used for noncommercial storage or drying of agricultural crops.

~~(iv)~~ (iii) As used in this paragraph, "agricultural property" means class 2a property and any class 2b property that is contiguous to and under the same ownership as the class 2a property.

(c) Noncontiguous land shall be included as part of a homestead under section 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached land is located in the same township or city, or not farther than four townships or cities or combination thereof from the homestead. Any taxpayer of these noncontiguous lands must notify the county assessor that the noncontiguous land is part of the taxpayer's homestead,

and, if the homestead is located in another county, the taxpayer must also notify the assessor of the other county.

(d) Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified as a homestead under section 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a.

(e) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the April 1997 floods;

(2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or Wilkin;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1997 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 1997 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(f) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by a March 29, 1998, tornado;

(2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1998 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to a March 29, 1998, tornado, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the owner must notify the assessor by December 1, 1998. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(g) Agricultural property of a family farm corporation, joint family farm venture, family farm limited liability company, or partnership operating a family farm as described under subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the property consists of at least 40 acres including undivided government lots and correctional 40's;

(2) a shareholder, member, or partner of that entity is actively farming the agricultural property;

(3) that shareholder, member, or partner who is actively farming the agricultural property is a Minnesota resident;

(4) neither that shareholder, member, or partner, nor the spouse of that shareholder, member, or partner claims another agricultural homestead in Minnesota; and

(5) that shareholder, member, or partner does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property.

Homestead treatment applies under this paragraph even if:

(i) the shareholder, member, or partner of that entity is actively farming the agricultural property on the shareholder's, member's, or partner's own behalf; or

(ii) the family farm is operated by a family farm corporation, joint family farm venture, partnership, or limited liability company other than the family farm corporation, joint family farm venture, partnership, or limited liability company that owns the land, provided that:

(A) the shareholder, member, or partner of the family farm corporation, joint family farm venture, partnership, or limited liability company that owns the land who is actively

farming the land is a shareholder, member, or partner of the family farm corporation, joint family farm venture, partnership, or limited liability company that is operating the farm; and

(B) more than half of the shareholders, members, or partners of each family farm corporation, joint family farm venture, partnership, or limited liability company are persons or spouses of persons who are a qualifying relative under section 273.124, subdivision 1, paragraphs (c) and (d).

Homestead treatment applies under this paragraph for property leased to a family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm if legal title to the property is in the name of an individual who is a member, shareholder, or partner in the entity.

(h) To be eligible for the special agricultural homestead under this subdivision, an initial full application must be submitted to the county assessor where the property is located. Owners and the persons who are actively farming the property shall be required to complete only a one-page abbreviated version of the application in each subsequent year provided that none of the following items have changed since the initial application:

(1) the day-to-day operation, administration, and financial risks remain the same;

(2) the owners and the persons actively farming the property continue to live within the four townships or city criteria and are Minnesota residents;

(3) the same operator of the agricultural property is listed with the Farm Service Agency;

(4) a Schedule F or equivalent income tax form was filed for the most recent year;

(5) the property's acreage is unchanged; and

(6) none of the property's acres have been enrolled in a federal or state farm program since the initial application.

The owners and any persons who are actively farming the property must include the appropriate Social Security numbers, and sign and date the application. If any of the specified information has changed since the full application was filed, the owner must notify the assessor, and must complete a new application to determine if the property continues to qualify for the special agricultural homestead. The commissioner of revenue shall prepare a standard reapplication form for use by the assessors.

(i) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by the August 2007 floods;

(2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele, Wabasha, or Winona;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2007 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the August 2007 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the owner must notify the assessor by December 1, 2008. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(j) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the March 2009 floods;

(2) the property is located in the county of Marshall;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2008 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 2009 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the

property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

EFFECTIVE DATE. This section is effective beginning for property taxes payable in 2020.

Sec. 12. Minnesota Statutes 2018, section 273.124, subdivision 21, is amended to read:

Subd. 21. **Trust property; homestead.** Real or personal property, including agricultural property, held by a trustee under a trust is eligible for classification as homestead property if the property satisfies the requirements of paragraph (a), (b), (c), ~~or~~ (d), or (e).

(a) The grantor or surviving spouse of the grantor of the trust occupies and uses the property as a homestead.

(b) A relative or surviving relative of the grantor who meets the requirements of subdivision 1, paragraph (c), in the case of residential real estate; or subdivision 1, paragraph (d), in the case of agricultural property, occupies and uses the property as a homestead.

(c) A family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm in which the grantor or the grantor's surviving spouse is a shareholder, member, or partner rents the property; and, either (1) a shareholder, member, or partner of the corporation, joint farm venture, limited liability company, or partnership occupies and uses the property as a homestead; or (2) the property is at least 40 acres, including undivided government lots and correctional 40's, and a shareholder, member, or partner of the tenant-entity is actively farming the property on behalf of the corporation, joint farm venture, limited liability company, or partnership.

(d) A person who has received homestead classification for property taxes payable in 2000 on the basis of an unqualified legal right under the terms of the trust agreement to occupy the property as that person's homestead and who continues to use the property as a homestead; or, a person who received the homestead classification for taxes payable in 2005 under paragraph (c) who does not qualify under paragraph (c) for taxes payable in 2006 or thereafter but who continues to qualify under paragraph (c) as it existed for taxes payable in 2005.

(e) The qualifications under subdivision 14, paragraph (b), clause (i), are met. For purposes of this paragraph, "owner" means the grantor of the trust or the surviving spouse of the grantor.

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

(1) "agricultural property" means the house, garage, other farm buildings and structures, and agricultural land;

(2) "agricultural land" has the meaning given in section 273.13, subdivision 23, except that the phrases "owned by same person" or "under the same ownership" as used in that subdivision mean and include contiguous tax parcels owned by:

(i) an individual and a trust of which the individual, the individual's spouse, or the individual's deceased spouse is the grantor; or

(ii) different trusts of which the grantors of each trust are any combination of an individual, the individual's spouse, or the individual's deceased spouse; and

~~For purposes of this subdivision,~~ (3) "grantor" ~~is defined as~~ means the person creating or establishing a testamentary, inter Vivos, revocable or irrevocable trust by written instrument or through the exercise of a power of appointment.

(g) Noncontiguous agricultural land is included as part of a homestead under this subdivision, only if the homestead is classified as class 2a, as defined in section 273.13, subdivision 23, and the detached land is located in the same township or city, or not farther than four townships or cities or combination thereof from the homestead. Any taxpayer of these noncontiguous lands must notify the county assessor that the noncontiguous land is part of the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must also notify the assessor of the other county.

EFFECTIVE DATE. This section is effective beginning for property taxes payable in 2020.

Sec. 13. Minnesota Statutes 2018, section 273.124, is amended by adding a subdivision to read:

Subd. 23. **Fractional homesteads.** For property classified as an agricultural homestead under section 273.13, subdivision 23, paragraph (a), ownership percentages for property owned by tenants in common are based on deeded ownership amounts for each owner who homesteads the property.

EFFECTIVE DATE; APPLICATION. This section is effective for and must be applied to agricultural homestead properties owned by tenants in common by all county assessors beginning no later than assessment year 2019 and thereafter, unless the county assessor determines that a county is unable to comply with this requirement, in which case the county must implement this section beginning with assessment year 2020 and thereafter.

Sec. 14. Minnesota Statutes 2018, section 273.1245, subdivision 2, is amended to read:

Subd. 2. **Disclosure.** The assessor shall disclose the data described in subdivision 1 to the commissioner of revenue as provided by law. The assessor shall also disclose all or portions of the data described in subdivision 1 to:

(1) the county treasurer solely for the purpose of proceeding under the Revenue Recapture Act to recover personal property taxes owing.; and

(2) the county veterans service officer for the purpose of determining a person's eligibility for the veteran with a disability homestead market value exclusion under section 273.13, subdivision 34.

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

Sec. 15. Minnesota Statutes 2018, section 273.13, subdivision 23, is amended to read:

Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural land that is homesteaded, along with any class 2b rural vacant land that is contiguous to the class 2a land under the same ownership. The market value of the house and garage and immediately surrounding one acre of land has the same classification rates as class 1a or 1b property under subdivision 22. The value of the remaining land including improvements up to the first tier valuation limit of agricultural homestead property has a classification rate of 0.5 percent of market value. The remaining property over the first tier has a classification rate of one percent of market value. For purposes of this subdivision, the "first tier valuation limit of agricultural homestead property" and "first tier" means the limit certified under section 273.11, subdivision 23.

(b) Class 2a agricultural land consists of parcels of property, or portions thereof, that are agricultural land and buildings. Class 2a property has a classification rate of one percent of market value, unless it is part of an agricultural homestead under paragraph (a). Class 2a property must also include any property that would otherwise be classified as 2b, but is interspersed with class 2a property, including but not limited to sloughs, wooded wind shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback requirement, and other similar land that is impractical for the assessor to value separately from the rest of the property or that is unlikely to be able to be sold separately from the rest of the property.

An assessor may classify the part of a parcel described in this subdivision that is used for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

(c) Class 2b rural vacant land consists of parcels of property, or portions thereof, that are unplatted real estate, rural in character and not used for agricultural purposes, including

land used for growing trees for timber, lumber, and wood and wood products, that is not improved with a structure. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph. Any parcel of 20 acres or more improved with a structure that is not a minor, ancillary nonresidential structure must be split-classified, and ten acres must be assigned to the split parcel containing the structure. Class 2b property has a classification rate of one percent of market value unless it is part of an agricultural homestead under paragraph (a), or qualifies as class 2c under paragraph (d).

(d) Class 2c managed forest land consists of no less than 20 and no more than 1,920 acres statewide per taxpayer that is being managed under a forest management plan that meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource management incentive program. It has a classification rate of .65 percent, provided that the owner of the property must apply to the assessor in order for the property to initially qualify for the reduced rate and provide the information required by the assessor to verify that the property qualifies for the reduced rate. If the assessor receives the application and information before May 1 in an assessment year, the property qualifies beginning with that assessment year. If the assessor receives the application and information after April 30 in an assessment year, the property may not qualify until the next assessment year. The commissioner of natural resources must concur that the land is qualified. The commissioner of natural resources shall annually provide county assessors verification information on a timely basis. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph.

(e) Agricultural land as used in this section means:

(1) contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes; or

(2) contiguous acreage used during the preceding year for an intensive livestock or poultry confinement operation, provided that land used only for pasturing or grazing does not qualify under this clause.

"Agricultural purposes" as used in this section means the raising, cultivation, drying, or storage of agricultural products for sale, or the storage of machinery or equipment used in support of agricultural production by the same farm entity. For a property to be classified as agricultural based only on the drying or storage of agricultural products, the products being dried or stored must have been produced by the same farm entity as the entity operating the drying or storage facility. "Agricultural purposes" also includes (i) enrollment in a local

conservation program or the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 or a similar state or federal conservation program if the property was classified as agricultural ~~(i)~~ (A) under this subdivision for taxes payable in 2003 because of its enrollment in a qualifying program and the land remains enrolled or ~~(ii)~~ (B) in the year prior to its enrollment, or (ii) use of land, not to exceed three acres, to provide environmental benefits such as buffer strips, old growth forest restoration or retention, or retention ponds to prevent soil erosion. For purposes of this section, a "local conservation program" means a program administered by a town, statutory or home rule charter city, or county, including a watershed district, water management organization, or soil and water conservation district, in which landowners voluntarily enroll land and receive incentive payments equal to at least $50 per acre in exchange for use or other restrictions placed on the land. In order for property to qualify under the local conservation program provision, a taxpayer must apply to the assessor by February 1 of the assessment year and must submit the information required by the assessor, including but not limited to a copy of the program requirements, the specific agreement between the land owner and the local agency, if applicable, and a map of the conservation area. Agricultural classification shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

"Contiguous acreage," for purposes of this paragraph, means all of, or a contiguous portion of, a tax parcel as described in section 272.193, or all of, or a contiguous portion of, a set of contiguous tax parcels under that section that are owned by the same person.

(f) Agricultural land under this section also includes:

(1) contiguous acreage that is less than ten acres in size and exclusively used in the preceding year for raising or cultivating agricultural products; or

(2) contiguous acreage that contains a residence and is less than 11 acres in size, if the contiguous acreage exclusive of the house, garage, and surrounding one acre of land was used in the preceding year for one or more of the following three uses:

(i) for an intensive grain drying or storage operation, or for intensive machinery or equipment storage activities used to support agricultural activities on other parcels of property operated by the same farming entity;

(ii) as a nursery, provided that only those acres used intensively to produce nursery stock are considered agricultural land; or

(iii) for intensive market farming; for purposes of this paragraph, "market farming" means the cultivation of one or more fruits or vegetables or production of animal or other

agricultural products for sale to local markets by the farmer or an organization with which the farmer is affiliated.

"Contiguous acreage," for purposes of this paragraph, means all of a tax parcel as described in section 272.193, or all of a set of contiguous tax parcels under that section that are owned by the same person.

(g) Land shall be classified as agricultural even if all or a portion of the agricultural use of that property is the leasing to, or use by another person for agricultural purposes.

Classification under this subdivision is not determinative for qualifying under section 273.111.

(h) The property classification under this section supersedes, for property tax purposes only, any locally administered agricultural policies or land use restrictions that define minimum or maximum farm acreage.

(i) The term "agricultural products" as used in this subdivision includes production for sale of:

(1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains, bees, and apiary products by the owner;

(2) aquacultural products for sale and consumption, as defined under section 17.47, if the aquaculture occurs on land zoned for agricultural use;

(3) the commercial boarding of horses, which may include related horse training and riding instruction, if the boarding is done on property that is also used for raising pasture to graze horses or raising or cultivating other agricultural products as defined in clause (1);

(4) property which is owned and operated by nonprofit organizations used for equestrian activities, excluding racing;

(5) game birds and waterfowl bred and raised (i) on a game farm licensed under section 97A.105, provided that the annual licensing report to the Department of Natural Resources, which must be submitted annually by March 30 to the assessor, indicates that at least 500 birds were raised or used for breeding stock on the property during the preceding year and that the owner provides a copy of the owner's most recent schedule F; or (ii) for use on a shooting preserve licensed under section 97A.115;

(6) insects primarily bred to be used as food for animals;

(7) trees, grown for sale as a crop, including short rotation woody crops, and not sold for timber, lumber, wood, or wood products; and

(8) maple syrup taken from trees grown by a person licensed by the Minnesota Department of Agriculture under chapter 28A as a food processor.

(j) If a parcel used for agricultural purposes is also used for commercial or industrial purposes, including but not limited to:

(1) wholesale and retail sales;

(2) processing of raw agricultural products or other goods;

(3) warehousing or storage of processed goods; and

(4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3),

the assessor shall classify the part of the parcel used for agricultural purposes as class 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use. The grading, sorting, and packaging of raw agricultural products for first sale is considered an agricultural purpose. A greenhouse or other building where horticultural or nursery products are grown that is also used for the conduct of retail sales must be classified as agricultural if it is primarily used for the growing of horticultural or nursery products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products. Use of a greenhouse or building only for the display of already grown horticultural or nursery products does not qualify as an agricultural purpose.

(k) The assessor shall determine and list separately on the records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.

(l) Class 2d airport landing area consists of a landing area or public access area of a privately owned public use airport. It has a classification rate of one percent of market value. To qualify for classification under this paragraph, a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of this paragraph, "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

(i) the land is properly cleared and regularly maintained for the primary purposes of the landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;

(ii) the land is part of the airport property; and

(iii) the land is not used for commercial or residential purposes.

The land contained in a landing area under this paragraph must be described and certified by the commissioner of transportation. The certification is effective until it is modified, or until the airport or landing area no longer meets the requirements of this paragraph. For purposes of this paragraph, "public access area" means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival and departure building in connection with the airport.

(m) Class 2e consists of land with a commercial aggregate deposit that is not actively being mined and is not otherwise classified as class 2a or 2b, provided that the land is not located in a county that has elected to opt-out of the aggregate preservation program as provided in section 273.1115, subdivision 6. It has a classification rate of one percent of market value. To qualify for classification under this paragraph, the property must be at least ten contiguous acres in size and the owner of the property must record with the county recorder of the county in which the property is located an affidavit containing:

(1) a legal description of the property;

(2) a disclosure that the property contains a commercial aggregate deposit that is not actively being mined but is present on the entire parcel enrolled;

(3) documentation that the conditional use under the county or local zoning ordinance of this property is for mining; and

(4) documentation that a permit has been issued by the local unit of government or the mining activity is allowed under local ordinance. The disclosure must include a statement from a registered professional geologist, engineer, or soil scientist delineating the deposit and certifying that it is a commercial aggregate deposit.

For purposes of this section and section 273.1115, "commercial aggregate deposit" means a deposit that will yield crushed stone or sand and gravel that is suitable for use as a construction aggregate; and "actively mined" means the removal of top soil and overburden in preparation for excavation or excavation of a commercial deposit.

(n) When any portion of the property under this subdivision or subdivision 22 begins to be actively mined, the owner must file a supplemental affidavit within 60 days from the

day any aggregate is removed stating the number of acres of the property that is actively being mined. The acres actively being mined must be (1) valued and classified under subdivision 24 in the next subsequent assessment year, and (2) removed from the aggregate resource preservation property tax program under section 273.1115, if the land was enrolled in that program. Copies of the original affidavit and all supplemental affidavits must be filed with the county assessor, the local zoning administrator, and the Department of Natural Resources, Division of Land and Minerals. A supplemental affidavit must be filed each time a subsequent portion of the property is actively mined, provided that the minimum acreage change is five acres, even if the actual mining activity constitutes less than five acres.

(o) The definitions prescribed by the commissioner under paragraphs (c) and (d) are not rules and are exempt from the rulemaking provisions of chapter 14, and the provisions in section 14.386 concerning exempt rules do not apply.

EFFECTIVE DATE. This section is effective for assessment year 2019 and thereafter.

Sec. 16. Minnesota Statutes 2018, section 273.13, subdivision 34, is amended to read:

Subd. 34. **Homestead of disabled veteran or family caregiver.** (a) All or a portion of the market value of property owned by a veteran and serving as the veteran's homestead under this section is excluded in determining the property's taxable market value if the veteran has a service-connected disability of 70 percent or more as certified by the United States Department of Veterans Affairs. To qualify for exclusion under this subdivision, the veteran must have been honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers.

(b)(1) For a disability rating of 70 percent or more, $150,000 of market value is excluded, except as provided in clause (2); and

(2) for a total (100 percent) and permanent disability, $300,000 of market value is excluded.

(c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion shall carry over to the benefit of the veteran's spouse ~~for the current taxes payable year and for eight additional taxes payable years or~~ until such time as the spouse remarries, or sells, transfers, or otherwise disposes of the property~~, whichever comes first~~. Qualification under

this paragraph requires an application under paragraph (h), and a spouse must notify the assessor if there is a change in the spouse's marital status, ownership of the property, or use of the property as a permanent residence.

(d) If the spouse of a member of any branch or unit of the United States armed forces who dies due to a service-connected cause while serving honorably in active service, as indicated on United States Government Form DD1300 or DD2064, holds the legal or beneficial title to a homestead and permanently resides there, the spouse is entitled to the benefit described in paragraph (b), clause (2), ~~for eight taxes payable years, or~~ until such time as the spouse remarries or sells, transfers, or otherwise disposes of the property~~, whichever comes first~~.

(e) If a veteran meets the disability criteria of paragraph (a) but does not own property classified as homestead in the state of Minnesota, then the homestead of the veteran's primary family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify for under paragraph (b).

(f) In the case of an agricultural homestead, only the portion of the property consisting of the house and garage and immediately surrounding one acre of land qualifies for the valuation exclusion under this subdivision.

(g) A property qualifying for a valuation exclusion under this subdivision is not eligible for the market value exclusion under subdivision 35, or classification under subdivision 22, paragraph (b).

(h) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by ~~July 1~~ December 15 of the first assessment year for which the exclusion is sought. For an application received after ~~July 1~~ December 15, the exclusion shall become effective for the following assessment year. Except as provided in paragraph (c), the owner of a property that has been accepted for a valuation exclusion must notify the assessor if there is a change in ownership of the property or in the use of the property as a homestead.

(i) A first-time application by a qualifying spouse for the market value exclusion under paragraph (d) must be made any time within two years of the death of the service member.

(j) For purposes of this subdivision:

(1) "active service" has the meaning given in section 190.05;

(2) "own" means that the person's name is present as an owner on the property deed;

(3) "primary family caregiver" means a person who is approved by the secretary of the United States Department of Veterans Affairs for assistance as the primary provider of personal care services for an eligible veteran under the Program of Comprehensive Assistance for Family Caregivers, codified as United States Code, title 38, section 1720G; and

(4) "veteran" has the meaning given the term in section 197.447.

(k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit under paragraph (b), clause (2), ~~for eight taxes payable years or~~ until the spouse remarries or sells, transfers, or otherwise disposes of the property if:

(1) the spouse files a first-time application within two years of the death of the service member or by June 1, 2019, whichever is later;

(2) upon the death of the veteran, the spouse holds the legal or beneficial title to the homestead and permanently resides there;

(3) the veteran met the honorable discharge requirements of paragraph (a); and

(4) the United States Department of Veterans Affairs certifies that:

(i) the veteran met the total (100 percent) and permanent disability requirement under paragraph (b), clause (2); or

(ii) the spouse has been awarded dependency and indemnity compensation.

(l) The purpose of this provision of law providing a level of homestead property tax relief for gravely disabled veterans, their primary family caregivers, and their surviving spouses is to help ease the burdens of war for those among our state's citizens who bear those burdens most heavily.

(m) By July 1, the county veterans service officer must certify the disability rating and permanent address of each veteran receiving the benefit under paragraph (b) to the assessor.

EFFECTIVE DATE. This section is effective beginning with assessment year 2019, for taxes payable in 2020 and thereafter.

Sec. 17. Minnesota Statutes 2018, section 273.1384, subdivision 2, is amended to read:

Subd. 2. **Agricultural homestead market value credit.** Property classified as agricultural homestead under section 273.13, subdivision 23, paragraph (a), is eligible for an agricultural credit. The credit is computed using the property's agricultural credit market value, defined for this purpose as the property's market value excluding the market value of the house,

garage, and immediately surrounding one acre of land. The credit is equal to 0.3 percent of the first $115,000 of the property's agricultural credit market value plus 0.1 percent of the property's agricultural credit market value in excess of $115,000, subject to a maximum credit of $490 for a full agricultural homestead. In the case of property that is classified as part homestead and part nonhomestead solely because not all the owners occupy or farm the property, not all the owners have qualifying relatives occupying or farming the property, or solely because not all the spouses of owners occupy the property, the credit is computed on the amount of agricultural credit market value corresponding to the percentage of homestead. ~~The percentage of homestead is equal to 100 divided by the number of owners of the property, or, in the case of a trust, the number of grantors of the trust that owns the property~~, and the maximum credit equals $490 multiplied by the percentage of homestead.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020 and thereafter.

Sec. 18. Minnesota Statutes 2018, section 273.371, subdivision 1, is amended to read:

Subdivision 1. **Report required.** Every electric light, power, gas, water, express, stage, transportation, and pipeline company doing business in Minnesota shall annually file with the commissioner on or before March 31 a report under oath setting forth the information prescribed by the commissioner to enable the commissioner to make valuations, recommended valuations, and equalization required under sections 273.33, 273.35, 273.36, 273.37, and 273.3711. The commissioner shall prescribe the content, format, and manner of the report pursuant to section 270C.30, except that for cooperative associations defined in section 273.40, the information provided in the report must be aggregated to the unique taxing jurisdiction level and exclude information related to property subject to the in-lieu tax under section 273.41, and that a "law administered by the commissioner" includes the property tax laws. If all the required information is not available on March 31, the company shall file the information that is available on or before March 31, and the balance of the information as soon as it becomes available. If a report is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws. For purposes of this subdivision, "unique taxing jurisdiction" means the geographic area subject to the same set of local tax rates.

EFFECTIVE DATE. This section is effective beginning with assessment year 2020 and thereafter.

Sec. 19. Minnesota Statutes 2018, section 273.3711, is amended to read:

273.3711 RECOMMENDED AND ORDERED VALUES.

For purposes of sections 273.33, 273.35, 273.36, 273.37, 273.371, and 273.372, all preliminary values not required to be listed and assessed by the commissioner of revenue are recommended values. If the commissioner provides preliminary recommended values, the values must be certified to the auditor of each county in which the property is located on or before ~~August 1~~ July 15. If the commissioner determines that the certified recommended value is in error the commissioner may issue a corrected certification on or before October 1. The commissioner may correct errors that are merely clerical in nature until December 31.

EFFECTIVE DATE. This section is effective beginning with assessment year 2019 and thereafter.

Sec. 20. Minnesota Statutes 2018, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **Levy amount.** The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined in this section. The state general levy for commercial-industrial property is ~~$784,590,000~~ $737,090,000 for taxes payable in ~~2018~~ 2020 and thereafter. The state general levy for seasonal-recreational property is ~~$44,190,000~~ $41,690,000 for taxes payable in ~~2018~~ 2020 and thereafter. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F.

The commissioner shall increase or decrease the preliminary or final rate for a year as necessary to account for errors and tax base changes that affected a preliminary or final rate for either of the two preceding years. Adjustments are allowed to the extent that the necessary information is available to the commissioner at the time the rates for a year must be certified, and for the following reasons:

(1) an erroneous report of taxable value by a local official;

(2) an erroneous calculation by the commissioner; and

(3) an increase or decrease in taxable value for commercial-industrial or seasonal residential recreational property reported on the abstracts of tax lists submitted under section 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89 for the same year.

The commissioner may, but need not, make adjustments if the total difference in the tax levied for the year would be less than $100,000.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 21. Minnesota Statutes 2018, section 275.025, is amended by adding a subdivision to read:

Subd. 6. **Natural gas pipeline.** (a) The county must abate the state general levy on personal property that is part of an intrastate natural gas transportation or distribution pipeline system if:

(1) construction of the pipeline system commenced after January 1, 2018; and

(2) the pipeline system provides service to an area:

(i) outside the seven-county metropolitan area, as defined in section 473.121, subdivision 4; and

(ii) in which more than half of the households or businesses lacked access to natural gas distribution systems as of January 1, 2018.

(b) In the first year that a taxpayer seeks an abatement under this subdivision, the taxpayer must file an application with the commissioner of revenue by March 1 of the assessment year on a form prescribed by the commissioner.

(c) The commissioner of revenue must notify any affected county in the first year that a pipeline system becomes eligible for an abatement under this subdivision.

(d) The abatement under this subdivision applies for a period not to exceed 12 taxable years, provided that once a property no longer qualifies, it may not subsequently qualify for an abatement under this subdivision.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2021.

Sec. 22. Minnesota Statutes 2018, section 276.131, is amended to read:

276.131 DISTRIBUTION OF PENALTIES, INTEREST, AND COSTS.

Subdivision 1. **Distribution.** Except as provided in subdivision 2, the penalties, interest, and costs collected on special assessments and real and personal property taxes must be distributed as follows:

(1) all penalties and interest collected on special assessments against real or personal property must be distributed to the taxing jurisdiction that levied the assessment;

(2) 50 percent of all penalties collected on real and personal property taxes must be distributed to the school districts within the county, and the remaining 50 percent must be distributed to the county;

(3) in the case of interest on taxes that have been delinquent for a period of one year or less, (a) 50 percent of the interest must be distributed to the school districts within the county and (b) the remaining 50 percent shall be distributed to the county;

(4) in the case of interest on taxes that have been delinquent for a period of more than one year, (a) 50 percent of the interest must be distributed to the school districts within the county and (b) the remaining 50 percent must be distributed as follows: (i) the city or town where the property is located shall receive a share of the amount of interest equal to the proportion that the city's or town's local tax rate for the year that the interest was collected, is to the sum of the city's or town's local tax rate and the county's local tax rate for the year that the interest was collected and (ii) the balance must be distributed to the county; and

(5) all costs collected by the county on special assessments and on delinquent real and personal property taxes must be distributed to the county in which the property is located.

Subd. 2. **Distribution of certain production taxes.** The penalties, interest, and costs collected on taxes imposed under sections 272.029 and 272.0295 must be distributed to the same local taxing jurisdictions and in the same percentages as provided for the revenues of the original taxes imposed under sections 272.029 and 272.0295.

Subd. 3. **Distribution to school district.** The distribution of all penalties and interest to the school district must be in accordance with the provisions of section 127A.34.

EFFECTIVE DATE. This section is effective for penalties, interest, and costs collected on taxes payable in 2020 and thereafter.

Sec. 23. Minnesota Statutes 2018, section 282.01, subdivision 6, is amended to read:

Subd. 6. **Duties of commissioner after sale.** (a) When any sale has been made by the county auditor under sections 282.01 to 282.13, the auditor shall immediately certify to the commissioner of revenue such information relating to such sale, on such forms as the commissioner of revenue may prescribe as will enable the commissioner of revenue to prepare an appropriate deed if the sale is for cash, or keep necessary records if the sale is on terms; and not later than October 31 of each year the county auditor shall submit to the commissioner of revenue a statement of all instances wherein any payment of principal, interest, or current taxes on lands held under certificate, due or to be paid during the preceding calendar years, are still outstanding at the time such certificate is made. When such statement

shows that a purchaser or the purchaser's assignee is in default, the commissioner of revenue may instruct the county board of the county in which the land is located to cancel said certificate of sale in the manner provided by subdivision 5, provided that upon recommendation of the county board, and where the circumstances are such that the commissioner of revenue after investigation is satisfied that the purchaser has made every effort reasonable to make payment of both the annual installment and said taxes, and that there has been no willful neglect on the part of the purchaser in meeting these obligations, then the commissioner of revenue may extend the time for the payment for such period as the commissioner may deem warranted, not to exceed one year. On payment in full of the purchase price, appropriate conveyance in fee, in such form as may be prescribed by the attorney general, shall be issued by the commissioner of revenue, which conveyance must be recorded by the county and shall have the force and effect of a patent from the state subject to easements and restrictions of record at the date of the tax judgment sale, including, but without limitation, permits for telephone and electric power lines either by underground cable or conduit or otherwise, sewer and water lines, highways, railroads, and pipe lines for gas, liquids, or solids in suspension.

(b) The commissioner of revenue shall issue an appropriate conveyance in fee when approval from the county auditor is given based upon written confirmation from a licensed closing agent, title insurer, or title insurance agent as specified in section 82.641. For purposes of this paragraph, "written confirmation" means a written commitment or approval that the funding for the conveyance is held in an escrow account available for disbursement upon delivery of a conveyance. The county recorder or registrar of titles must not record or file a conveyance issued under this paragraph unless the conveyance contains a certification signed by the county auditor where the land is located stating that the recorder or registrar of titles can accept the conveyance for recording or filing. The conveyance issued by the commissioner of revenue shall not be effective as a conveyance until it is recorded. The conveyance shall be issued to the county auditor where the land is located. Upon receipt of the conveyance, the county auditor shall hold the conveyance until the conveyance is requested from a licensed closing agent, title insurer, or title insurance agent to settle and close on the conveyance. If a request for the conveyance is not made within 30 days of the date the conveyance is issued by the commissioner of revenue, the county auditor shall return the conveyance to the commissioner. If the conveyance is delivered to the licensed closing agent, title insurer, or title insurance agent and the closing does not occur within ten days of the request, the licensed closing agent, title insurer, or title insurance agent shall immediately return the conveyance to the county auditor and, upon receipt, the county auditor shall return the conveyance to the commissioner of revenue. The commissioner of

revenue shall cancel and destroy all conveyances returned by the county auditor pursuant to this subdivision. The licensed closing agent, title insurer, or title insurance agent must promptly record the conveyance after the closing and must deliver an attested or certified copy to the county auditor and to the grantee or grantees named on the conveyance.

EFFECTIVE DATE. This section is effective for conveyances issued by the commissioner of revenue after December 31, 2019.

Sec. 24. Minnesota Statutes 2018, section 287.21, subdivision 1, is amended to read:

Subdivision 1. **Determination of tax.** (a) A tax is imposed on each deed or instrument by which any real property in this state is granted, assigned, transferred, or otherwise conveyed. The tax applies against the net consideration. For purposes of the tax, the conversion of a corporation to a limited liability company, a limited liability company to a corporation, a partnership to a limited partnership, a limited partnership to another limited partnership or other entity, or a similar conversion of one entity to another does not grant, assign, transfer, or convey real property.

(b) The tax is determined in the following manner: (1) when transfers are made by instruments pursuant to (i) consolidations or mergers, or (ii) designated transfers, the tax is $1.65; (2) when there is no consideration or when the consideration, exclusive of the value of any lien or encumbrance remaining thereon at the time of sale, is ~~$500~~ $3,000 or less, the tax is $1.65; or (3) when the consideration, exclusive of the value of any lien or encumbrance remaining at the time of sale, exceeds ~~$500~~ $3,000, the tax is .0033 of the net consideration.

(c) If, within six months from the date of a designated transfer, an ownership interest in the grantee entity is transferred by an initial owner to any person or entity with the result that the designated transfer would not have been a designated transfer if made to the grantee entity with its subsequent ownership, then a tax is imposed at .0033 of the net consideration for the designated transfer. If the subsequent transfer of ownership interests was reasonably expected at the time of the designated transfer, the applicable penalty under section 287.31, subdivision 1, must be paid. The deed tax imposed under this paragraph is due within 30 days of the subsequent transfer that caused the tax to be imposed under this paragraph. Involuntary transfers of ownership shall not be considered transfers of ownership under this paragraph. The commissioner may adopt rules defining the types of transfers to be considered involuntary.

(d) The tax is due at the time a taxable deed or instrument is presented for recording, except as provided in paragraph (c). The commissioner may require the tax to be documented

in a manner prescribed by the commissioner, and may require that the documentation be attached to and recorded as part of the deed or instrument. The county recorder or registrar of titles shall accept the attachment for recording as part of the deed or instrument and may not require, as a condition of recording a deed or instrument, evidence that a transfer is a designated transfer in addition to that required by the commissioner. Such an attachment shall not, however, provide actual or constructive notice of the information contained therein for purposes of determining any interest in the real property. The commissioner shall prescribe the manner in which the tax due under paragraph (c) is to be paid and may require grantees of designated transfers to file with the commissioner subsequent statements verifying that the tax provided under paragraph (c) does not apply.

EFFECTIVE DATE. This section is effective for deeds recorded after December 31, 2019.

Sec. 25. Minnesota Statutes 2018, section 290A.03, subdivision 13, is amended to read:

Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year, and after any refund claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the year that the property tax is payable. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. Regardless of the limitations in section 280A(c)(5) of the Internal Revenue Code, "property taxes payable" must be apportioned or reduced for the use of a portion of the claimant's homestead for a business purpose if the claimant deducts any business depreciation expenses for the use of a portion of the homestead or deducts expenses under section 280A of the Internal Revenue Code for a business operated in the claimant's homestead. For homesteads which are manufactured homes as defined in section 273.125, subdivision 8, ~~and for homesteads which are~~ including manufactured homes located in a manufactured home community owned by a cooperative organized under chapter 308A or 308B, and park trailers taxed as manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall also include 17 percent of the gross rent paid in the preceding year for the site on which the homestead is located. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall

be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year in which the tax is payable and (i) the property must have been classified as homestead property pursuant to section 273.124, on or before December 15 of the assessment year to which the "property taxes payable" relate; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made on or before December 15 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

EFFECTIVE DATE. This section is effective beginning with claims for tax payable in 2020.

Sec. 26. Minnesota Statutes 2018, section 290B.04, subdivision 1, is amended to read:

Subdivision 1. **Initial application.** (a) A taxpayer meeting the program qualifications under section 290B.03 may apply to the commissioner of revenue for the deferral of taxes. Applications are due on or before ~~July~~ November 1 for deferral of any of the following year's property taxes. A taxpayer may apply in the year in which the taxpayer becomes 65 years old, provided that no deferral of property taxes will be made until the calendar year after the taxpayer becomes 65 years old. The application, which shall be prescribed by the commissioner of revenue, shall include the following items and any other information which the commissioner deems necessary:

(1) the name, address, and Social Security number of the owner or owners;

(2) a copy of the property tax statement for the current payable year for the homesteaded property;

(3) the initial year of ownership and occupancy as a homestead;

(4) the owner's household income for the previous calendar year; and

(5) information on any mortgage loans or other amounts secured by mortgages or other liens against the property, for which purpose the commissioner may require the applicant to provide a copy of the mortgage note, the mortgage, or a statement of the balance owing on the mortgage loan provided by the mortgage holder. The commissioner may require the appropriate documents in connection with obtaining and confirming information on unpaid amounts secured by other liens.

The application must state that program participation is voluntary. The application must also state that the deferred amount depends directly on the applicant's household income, and that program participation includes authorization for the annual deferred amount, the cumulative deferral and interest that appear on each year's notice prepared by the county under subdivision 6, is public data.

The application must state that program participants may claim the property tax refund based on the full amount of property taxes eligible for the refund, including any deferred amounts. The application must also state that property tax refunds will be used to offset any deferral and interest under this program, and that any other amounts subject to revenue recapture under section 270A.03, subdivision 7, will also be used to offset any deferral and interest under this program.

(b) As part of the initial application process, the commissioner may require the applicant to obtain at the applicant's own cost and submit:

(1) if the property is registered property under chapter 508 or 508A, a copy of the original certificate of title in the possession of the county registrar of titles (sometimes referred to as "condition of register"); or

(2) if the property is abstract property, a report prepared by a licensed abstracter showing the last deed and any unsatisfied mortgages, liens, judgments, and state and federal tax lien notices which were recorded on or after the date of that last deed with respect to the property or to the applicant.

The certificate or report under clauses (1) and (2) need not include references to any documents filed or recorded more than 40 years prior to the date of the certification or report. The certification or report must be as of a date not more than 30 days prior to submission of the application.

The commissioner may also require the county recorder or county registrar of the county where the property is located to provide copies of recorded documents related to the applicant or the property, for which the recorder or registrar shall not charge a fee. The commissioner may use any information available to determine or verify eligibility under this section. The household income from the application is private data on individuals as defined in section 13.02, subdivision 12.

EFFECTIVE DATE. This section is effective beginning with applications submitted in 2019.

Sec. 27. Minnesota Statutes 2018, section 473H.08, subdivision 1, is amended to read:

Subdivision 1. **Till expiration started.** Agricultural preserves shall continue until ~~either~~ the landowner ~~or~~, the authority, or a state agency or governmental unit initiates expiration as provided in this section.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to any agricultural preserve where the previously required eight-year termination period under Minnesota Statutes, section 473H.08, has not yet expired.

Sec. 28. Minnesota Statutes 2018, section 473H.08, is amended by adding a subdivision to read:

Subd. 3a. **Expiration for park and trail purposes.** (a) An agricultural preserve expires immediately when a state agency or other governmental unit purchases the property or obtains an easement over the property for the purpose of creating or expanding a public trail or public park. This subdivision applies only to the portion of the agricultural preserve acquired for trail or park purposes, and any portion of the property not acquired for trail or park purposes shall remain an agricultural preserve, even if the total acreage is reduced below 40 acres.

(b) The acquiring state agency or governmental unit shall give notice to the authority as provided in subdivision 4. The notice must specify the portion of the property being removed from the agricultural preserve and the date on which that portion expires.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to any agricultural preserve where the previously required eight-year termination period under Minnesota Statutes, section 473H.08, has not yet expired.

Sec. 29. Minnesota Statutes 2018, section 473H.08, subdivision 4, is amended to read:

Subd. 4. **Notice to others.** Upon receipt of the notice provided in subdivision 2 or 3a, or upon notice served by the authority as provided in subdivision 3, the authority shall forward the original notice to the county recorder for recording, or to the registrar of titles if the land is registered, and shall notify the county auditor, county assessor, the Metropolitan Council, and the county soil and water conservation district of the date of expiration. Designation as an agricultural preserve and all benefits and limitations accruing through sections 473H.02 to 473H.17 for the preserve shall cease on the date of expiration. The restrictive covenant contained in the application shall terminate on the date of expiration.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to any agricultural preserve where the previously required eight-year termination period under Minnesota Statutes, section 473H.08, has not yet expired.

Sec. 30. Minnesota Statutes 2018, section 473H.09, is amended by adding a subdivision to read:

Subd. 3. **Approval of authority.** Termination of an agricultural preserve earlier than the date derived through the application in section 473H.08 may be requested by the owner eight years after commencement of the preserve. An owner seeking termination under this subdivision must provide notice to the authority exercising planning and zoning authority for the land on a form provided by the commissioner of agriculture. The notice must describe the property for which termination is desired and the date of termination. Termination of the agricultural preserve and covenant pursuant to this subdivision shall become effective only upon approval by a majority vote of the authority.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to any agricultural preserve where the previously required eight-year termination period under Minnesota Statutes, section 473H.08, has not expired.

Sec. 31. Laws 2008, chapter 366, article 5, section 33, the effective date, as amended by Laws 2013, chapter 143, article 4, section 35, is amended to read:

EFFECTIVE DATE. This section is effective for taxes levied in 2008, payable in 2009, and is repealed effective for taxes levied in ~~2018~~ 2023, payable in ~~2019~~ 2024, and thereafter.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2019.

Sec. 32. Laws 2009, chapter 88, article 2, section 46, subdivision 1, as amended by Laws 2013, chapter 143, article 4, section 36, is amended to read:

Subdivision 1. **Agreement.** The city of Cloquet and Perch Lake Township, by resolution of each of their governing bodies, may establish the Cloquet Area Fire and Ambulance Special Taxing District for the purpose of providing fire or ambulance services, or both, throughout the district. In this section, "municipality" means home rule charter and statutory cities, towns, and Indian tribes. The district may exercise all the powers relating to fire and ambulance services of the municipalities that receive fire or ambulance services, or both, from the district. Upon application, any other municipality may join the district with the agreement of the municipalities that comprise the district at the time of its application to join.

EFFECTIVE DATE. This section is effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 33. Laws 2009, chapter 88, article 2, section 46, subdivision 2, is amended to read:

Subd. 2. **Board.** The Cloquet Area Fire and Ambulance Special Taxing District Board is governed by a board made up initially of one or more elected officials of the governing body of each participating municipality in the proportions set out in the establishing resolution, subject to change as provided in the district's charter, if any, or in the district's bylaws. Each municipality's representatives serve at the pleasure of that municipality's governing body.

EFFECTIVE DATE. This section is effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 34. Laws 2009, chapter 88, article 2, section 46, subdivision 3, as amended by Laws 2013, chapter 143, article 4, section 37, is amended to read:

Subd. 3. **Tax.** The district board may impose a property tax on taxable property as provided in this subdivision to pay the costs of providing fire or ambulance services, or both, throughout the district. The board shall annually determine the total amount of the levy that is attributable to the cost of providing fire services and the cost of providing ambulance services within the primary service area. For those municipalities that only receive ambulance services, the costs for the provision of ambulance services shall be levied against taxable property within those municipalities at a rate necessary not to exceed 0.019 percent of the estimated market value. For those municipalities that receive both fire and ambulance services, the tax shall be imposed at a rate that does not exceed 0.2835 percent of estimated market value.

When a member municipality opts to receive fire service from the district or an additional municipality becomes a member of the district, the cost of providing fire services to that community shall be determined by the board and added to the maximum levy amount.

Each county auditor of a county that contains a municipality subject to the tax under this section must collect the tax and pay it to the Fire and Ambulance Special Taxing District. The district may also impose other fees or charges as allowed by law for the provision of fire and ambulance services.

EFFECTIVE DATE. This section is effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 35. Laws 2009, chapter 88, article 2, section 46, subdivision 4, is amended to read:

Subd. 4. **Public indebtedness.** The district may incur debt in the manner provided for in Minnesota Statutes, chapter 475, and the district is a municipality ~~by Minnesota Statutes, chapter 475, when necessary to accomplish its duties.~~, as defined in Minnesota Statutes, sections 475.51, subdivision 2, and 475.521, subdivision 1, paragraph (c), and may issue certificates of indebtedness or capital notes as provided for a city under Minnesota Statutes, section 412.301, when necessary to accomplish its duties. Any tax levied to pay debt of the district must be levied in the amounts required and in accordance with Minnesota Statutes, section 475.61. The debt service for debt, the proceeds of which financed capital costs for ambulance service, must be levied against taxable property within those municipalities in the primary service area. The debt service for debt, the proceeds of which financed capital costs for fire service, must be levied against taxable property within those municipalities receiving fire services.

EFFECTIVE DATE. This section is effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 36. Laws 2009, chapter 88, article 2, section 46, subdivision 5, is amended to read:

Subd. 5. **Withdrawal.** Notice of intent to withdraw from participation in the district may be given only in the month of January, with a minimum of twelve months notice of intent to withdraw. Withdrawal becomes effective for taxes levied under subdivision 3 in the year when the notice is given. A property tax levied by the district on taxable property located in a withdrawing municipality to make debt service payments for obligations issued by the district under subdivision 4 remains in effect until the obligations outstanding on the date of withdrawal are satisfied, including any property tax levied in connection with a refunding of the obligations. The district and its members may develop and agree upon other continuing obligations after withdrawal of a municipality.

EFFECTIVE DATE. This section is effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 37. Laws 2017, First Special Session chapter 1, article 10, section 4, the effective date, is amended to read:

EFFECTIVE DATE; APPLICATION. This section is effective for applications and certifications made in 2018 and thereafter, except the repeal of the exclusion of land under item (iii) is effective retroactively for payments due under Minnesota Statutes, section 290C.08, beginning for payments due to be made in 2014. In order to qualify for retroactive payments, the following requirements must be met: (1) the owner of land exceeding 60,000 acres that is subject to a single conservation easement funded under Minnesota Statutes, section 97A.056 or a comparable permanent easement conveyed to a governmental or nonprofit entity, must submit an application to the commissioner of revenue, in a form and manner and at a time acceptable to the commissioner, establishing that the affected property and its use met the requirement of Minnesota Statutes, chapter 290C, as amended by this section; (2) the owner and each county in which the land is located must certify to the commissioner that no petitions challenging the market value of the property are pending under Minnesota Statutes, chapter 278; and (3) the requirements of clauses (1) and (2) must be satisfied by October 1, 2017. No interest accrues on payment under this section for periods before November 1, 2017.

EFFECTIVE DATE. This section is effective retroactively for certifications made in 2018 and thereafter.

Sec. 38. **SPECIAL REFUND PROVISION.**

A veteran who received a disability rating of 70 percent or more in 2016 or 2017 but did not receive the disabled veterans homestead exclusion under Minnesota Statutes, section 273.13, subdivision 34, for assessment year 2016 or 2017 may apply for a refund of taxes paid in 2017 or 2018 if the veteran would have qualified for the benefit in Minnesota Statutes, section 273.13, subdivision 34, paragraph (b), in one or both of those years. To qualify for a refund, a property owner must apply to the assessor by December 15, 2019, and must have paid all tax due in 2017 and 2018. After verifying that the applicant qualified for an exclusion for taxes payable in either or both of those years, the county assessor must notify the county auditor, and the auditor must recalculate the taxes on the property for taxes payable in 2017 and 2018 based on the exclusion the applicant was qualified for. The county treasurer must then issue a refund of tax paid in 2017 and 2018 equal to the difference between the taxes as initially calculated for each taxes payable year and the taxes based on the value remaining after the exclusion.

EFFECTIVE DATE. This section is effective for refund applications received in 2019, for refunds of tax paid in 2017 and 2018.

ARTICLE 5
AIDS AND CREDITS

Section 1. Minnesota Statutes 2018, section 126C.17, subdivision 6, is amended to read:

Subd. 6. **Referendum equalization levy.** (a) A district's referendum equalization levy equals the sum of the first tier referendum equalization levy, and the second tier referendum equalization levy~~, and the third tier referendum equalization levy~~.

(b) A district's first tier referendum equalization levy equals the district's first tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to ~~$880,000~~ $567,000.

(c) A district's second tier referendum equalization levy equals the district's second tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to ~~$510,000~~ $290,000.

~~(d) A district's third tier referendum equalization levy equals the district's third tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to $290,000.~~

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2021 and later.

Sec. 2. Minnesota Statutes 2018, section 273.1387, subdivision 2, is amended to read:

Subd. 2. **Credit amount.** For each qualifying property, the school building bond agricultural credit is equal to ~~40~~ the credit percent ~~of~~ multiplied by the property's eligible net tax capacity multiplied by the school debt tax rate determined under section 275.08, subdivision 1b. For property taxes payable prior to 2020, the credit percent is equal to 40 percent. For property taxes payable in 2020, the credit percent is equal to 50 percent. For property taxes payable in 2021, the credit percent is equal to 55 percent. For property taxes payable in 2022, the credit percent is equal to 60 percent. For property taxes payable in 2023 and thereafter, the credit percent is equal to 70 percent.

EFFECTIVE DATE. This section is effective beginning with property taxes payable in 2020.

Sec. 3. Minnesota Statutes 2018, section 469.169, is amended by adding a subdivision to read:

Subd. 21. **Additional border city allocations.** (a) In addition to the tax reductions authorized in subdivisions 12 to 20, the commissioner shall annually allocate $750,000 for tax reductions to border city enterprise zones in cities located on the western border of the state. The commissioner shall allocate this amount among cities on a per capita basis. Allocations made under this subdivision may be used for tax reductions under sections 469.171, 469.1732, and 469.1734, or for other offsets of taxes imposed on or remitted by businesses located in the enterprise zone as provided by law, but only if the municipality determines that the granting of the tax reduction or offset is necessary to retain a business within or attract a business to the zone.

(b) The allocations under this subdivision do not cancel or expire, but remain available until used by the city.

EFFECTIVE DATE. This section is effective July 1, 2020.

Sec. 4. Minnesota Statutes 2018, section 469.171, subdivision 4, is amended to read:

Subd. 4. **Restriction.** The tax reductions provided by this section shall not apply to (1) a facility the primary purpose of which is one of the following: ~~retail food and beverage services, automobile sales or service, or~~ the provision of recreation or entertainment, or a private or commercial golf course, country club, massage parlor, tennis club, skating facility including roller skating, skateboard, and ice skating, racquet sports facility, including any handball or racquetball court, hot tub facility, suntan facility, or racetrack; (2) property of a public utility; (3) property used in the operation of a financial institution; (4) property owned by a fraternal or veterans' organization; or (5) ~~property of a business operating under a franchise agreement that requires the business to be located in the state; except that tax reductions may be provided to a retail food or beverage facility or an automobile sales or service facility, or a business~~ a retail food or beverage facility operating under a franchise agreement that requires the business to be located in this state ~~except for such a franchised retail food or beverage facility~~.

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

Sec. 5. Minnesota Statutes 2018, section 477A.013, subdivision 9, is amended to read:

Subd. 9. **City aid distribution.** (a) In calendar year 2018 and thereafter, if a city's certified aid before any aid adjustment under subdivision 13 for the previous year is less

than its current unmet need, the city shall receive an aid distribution equal to the sum of (1) its certified aid in the previous year before any aid adjustment under subdivision 13, (2) the city formula aid under subdivision 8, and (3) its aid adjustment under subdivision 13.

(b) For aids payable in 2020 only, no city's aid amount before any adjustment under subdivision 13 may be less than its pay 2019 certified aid amount, less any aid adjustment under subdivision 13 for that year. For aids payable in ~~2018~~ 2020 and thereafter, if a city's certified aid before any aid adjustment under subdivision 13 for the previous year is equal to or greater than its current unmet need, the total aid for a city is equal to the greater of (1) its unmet need plus any aid adjustment under subdivision 13, or (2) the amount it was certified to receive in the previous year minus the sum of (i) any adjustment under subdivision 13 that was paid in the previous year but has expired, and (ii) the lesser of $10 multiplied by its population, or five percent of its net levy in the year prior to the aid distribution. No city may have a total aid amount less than $0.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2020 and thereafter.

Sec. 6. Minnesota Statutes 2018, section 477A.03, subdivision 2a, is amended to read:

Subd. 2a. **Cities.** For aids payable in 2016 and 2017, the total aid paid under section 477A.013, subdivision 9, is $519,398,012. For aids payable in 2018 and ~~thereafter~~ 2019, the total aid paid under section 477A.013, subdivision 9, is $534,398,012. For aids payable in 2020, the total aid paid under section 477A.013, subdivision 9, is $560,398,012. For aids payable in 2021 and thereafter, the total aid payable under section 477A.013, subdivision 9, is $564,398,012.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2020 and thereafter.

Sec. 7. Minnesota Statutes 2018, section 477A.03, subdivision 2b, is amended to read:

Subd. 2b. **Counties.** (a) For aids payable in 2018 ~~through 2024~~ and 2019, the total aid payable under section 477A.0124, subdivision 3, is $103,795,000, of which $3,000,000 shall be allocated as required under Laws 2014, chapter 150, article 4, section 6. For aids payable in 2020, the total aid payable under section 477A.0124, subdivision 3, is $116,795,000, of which $3,000,000 shall be allocated as required under Laws 2014, chapter 150, article 4, section 6. For aids payable in 2021 through 2024, the total aid payable under section 477A.0124, subdivision 3, is $118,795,000, of which $3,000,000 shall be allocated as required under Laws 2014, chapter 150, article 4, section 6. For aids payable in 2025 and

thereafter, the total aid payable under section 477A.0124, subdivision 3, is ~~$100,795,000~~ $115,795,000. Each calendar year, $500,000 of this appropriation shall be retained by the commissioner of revenue to make reimbursements to the commissioner of management and budget for payments made under section 611.27. The reimbursements shall be to defray the additional costs associated with court-ordered counsel under section 611.27. Any retained amounts not used for reimbursement in a year shall be included in the next distribution of county need aid that is certified to the county auditors for the purpose of property tax reduction for the next taxes payable year.

(b) For aids payable in 2018 and ~~thereafter~~ 2019, the total aid under section 477A.0124, subdivision 4, is $130,873,444. For aids payable in 2020, the total aid under section 477A.0124, subdivision 4, is $143,873,444. For aids payable in 2021 and thereafter, the total aid under section 477A.0124, subdivision 4, is $145,873,444. The commissioner of revenue shall transfer to the commissioner of management and budget $207,000 annually for the cost of preparation of local impact notes as required by section 3.987, and other local government activities. The commissioner of revenue shall transfer to the commissioner of education $7,000 annually for the cost of preparation of local impact notes for school districts as required by section 3.987. The commissioner of revenue shall deduct the amounts transferred under this paragraph from the appropriation under this paragraph. The amounts transferred are appropriated to the commissioner of management and budget and the commissioner of education respectively.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2020 and thereafter.

Sec. 8. Laws 2018, chapter 211, article 14, section 26, is amended to read:

Sec. 26. **CITY OF AUSTIN; ALLOCATION OF FIRE STATE AID FOR FIREFIGHTERS.**

(a) Notwithstanding any law to the contrary, the city of Austin must annually:

(1) determine the amount of state aid required under the bylaws of the Austin Parttime Firefighters Relief Association to fund the volunteer firefighters' service pensions;

(2) transmit to the Austin Parttime Firefighters Relief Association any supplemental state aid received under Minnesota Statutes, section 423A.022;

(3) transmit to the Austin Parttime Firefighters Relief Association an amount of fire state aid under Minnesota Statutes, sections 69.011 to 69.051, equal to the difference between the amount determined under clause (1) and the amount transmitted under clause (2); and

(4) transmit the remaining balance of fire state aid under Minnesota Statutes, sections 69.011 to 69.051, for the payment of the employer contribution requirements for firefighters covered by the public employees police and fire retirement plan under Minnesota Statutes, section 353.65, subdivision 3.

(b) Notwithstanding Minnesota Statutes, section 69.031, subdivision 5, the city of Austin has no liability to the relief association related to payments it made or will make to the public employees police and fire retirement plan from fire state aid for 2013~~, 2014, 2015, 2016, 2017, and 2018~~ and subsequent years.

(c) ~~This section expires July 1, 2019~~ Paragraphs (a) and (b) expire on the effective date of general legislation permitting the allocation of fire state aid between volunteer firefighter relief associations and the affiliated municipalities, independent nonprofit firefighting corporations, or joint powers entities.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Austin and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 9. **AID PENALTY FORGIVENESS; CITY OF WAUBUN.**

Notwithstanding Minnesota Statutes, section 477A.017, the city of Waubun may receive its second local government aid payment and small city assistance aid payment for aids payable in 2018 even though it did not file fiscal year 2017 financial reports with the state auditor as required under that section, provided that the required forms are submitted to the state auditor by May 31, 2019. The commissioner of revenue shall make the payments to the city of Waubun by June 30, 2019. Up to $56,822 of the fiscal year 2019 appropriation for local government aid in Minnesota Statutes, section 477A.03, subdivision 2, is available for payment under this section. Up to $3,771 of the fiscal year 2019 appropriation for the small city assistance program in Laws 2017, First Special Session chapter 3, article 1, section 2, subdivision 4, clause (c), is available for payment under this section.

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

Sec. 10. **LOCAL GOVERNMENT GRANTS.**

(a) $4,447,400 in fiscal year 2020 only is appropriated from the general fund to the commissioner of revenue for grants that shall be paid by July 15, 2019, and allocated as follows:

(1) $3,000,000 to Beltrami County to be used by the county for out-of-home placement costs;

(2) $500,000 to Mahnomen County. 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 costs of delivering child welfare services;

(3) $500,000 to Otter Tail County to be used by the county for debt service on a building located in the city of Fergus Falls and formerly leased by the state to provide residential treatment services;

(4) $275,000 to the city of Lilydale to be used by the city for infrastructure upgrades and associated bond payments related to the Highway 13 construction;

(5) $129,000 to the city of Austin to reimburse the city for calendar year 2016 state fire aid and calendar year 2016 supplemental police and fire retirement aid;

(6) $38,400 to the city of Flensburg to compensate the city for lost aid under the local government aid and small cities assistance programs; and

(7) $2,600 to the city of Mazeppa and $2,400 to Wabasha County, to be used by the city and county for property tax abatements and other costs incurred by public and private entities as a result of a fire in the city of Mazeppa on March 11, 2018.

(b) $600,000 in fiscal year 2020 and $600,000 in fiscal year 2021 are appropriated from the general fund to the commissioner of revenue for a grant to Wadena County that shall be paid by August 1, 2019, and August 1, 2020, and used by the county for costs related to providing human services.

(c) $5,400,000 in fiscal year 2022 only is appropriated from the general fund to the commissioner of revenue for a grant to the city of Virginia that shall be paid by August 1, 2021, and used by the city to repay loans incurred by the city for costs related to utility relocation for the U.S. Highway 53 project.

The appropriations under this section are onetime.

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

Sec. 11. **APPROPRIATION OF LAPSED AMOUNTS; FIRE REMEDIATION GRANTS.**

(a) $643,729 in fiscal year 2020 is appropriated from the general fund to the commissioner of public safety for grants to remediate the effects of fires in the city of Melrose on September 8, 2016. The grants shall be paid by August 1, 2019. This appropriation represents the amounts that lapsed by the terms of the appropriation in Laws 2017, First Special Session chapter 1, article 4, section 31.

(b) A grant recipient must use the money appropriated under this section for remediation costs, including disaster recovery, infrastructure, reimbursement for emergency personnel costs, reimbursement for equipment costs, and reimbursements for property tax abatements, incurred by public or private entities as a result of the fires. This is a onetime appropriation and is available until June 30, 2021.

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

ARTICLE 6
LOCAL TAXES

Section 1. Minnesota Statutes 2018, section 297A.99, subdivision 1, is amended to read:

Subdivision 1. **Authorization; scope.** (a) A political subdivision of this state may impose a general sales tax (1) under section 297A.992, (2) under section 297A.993, (3) if permitted by special law, or (4) if the political subdivision enacted and imposed the tax before January 1, 1982, and its predecessor provision.

(b) This section governs the imposition of a general sales tax by the political subdivision. The provisions of this section preempt the provisions of any special law:

(1) enacted before June 2, 1997, or

(2) enacted on or after June 2, 1997, that does not explicitly exempt the special law provision from this section's rules by reference.

(c) This section does not apply to or preempt a sales tax on motor vehicles ~~or~~. Beginning July 1, 2019, no political subdivision may impose a special excise tax on motor vehicles unless it is imposed under section 297A.993.

(d) A political subdivision may not advertise or expend funds for the promotion of a referendum to support imposing a local ~~option~~ sales tax~~.~~ and may only spend funds related to imposing a local sales tax to:

~~(c) Notwithstanding paragraph (d), a political subdivision may expend funds to:~~

(1) conduct the referendum;

(2) disseminate information included in the resolution adopted under subdivision 2, but only if the disseminated information includes a list of specific projects and the cost of each individual project;

(3) provide notice of, and conduct public forums at which proponents and opponents on the merits of the referendum are given equal time to express their opinions on the merits of the referendum;

(4) provide facts and data on the impact of the proposed local sales tax on consumer purchases; and

(5) provide facts and data related to the individual programs and projects to be funded with the local sales tax.

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

Sec. 2. Minnesota Statutes 2018, section 297A.99, is amended by adding a subdivision to read:

Subd. 1a. **Requirements.** Local sales taxes are to be used instead of traditional local revenues only for construction and rehabilitation of capital projects when a clear regional benefit beyond the taxing jurisdiction can be demonstrated. Use of local sales tax revenues for local projects decreases the benefits to taxpayers of the deductibility of local property taxes and the state assistance provided through the property tax refund system and increases the fiscal inequities between similar communities.

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

Sec. 3. Minnesota Statutes 2018, section 297A.99, subdivision 2, is amended to read:

Subd. 2. **Local resolution before application for authority.** (a) Before the governing body of a political subdivision requests legislative approval ~~of~~ to impose a local sales tax authorized by a special law ~~for a local sales tax that is administered under this section~~, it shall adopt a resolution indicating its approval of the tax. The resolution must include~~, at a minimum,~~ the following information ~~on~~:

(1) the proposed tax rate~~, how the revenues will be used,~~;

(2) a detailed description of no more than five capital projects that will be funded with revenue from the tax;

(3) documentation of the regional significance of each project, including the share of the economic benefit to or use of each project by persons residing, or businesses located, outside of the jurisdiction;

(4) the amount of local sales tax revenue that would be used for each project and the estimated time needed to raise that amount of revenue; and

(5) the total revenue that will be raised for all projects before the tax expires, and the estimated length of time that the tax will be in effect~~. This subdivision applies to local laws enacted after June 30, 1998~~ if all proposed projects are funded.

(b) The jurisdiction seeking authority to impose a local sales tax by special law must submit the resolution in paragraph (a) along with underlying documentation indicating how the benefits under paragraph (a), clause (3), were determined, to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes no later than January 31 of the year in which the jurisdiction is seeking a special law authorizing the tax.

(c) The special legislation granting local sales tax authority is not required to allow funding for all projects listed in the resolution with the revenue from the local sales tax, but must not include any projects not contained in the resolution.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to all local sales taxes not authorized by the legislature before July 1, 2019.

Sec. 4. Minnesota Statutes 2018, section 297A.99, subdivision 3, is amended to read:

Subd. 3. **Legislative authority required before voter approval; requirements for adoption, use, termination.** (a) A political subdivision must receive legislative authority to impose a local sales tax before submitting the tax for approval by voters of the political subdivision. Imposition of a local sales tax is subject to approval by voters of the political subdivision at a general election. The election must be conducted ~~before~~ at a general election within the two-year period after the governing body of the political subdivision ~~requests legislative approval of~~ has received authority to impose the tax. If the authorizing legislation allows the tax to be imposed for more than one project, there must be a separate question approving the use of the tax revenue for each project. Notwithstanding the authorizing legislation, a project that is not approved by the voters may not be funded with the local sales tax revenue and the termination date of the tax set in the authorizing legislation must be reduced proportionately based on the share of that project's cost to the total costs of all projects included in the authorizing legislation.

(b) The proceeds of the tax must be dedicated exclusively to payment of the ~~cost of a~~ construction and rehabilitation costs and associated bonding costs related to the specific capital improvement ~~which is designated at least 90 days before the referendum on imposition of the tax is conducted~~ projects that were approved by the voters under paragraph (a).

(c) The tax must terminate after ~~the improvement designated under paragraph (b) has been completed~~ the revenues raised are sufficient to fund the projects approved by the voters under paragraph (a).

(d) After a sales tax imposed by a political subdivision has expired or been terminated, the political subdivision is prohibited from imposing a local sales tax for a period of one year. ~~Notwithstanding subdivision 13, this paragraph applies to all local sales taxes in effect at the time of or imposed after May 26, 1999.~~

(e) Notwithstanding paragraph (a), if a political subdivision received voter approval to seek authority for a local sales tax at the November 6, 2018, general election and is granted authority to impose a local sales tax before January 1, 2021, the tax may be imposed without an additional referendum provided that it meets the requirements of subdivision 2 and the list of specific projects contained in the resolution does not conflict with the projects listed in the approving referendum.

(f) If a tax is terminated because sufficient revenues have been raised, any amount of tax collected under subdivision 9, after sufficient revenues have been raised and before the quarterly termination required under subdivision 12, paragraph (a), that is greater than the average quarterly revenues collected over the immediately preceding 12 calendar months must be retained by the commissioner for deposit in the general fund.

EFFECTIVE DATE. (a) The amendments to paragraphs (a) to (d) and adding paragraph (e) are effective the day following final enactment and apply to all local sales taxes not authorized by the legislature before July 1, 2019.

(b) The amendment adding paragraph (f) is effective the day following final enactment and applies retroactively to all currently imposed local sales taxes.

Sec. 5. Laws 1986, chapter 396, section 5, as amended by Laws 2001, First Special Session chapter 5, article 12, section 87, and Laws 2012, chapter 299, article 3, section 3, is amended to read:

Sec. 5. **LIQUOR, LODGING, AND RESTAURANT TAXES.**

The city may, by resolution, levy in addition to taxes authorized by other law:

(1) a sales tax of not more than three percent on the gross receipts on retail on-sales of intoxicating liquor and fermented malt beverages when sold at licensed on-sale liquor establishments located within the downtown taxing area, provided that this tax may not be imposed if sales of intoxicating liquor and fermented malt beverages are exempt from taxation under chapter 297A;

(2) a sales tax of not more than three percent on the gross receipts from the furnishing for consideration of lodging for a period of less than 30 days at a hotel, motel, rooming house, tourist court, or trailer camp located within the city by a hotel or motel which has more than 50 rooms available for lodging; the tax imposed under this clause shall be at a rate that, when added to the sum of the rate ~~of the sales tax imposed under Minnesota Statutes, chapter 297A, the rate of the sales tax imposed under section 4, and the rate of any~~ of all other city taxes on lodging in the city of Minneapolis, equals ~~13~~ 6.5 percent; and

(3) a sales tax of not more than three percent on the gross receipts on all sales of food primarily for consumption on or off the premises by restaurants and places of refreshment as defined by resolution of the city that occur within the downtown taxing area.

The taxes authorized by this section must not be terminated before January 1, 2047. The taxes shall be imposed and may be adjusted periodically by the city council such that the rates imposed produce revenue sufficient, together with the tax imposed under section 4, to finance the purposes described in Minnesota Statutes, section 297A.994, and section 4, subdivisions 3 and 4. These taxes shall be applied, first, as provided in Minnesota Statutes, section 297A.994, subdivision 3, clauses (1) to (3), and then, solely to pay, secure, maintain, and fund the payment of any principal of, premium on, and interest on any bonds or any other purposes in section 4, subdivision 3 or 4. The commissioner of revenue may enter into appropriate agreements with the city to provide for the collection of these taxes by the state on behalf of the city. These taxes shall be subject to the same interest, penalties, and enforcement provisions as the taxes imposed under Minnesota Statutes, chapter 297A.

EFFECTIVE DATE. This section is effective for sales and purchases made after September 30, 2019.

Sec. 6. Laws 1986, chapter 462, section 31, as amended by Laws 1991, chapter 291, article 8, section 24, and Laws 2011, chapter 112, article 4, section 6, is amended to read:

Sec. 31. **AUTHORITY FOR TAXATION.**

Notwithstanding Minnesota Statutes, section 477A.016, or any other law, and supplemental to the tax imposed by Laws 1982, chapter 523, article 25, section 1, the city

of St. Paul may impose, by ordinance, a tax, at a rate not greater than ~~three~~ four percent, on the gross receipts from the furnishing for consideration of lodging and related services at a hotel, rooming house, tourist court, motel, or resort, other than the renting or leasing of space for a continuous period of 30 days or more. The tax does not apply to the furnishing of lodging and related services by a business having less than 50 lodging rooms. The tax shall be collected by and its proceeds paid to the city. Ninety-five percent of the revenues generated by this tax shall be used to fund a convention bureau to market and promote the city as a tourist or convention center.

EFFECTIVE DATE. This section is effective the first day of the calendar quarter beginning at least 30 days after the governing body of the city of St. Paul and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 7. Laws 1994, chapter 587, article 9, section 11, is amended to read:

Sec. 11. **TWO HARBORS LODGING TAX.**

Notwithstanding Minnesota Statutes, section 477A.016, or other law, in addition to a tax authorized in Minnesota Statutes, section 469.190, the city of Two Harbors may impose, by ordinance, a tax of up to one percent on the gross receipts subject to the lodging tax under Minnesota Statutes, section 469.190. The proceeds of the tax shall be dedicated and used to provide preservation, display, and interpretation of the tug boat Edna G. The total tax imposed by the city under this section, by Lake County under section 22, and under Minnesota Statutes, section 469.190, shall not exceed ~~three~~ five percent.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Two Harbors and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 8. Laws 1998, chapter 389, article 8, section 45, subdivision 1, is amended to read:

Subdivision 1. **Sales and use taxes.** (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters of the city at the next general election held after the date of final enactment of this act, the city of Two Harbors may impose by ordinance, a sales and use tax at a rate of up to one-half of one percent for the purposes specified in subdivision 3, paragraph (a).

(b) In addition to the tax in paragraph (a) and notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the November 6, 2018, general election, the city of Two Harbors may, by

ordinance, impose an additional sales and use tax at a rate of one-half of one percent for the purposes specified in subdivision 3, paragraph (b). The tax may not be imposed until the city complies with the provisions of section 34.

(c) The provisions of Minnesota Statutes, section ~~297A.48~~ 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Two Harbors and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 9. Laws 1998, chapter 389, article 8, section 45, subdivision 3, as amended by Laws 2008, chapter 366, article 7, section 11, is amended to read:

Subd. 3. **Use of revenues.** (a) Revenues received from the taxes authorized under subdivision 1, paragraph (a), must be used for sanitary sewer separation, wastewater treatment, water system improvements, and harbor refuge development projects.

(b) Revenues from the tax authorized under subdivision 1, paragraph (b), must be used by the city of Two Harbors to pay the costs of collecting and administering the tax and to finance the capital and administrative costs of water and sewer infrastructure projects including gravity-fed sewer mains, water mains, drain tile, service lines, street patching, acquiring property, related engineering, and construction expenses.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Two Harbors and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 10. Laws 1998, chapter 389, article 8, section 45, subdivision 4, is amended to read:

Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects under subdivision 1, paragraph (a). An election to approve the bonds under Minnesota Statutes, section 475.58, may be held in combination with the election to authorize imposition of the tax under subdivision 1, paragraph (a). Whether to permit imposition of the tax and issuance of bonds may be posed to the voters as a single question. The question must state that the sales tax revenues are pledged to pay the bonds, but that the bonds are general obligations and will be guaranteed by the city's property taxes.

(b) The city may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects described in subdivision 3, paragraph (b), in an amount that does not exceed $30,000,000. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(c) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60.

~~(c)~~ (d) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

The aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements under subdivision 3, paragraph (a), may not exceed $20,000,000, plus an amount equal to the costs related to issuance of the bonds.

~~(d)~~ (e) The taxes may be pledged to and used for the payment of the bonds and any bonds issued to refund them, only if the bonds and any refunding bonds are general obligations of the city.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Two Harbors and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 11. Laws 1998, chapter 389, article 8, section 45, subdivision 5, is amended to read:

Subd. 5. **Termination of taxes.** (a) The authority granted under subdivision 1, paragraph (a), to the city of Two Harbors to impose sales and use taxes expires when the costs of the projects described in subdivision 3, paragraph (a), have been paid.

(b) The authority granted under subdivision 1, paragraph (b), expires at the earlier of: (1) 25 years after the tax is first imposed; or (2) when the city council determines that the amount of revenues received from the taxes first equals or exceeds $30,000,000, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 4, paragraph (b), including interest on the bonds. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivision 1, paragraph (b), may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Two Harbors and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 12. Laws 2011, First Special Session chapter 7, article 4, section 10, subdivision 3, is amended to read:

Subd. 3. **Use of revenues.** Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for the following projects:

(1) $4,500,000 for construction and completion of park improvement projects, including St. Louis River riverfront improvements; Veteran's Park construction and improvements; improvements to the Hilltop Park soccer complex and Braun Park baseball complex; capital equipment and building and grounds improvements at the Pine Valley Park/Pine Valley Hockey Arena/Cloquet Area Recreation Center; and development of pedestrian trails within the city;

(2) $5,800,00 for extension of utilities and the construction of all improvements associated with the development of property adjacent to Highway 33 and Interstate Highway 35, including payment of all debt service on bonds issued for these; and

(3) $6,200,000 for engineering and construction of infrastructure improvements, including, but not limited to, storm sewer, sanitary sewer, and water in areas identified as part of the city's comprehensive land use plan.

Authorized expenses include, but are not limited to, acquiring property and paying construction expenses related to these improvements, and paying debt service on bonds or other obligations issued to finance acquisition and construction of these improvements. Notwithstanding the revenue allocations in clauses (1) and (3), if the amount spent for the improvements under clause (2) are less than the $5,800,000 allowed under that clause, the total amount spent for the purposes listed in clauses (1) and (3) may be increased by the difference between $5,800,000 and the amount actually spent under clause (2). However, the total expenditures for projects under this subdivision may not exceed $16,500,000, excluding any costs related to issuance of bonds under subdivision 4.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Cloquet and its chief clerical officer comply with the provisions of section 645.021, subdivisions 2 and 3.

Sec. 13. **CITY OF AVON; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax; authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city charter, the city of Avon, pursuant to approval by the voters at the general election on

November 6, 2018, may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. The tax may not be imposed until the city complies with the provisions of section 34.

Subd. 2. **Use of revenues.** Revenues received from taxes authorized by subdivision 1 must be used by the city to:

(1) pay the costs of collecting and administering the tax;

(2) pay the capital and administrative costs of transportation improvement projects as adopted in the city of Avon's street priority improvement plan; and

(3) pay debt service on bonds issued under subdivision 3 or other obligations issued to finance the improvements listed in this subdivision in the city.

Subd. 3. **Bonding authority.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to pay the costs of the projects authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $1,500,000 plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** (a) The tax imposed under subdivision 1 expires at the earlier of: (1) December 31, 2045; or (2) when the city council determines that $1,500,000 has been received from the tax to pay for the cost of the projects authorized under subdivision 2, plus an amount sufficient to pay the costs related to issuance of the bonds authorized under subdivision 3, including interest on the bonds.

(b) Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 14. **CITY OF BLUE EARTH; LOCAL TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the general election of November 6, 2018, the city of Blue Earth may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. The tax may not be imposed until the city complies with the provisions of section 34.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Blue Earth to pay the costs of collecting and administering the tax and to finance the capital and administrative costs of constructing and funding sewer plant improvements, street reconstruction projects, and recreational amenities. The total that may be raised from the tax to pay for these projects is limited to $5,000,000, plus the costs related to the issuance and paying debt service on bonds for these projects.

Subd. 3. **Bonding authority.** (a) The city of Blue Earth may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the projects authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $5,000,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Blue Earth, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of Blue Earth, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 25 years after the tax is first imposed; or (2) when the city council determines that $5,000,000, plus an amount sufficient to pay the costs related to issuing the bonds authorized under subdivision 3, including interest on the bonds, has been received from the

tax to pay for the cost of the projects authorized under subdivision 2. Any funds remaining after payment of all such costs and retirement or redemption of the bonds due to timing of the termination under Minnesota Statutes, section 297A.99, shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Blue Earth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 15. **CITY OF CAMBRIDGE; TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the November 6, 2018, general election, the city of Cambridge may impose, by ordinance, a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. The tax may not be imposed until the city complies with the provisions of section 34 as it relates to funding of the street improvements in subdivision 2, clause (2).

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Cambridge to pay the costs of collecting and administering the tax and paying for the following infrastructure projects in the city, including securing and paying debt service on bonds issued to finance all or part of the following projects:

(1) $8,000,000 plus associated bonding costs for construction of a new facility to house the Cambridge Public Library and the East Central Regional Library Headquarters; and

(2) $14,000,000 plus associated bonding costs for street improvements outlined in the Street Capital Improvement Program approved by the city council as of January 22, 2019, and outdoor park improvements described in the park master plan as of January 22, 2019.

Subd. 3. **Bonding authority.** (a) The city of Cambridge may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the projects authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed: (1) $8,000,000 for the project listed in subdivision 2, clause (1), plus an amount applied to the payment of costs of issuing the bonds; and (2) $14,000,000 for the projects

listed in subdivision 2, clause (2), plus an amount applied to the payment of costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Cambridge, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) December 31, 2043; or (2) when the city council determines that the city has received from this tax $22,000,000 to fund the projects listed in subdivision 2 plus an amount sufficient to pay costs, including interest costs, related to the issuance of the bonds authorized in subdivision 3. Any funds remaining after payment of the allowed costs due to timing of the termination under Minnesota Statutes, section 297A.99, shall be placed in the city's general fund. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Cambridge and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 16. **CITY OF DETROIT LAKES; LOCAL SALES AND USE TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the November 6, 2018, general election, the city of Detroit Lakes may impose, by ordinance, a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Detroit Lakes to pay the costs of collecting and administering the tax, and construction of a new police department facility in the city, including securing and paying debt service on bonds issued to finance all or part of this project. The total amount of the police department facility to be funded with the tax imposed under subdivision 1 shall not exceed $6,700,000, excluding associated debt service costs.

Subd. 3. **Bonding authority.** (a) The city of Detroit Lakes may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the project authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $6,700,000, plus an amount applied to the payment of costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Detroit Lakes, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not subject to any provisions of the home rule charter of the city of Detroit Lakes and are not included in computing any debt limitation applicable to the city. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) ten years after the tax is first imposed; or (2) when the city council determines that the city has received $6,700,000 from this tax to fund the projects listed in subdivision 2 plus an amount sufficient to pay costs, including interest costs, related to the issuance of the bonds authorized in subdivision 3. Any funds remaining after payment of the allowed costs due to timing of the termination under Minnesota Statutes, section 297A.99, shall be placed in the city's general fund. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Detroit Lakes and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 17. **CITY OF ELK RIVER; TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law or ordinance, and as approved by the voters at the November 6, 2018, general election, the city of Elk River may impose, by ordinance, a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** (a) The revenues derived from the tax authorized under subdivision 1 must be used by the city of Elk River to:

(1) pay the costs of collecting and administering the tax;

(2) pay the capital and administrative costs of various recreational facility and park improvements including any or all of the following: a multipurpose recreational facility such as an ice arena, a community meeting and activity space, and a synthetic turf field house; senior center facility improvements; Lion John Weicht Park improvements, Lions Park Center space improvements, and a community picnic pavilion addition; youth athletic complex improvements; Orono Park improvements; dredging Lake Orono; and citywide trail connection improvements; and

(3) secure and pay debt service on bonds issued to finance all or part of the projects listed in clause (2).

(b) The total that may be raised from the tax to pay for these projects is limited to $35,000,000, plus the costs related to the issuance and paying debt service on bonds for these projects.

Subd. 3. **Bonding authority.** (a) The city of Elk River may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the project authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $35,000,000, plus an amount applied to the payment of costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Elk River, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 25 years after the tax is first imposed; or (2) when the city council determines that the city has received $35,000,000 from this tax to fund the projects listed in subdivision 2 plus an amount sufficient to pay costs, including interest costs, related to the issuance of the bonds authorized in subdivision 3. Any funds remaining after payment of the allowed costs due to timing of the termination under section 297A.99 shall be placed in the city's general fund. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Elk River and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 18. **CITY OF EXCELSIOR; LOCAL SALES AND USE TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city charter, the city of Excelsior may impose, by ordinance, a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2, as approved by the voters at the November 4, 2014, general election. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Excelsior to pay the costs of collecting and administering the tax and to finance the capital and administrative costs of improvements to the commons as indicated in the Commons Master Plan as adopted by the city council on November 20, 2017. Authorized expenses include, but are not limited to, improvements for walkability and accessibility, enhancement of beach area and facilities, prevention and management of shoreline erosion, redesign of the port and band shell, improvement of playground equipment, and securing and paying debt service on bonds issued under subdivision 3 or other obligations issued to the improvements listed in this subdivision in the city of Excelsior.

Subd. 3. **Bonding authority.** (a) If the imposition of the tax is approved by the voters under subdivision 1, the city of Excelsior may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the projects authorized in subdivision 2, without a second vote. The aggregate principal amount of bonds issued under this subdivision may not exceed $7,000,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Excelsior, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of Excelsior, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 25 years after the tax is first imposed; or (2) when the city council determines that $7,000,000 has been received from the tax to pay for the cost of the projects authorized under subdivision 2, plus an amount sufficient to pay the costs related to issuance of the bonds authorized under subdivision 3, including interest on the bonds. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Excelsior and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 19. **CITY OF GLENWOOD; TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the November 6, 2018, general election, the city of Glenwood may impose, by ordinance, a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. The tax may not be imposed until the city complies with the provisions of section 34.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Glenwood to pay the costs of collecting and administering the tax and to finance, including securing and paying debt service on, all or part of the following projects:

(1) the capital costs of the Phases II and III improvements to 2nd Street SE as set forth in the city's capital improvement plan;

(2) the development and expansion of, and improvements to, city parks, trails, and recreational facilities; and

(3) improvements to Glenwood City Hall and police station.

Subd. 3. **Bonding authority.** (a) The city of Glenwood may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the project authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $2,800,000, plus an amount applied to the payment of costs of issuing the bonds.

The bonds may be paid from or secured by any funds available to the city of Glenwood, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not subject to any provisions of the home rule charter of the city of Glenwood and are not included in computing any debt limitation applicable to the city. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 20 years after the tax is first imposed; or (2) when the city council determines that the city has received $2,800,000 from this tax to fund the projects listed in subdivision 2 plus an amount sufficient to pay costs, including interest costs, related to the issuance of the bonds authorized in subdivision 3. Any funds remaining after payment of the allowed costs due to timing of the termination under Minnesota Statutes, section 297A.99, shall be placed in the city's general fund. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Glenwood and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 20. **CITY OF INTERNATIONAL FALLS; TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the November 6, 2018, general election, the city of International Falls may impose, by ordinance, a sales and use tax of up to one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. The tax may not be imposed until the city complies with the provisions of section 34.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of International Falls to pay the costs of collecting and administering the tax, and paying for transportation and other public infrastructure projects in the city, including securing and paying debt service on bonds issued to finance all or part of these projects. The total amount of transportation and other

public infrastructure projects to be funded with the tax imposed under subdivision 1 shall not exceed $30,000,000, excluding associated debt service costs.

Subd. 3. **Bonding authority.** (a) The city of International Falls may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the project authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $30,000,000, plus an amount applied to the payment of costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of International Falls, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not subject to any provisions of the home rule charter of the city of International Falls and are not included in computing any debt limitation applicable to the city. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 30 years after the tax is first imposed; or (2) when the city council determines that the city has received $30,000,000 from this tax to fund the projects listed in subdivision 2 plus an amount sufficient to pay costs, including interest costs, related to the issuance of the bonds authorized in subdivision 3. Any funds remaining after payment of the allowed costs due to timing of the termination under section 297A.99 shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of International Falls and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 21. **CITY OF LA CRESCENT; LOCAL LODGING TAX AUTHORIZED.**

Notwithstanding Minnesota Statutes, section 477A.016, or other law, in addition to a tax authorized in Minnesota Statutes, section 469.190, the city of La Crescent may impose by ordinance a tax of up to two percent on the gross receipts subject to the lodging tax under Minnesota Statutes, section 469.190. The proceeds of the tax must be used for the same purposes as required under Minnesota Statutes, section 469.190. The total tax imposed under this section, and under Minnesota Statutes, section 469.190, must not exceed five percent.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of La Crescent and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 22. **LAKE COUNTY; LOCAL LODGING TAX AUTHORIZED.**

Subdivision 1. **Lodging tax.** (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the Board of Commissioners of Lake County may impose, by ordinance, a tax of up to four percent on the gross receipts subject to the lodging tax under Minnesota Statutes, section 469.190. This tax is in addition to any tax imposed under Minnesota Statutes, section 469.190. The total tax imposed by the county under this section, by the city of Two Harbors under Laws 1994, chapter 587, article 9, section 11, and under Minnesota Statutes, section 469.190, must not exceed seven percent.

(b) No other city or town located in Lake County that did not impose a local lodging tax under Minnesota Statutes, section 469.190, prior to May 1, 2019, may impose a tax under Minnesota Statutes, section 469.190, while a tax is in effect under this section.

Subd. 2. **Allowed use of revenues.** The revenues derived from the taxes imposed in subdivision 1 must be used to fund a new Lake County Event and Visitors Bureau as established by or contracted with the Board of Commissioners of Lake County. The Board of Commissioners must use 75 percent of revenues for marketing the county and 25 percent of revenues to fund and promote community events and festivals in the county. The Board of Commissioners of Lake County must annually review the budget of the Lake County Event and Visitors Bureau. The event and visitors bureau may not receive revenues raised from the taxes imposed in subdivision 1 until the Board of Commissioners approves the annual budget.

EFFECTIVE DATE. This section is effective the day after the governing body of Lake County and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 23. **CITY OF NORTH MANKATO; LOCAL FOOD AND BEVERAGE TAX AUTHORIZED.**

Subdivision 1. **Food and beverage tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the city of North Mankato may, by ordinance, impose a sales tax of up to one percent on the gross receipts on all sales of food and beverages by a restaurant or place of refreshment, as defined by

resolution of the city, that are located within the city. For purposes of this section, "food and beverages" includes retail on-sale of intoxicating liquor and fermented malt beverages.

Subd. 2. **Use of proceeds from tax.** (a) The proceeds of any tax imposed under subdivision 1 shall be used by the city to pay all or a portion of the expenses of:

(1) operation, maintenance, and capital expenses for the Caswell Park Regional Sporting Complex; and

(2) for costs related to regional tourism events.

(b) Authorized capital expenses include securing or paying debt service on bonds or other obligations issued to finance the construction of the Caswell Park Regional Sporting Complex facilities.

Subd. 3. **Collection, administration, and enforcement.** If the city desires, it may enter into an agreement with the commissioner of revenue to administer, collect, and enforce the taxes authorized under subdivisions 1 and 2. If the commissioner agrees to collect the tax, the provisions of Minnesota Statutes, section 297A.99, related to collection, administration, and enforcement apply.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of North Mankato and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 24. **CITY OF PERHAM; LOCAL SALES AND USE TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law or ordinance, and based on the approval by the voters at the November 6, 2018, election, the city of Perham may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Perham to:

(1) pay the costs of collecting and administering the tax;

(2) finance the capital costs of site preparation, redevelopment, renovation, and construction of buildings, land, and infrastructure at the site of the Perham Area Community Center; and

(3) pay debt service on bonds issued under subdivision 3 or other obligations issued to the improvements listed in this subdivision in the city of Perham.

Subd. 3. **Bonding authority.** (a) The city of Perham may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the projects authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $5,200,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Perham, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of Perham, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 20 years after the tax is first imposed; or (2) when the city council determines that $5,200,000 has been received from the tax to pay for the cost of the projects authorized under subdivision 2, plus an amount sufficient to pay the costs related to issuance of the bonds authorized under subdivision 3, including interest on the bonds. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Perham and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 25. **CITY OF PLYMOUTH; LOCAL LODGING TAX AUTHORIZED.**

(a) Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city council for the city of Plymouth may impose by ordinance a tax of up to three percent on the gross receipts subject to the lodging tax under Minnesota Statutes, section 469.190. This tax is in addition to any tax imposed under Minnesota Statutes, section 469.190, and the total tax imposed under that section and this provision must not exceed six percent.

(b) Two-thirds of the revenue from the tax imposed under this section must be dedicated and used for capital improvements to public recreational facilities and marketing and

promotion of the community, and the remaining one-third of the revenue must be used for the same purposes as a tax imposed under Minnesota Statutes, section 469.190.

(c) The tax imposed under this authority terminates at the earlier of: (1) ten years after the tax is first imposed; or (2) December 31, 2030.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Plymouth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 26. **CITY OF ROGERS; LOCAL TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any other law or ordinance, and as approved by the voters at the general election of November 6, 2018, the city of Rogers may impose, by ordinance, a sales and use tax of one-quarter of one percent for the purposes specified in subdivision 3. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the taxes authorized under this subdivision.

Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, or ordinance, the city of Rogers may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to $20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city of Rogers in the business of selling motor vehicles at retail.

Subd. 3. **Use of sales and use tax and excise tax revenues.** (a) The revenues derived from the taxes authorized under subdivisions 1 and 2 must be used by the city of Rogers to pay the costs of collecting and administering the taxes and the capital and administrative costs of any or all of the following projects:

(1) trail and pedestrian facilities including an I-94 pedestrian crossing, a County Road 144 pedestrian tunnel, and other new trails and trail connections;

(2) aquatics facilities consisting of either or both of a splash pad and any contribution toward the community portion of a school pool; and

(3) community athletic facilities including construction of South Community park, site improvements for future recreation facilities, and a multipurpose indoor turf facility.

(b) The total that may be raised from the taxes to pay for these projects is limited to $16,500,000, plus the costs related to the issuance and paying debt service on bonds for these projects.

Subd. 4. **Bonding authority.** (a) The city of Rogers may issue bonds under Minnesota Statutes, chapter 475, pursuant to approval by the voters at the general election of November 6, 2018, to finance all or a portion of the costs of the projects authorized in subdivision 3. The aggregate principal amount of bonds issued under this subdivision may not exceed $16,500,000, minus an amount equal to any state grant authorized before October 1, 2019, to fund any of the projects listed in subdivision 3, and plus an amount equal to interest on and the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Rogers, including the taxes authorized under subdivisions 1 and 2.

(b) The bonds are not included in computing any debt limitation applicable to the city of Rogers, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2 expire at the earlier of: (1) 20 years after the taxes are first imposed; or (2) when the city council determines that $16,500,000, minus an amount equal to any state grant authorized before October 1, 2019, to fund any of the projects listed in subdivision 3, and plus an amount sufficient to pay interest on and the costs of issuing the bonds authorized under subdivision 4, has been received from the taxes to pay for the cost of the projects authorized under subdivision 3. Any funds remaining after payment of all such costs and payment of the bonds in full shall be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Rogers and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 27. **CITY OF SARTELL; LOCAL TAXES AUTHORIZED.**

Subdivision 1. **Food and beverage tax authorized.** Notwithstanding Minnesota Statutes, section 297A.99 or 477A.016, or any ordinance or other provision of law, and if approved by voters at the November 3, 2020, general election, or at a special election held before November 3, 2020, the city of Sartell may, by ordinance, impose a sales tax of up to 1-1/2 percent on the gross receipts of all food and beverages sold by a restaurant or place of refreshment, as defined by ordinance of the city, that is located within the city. For purposes

of this section, "food and beverages" include retail on-sale of intoxicating liquor and fermented malt beverages.

Subd. 2. **Use of proceeds from authorized taxes.** The proceeds of the taxes imposed under subdivision 1 must be used by the city to fund capital or operational costs for new and existing recreational facilities and related amenities within the city. Authorized expenses include securing or paying debt service on bonds or other obligations issued to finance construction and improvement projects.

Subd. 3. **Termination of taxes.** The tax imposed under subdivision 1 expires five years after the tax is first imposed.

Subd. 4. **Collection, administration, and enforcement.** The city may enter into an agreement with the commissioner of revenue to administer, collect, and enforce the taxes under subdivision 1. If the commissioner agrees to collect the tax, the provisions of Minnesota Statutes, sections 270C.171 and 297A.99, related to collection, administration, and enforcement apply.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Sartell and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 28. **CITY OF SAUK CENTRE; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city charter, the city of Sauk Centre, pursuant to approval by the voters at the general election on November 6, 2018, may impose by ordinance a sales and use tax of up to one-half of one percent and a $20 motor vehicle excise tax for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of revenues.** Revenues received from taxes authorized by subdivision 1 must be used by the city to:

(1) pay the costs of collecting and administering the tax;

(2) pay the capital costs of city infrastructure improvement projects directly related to the reconstruction of Trunk Highway 71; and

(3) pay debt service on bonds issued under subdivision 3 or other obligations issued to finance the improvements listed in this subdivision in the city.

Subd. 3. **Bonding authority.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to pay the costs of the projects authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $10,000,000 plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) December 31, 2045; or (2) when the city council determines that $10,000,000 has been received from the tax to pay for the cost of the projects authorized under subdivision 2, plus an amount sufficient to pay the costs related to issuance of the bonds authorized under subdivision 3, including interest on the bonds. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Sauk Centre and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 29. **CITY OF SCANLON; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax; authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 3, paragraph (b), or 477A.016, or any other law or ordinance, the city of Scanlon, pursuant to approval by the voters at the general election on November 6, 2018, may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of revenues.** Revenues received from taxes authorized by subdivision 1 must be used by the city to:

(1) pay the costs of collecting and administering the tax;

(2) pay the capital and administrative costs of city street improvements and utility infrastructure, including storm sewer and sanitary sewer improvements; and

(3) pay debt service on bonds issued under subdivision 3 or other obligations issued to finance the improvements listed in this subdivision in the city.

Subd. 3. **Bonding authority.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to pay the costs of the projects authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $400,000 plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** (a) The tax imposed under subdivision 1 expires at the earlier of: (1) ten years after the tax is first imposed; or (2) when the city council determines that $400,000 has been received from the tax to pay for the cost of the projects authorized under subdivision 2, plus an amount sufficient to pay the costs related to issuance of the bonds authorized under subdivision 3, including interest on the bonds.

(b) Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Scanlon and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 30. **CITY OF VIRGINIA; LOCAL SALES AND USE TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter,

and as approved by the voters at the November 6, 2018, general election, the city of Virginia may impose, by ordinance, a sales and use tax of up to one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Virginia to pay the costs of collecting and administering the tax, and to finance the costs of renovation, reconstruction, expansion, and improvements of the Miner's Memorial recreation complex and convention center. Authorized costs include engineering and construction costs and associated bond issuance costs.

Subd. 3. **Bonding authority.** (a) The city of Virginia may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the project authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $30,000,000, plus an amount applied to the payment of costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Virginia, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not subject to any provisions of the home rule charter of the city of Virginia and are not included in computing any debt limitation applicable to the city. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 20 years after the tax is first imposed; or (2) when the city council determines that the city has received $30,000,000 from this tax to fund the projects listed in subdivision 2 plus an amount sufficient to pay costs, including interest costs, related to the issuance of the bonds authorized in subdivision 3. Any funds remaining after payment of the allowed costs due to timing of the termination under section 297A.99 shall be placed in the city's general fund. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Virginia and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 31. **CITY OF WEST ST. PAUL; LOCAL TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the general election of November 6, 2018, the city of West St. Paul may impose, by ordinance, a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of West St. Paul to pay the costs of collecting and administering the tax and to finance the capital and administrative costs of rebuilding and repair of essential transportation corridors and related ancillary roads within the city, including but not limited to Annapolis Street which borders both Ramsey and Dakota County, the cultural corridor of Smith Avenue, historic Dodd Road, and other essential corridors. The total that may be raised from the tax to pay for these projects is limited to $28,000,000, plus the costs related to the issuance and paying debt service on bonds for these projects.

Subd. 3. **Bonding authority.** (a) The city of West St. Paul may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the facilities authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $28,000,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of West St. Paul, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of West St. Paul, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 20 years after the tax is first imposed; or (2) when the city council determines that $28,000,000, plus an amount sufficient to pay the costs related to issuing the bonds authorized under subdivision 3, including interest on the bonds, has been received from the tax to pay for the cost of the projects authorized under subdivision 2. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed

in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of West St. Paul and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 32. **CITY OF WILLMAR; TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the November 6, 2018, general election, the city of Willmar may impose, by ordinance, a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Willmar may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to $20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city of Willmar in the business of selling motor vehicles at retail.

Subd. 3. **Use of revenues.** (a) The revenues derived from the taxes authorized under subdivisions 1 and 2 must be used by the city of Willmar to pay the costs of collecting and administering the taxes, and to pay for the projects listed in this subdivision, including securing and paying debt service on bonds issued to finance all or part of these projects. The total amount of projects to be funded with the taxes imposed under subdivisions 1 and 2 shall not exceed $30,000,000 plus the costs related to the issuance and paying debt service on bonds for these projects. The amount that may be spent on each project is limited to:

(1) $2,000,000 for a community center replacement;

(2) $6,000,000 for new athletic fields;

(3) $3,000,000 for infrastructure improvements at Robins Island Regional Park;

(4) $2,000,000 for a new playground and spectator amenities at Swansson Field Regional Park;

(5) $7,000,000 for storm water management infrastructure improvements; and

(6) $10,000,000 for a new recreation and event center.

(b) Notwithstanding the limits listed in paragraph (a) the city may by ordinance reallocate up to ten percent of the funds designated for one or more projects listed in that paragraph to other projects listed in that paragraph.

Subd. 4. **Bonding authority.** (a) The city of Willmar may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the projects authorized in subdivision 3. The aggregate principal amount of bonds issued under this subdivision may not exceed $30,000,000, plus an amount applied to the payment of costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Willmar, including the taxes authorized under subdivisions 1 and 2. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not subject to any provisions of the home rule charter of the city of Willmar and are not included in computing any debt limitation applicable to the city. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2 expire at the earlier of: (1) 13 years after the taxes are first imposed; or (2) when the city council determines that the city has received $30,000,000 from this tax to fund the projects listed in subdivision 3 plus an amount sufficient to pay interest on and the costs of the issuance of the bonds authorized in subdivision 4. Any funds remaining after payment of the allowed costs due to timing of the termination under Minnesota Statutes, section 297A.99, shall be placed in the city's general fund. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Willmar and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 33. **CITY OF WORTHINGTON; TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the November 6, 2018, general election, the city of Worthington may impose, by ordinance, a sales and use tax of one-half of one percent for the purposes specified in subdivision 3. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration,

collection, and enforcement of the tax authorized under this subdivision. The tax under this subdivision may not be imposed until the city complies with the provisions of section 34.

Subd. 2. **Use of tax revenues.** (a) The revenues derived from the taxes authorized under subdivision 1 must be used by the city of Worthington to pay the costs of collecting and administering the tax and paying for the projects listed in this subdivision, including securing and paying debt service on bonds issued to finance all or part of the following projects:

(1) improvements to the aquatic center;

(2) improvements to the field house;

(3) improvements to the ice arena;

(4) other park and recreation capital projects and improvements;

(5) lake quality improvement; and

(6) improvements to the 10th Street plaza.

(b) The total amount of projects to be funded with the taxes imposed under subdivisions 1 and 2 shall not exceed $25,000,000 plus the costs related to the issuance of and paying debt service on bonds for these projects.

Subd. 3. **Bonding authority.** (a) The city of Worthington may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the projects authorized in subdivision 3. The aggregate principal amount of bonds issued under this subdivision may not exceed $25,000,000 plus an amount applied to the payment of costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Worthington, including the taxes authorized under subdivisions 1 and 2. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not subject to any provisions of the home rule charter of the city of Worthington and are not included in computing any debt limitation applicable to the city. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2 expire at the earlier of: (1) 15 years after the taxes are first imposed; or (2) when the city council determines that the city has received $25,000,000 from this tax to fund the projects listed in subdivision 3 plus an amount sufficient to pay interest on and the costs of the issuance

of the bonds authorized in subdivision 4. Any funds remaining after payment of the allowed costs due to timing of the termination under Minnesota Statutes, section 297A.99, shall be placed in the city's general fund. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Worthington and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 34. **RESOLUTION AND PUBLIC NOTICE OF SPECIFIC PROJECTS TO BE FUNDED WITH A LOCAL SALES TAX.**

(a) A city authorized to impose a local sales tax based on voter approval at the November 2018 general election that is subject to this provision must meet the requirements in this section before imposing the tax. The city must pass a resolution at a regularly scheduled city council meeting outlining each of the specific capital projects that will be funded by the tax and the anticipated amount of the revenues to be raised from the tax that will be used for each project. Within allowed funding areas listed in the authorized uses of the tax revenue, the city must give priority to funding projects of regional significance. For purposes of this section a "specific capital project" means:

(1) a single building or structure including associated infrastructure needed to safely access or use the building or structure;

(2) improvements within a single park or named recreation area;

(3) a contiguous trail;

(4) a contiguous segment of roadway, or two or more contiguous segments of roadway provided that all segments of the roadway are listed, and including city infrastructure beneath the roadway provided the infrastructure is explicitly listed; and

(5) a sanitary sewer, storm sewer, or water project in a contiguous geographic area served by the project that is specifically described in the resolution.

(b) The chief clerical officer of the city must file with the commissioner of revenue (1) an affidavit indicating compliance with this section, and (2) a copy of the resolution, before the tax may be imposed. The resolution must also be published on the city's website in a manner easily accessible to the public either through a link displayed on the city's home page or by publishing it directly on the city's home page. The resolution must remain on the website until the tax terminates. Only projects listed in the resolution may be funded by the local sales tax.

(c) The authority to impose a local sales tax that is subject to this section expires on January 1, 2021, if the city has not met the requirements of this section by the last business day before December 31, 2020.

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

ARTICLE 7
TAX INCREMENT FINANCING

Section 1. Laws 2003, chapter 127, article 10, section 31, subdivision 1, as amended by Laws 2008, chapter 366, article 5, section 21, is amended to read:

Subdivision 1. **District extension.** (a) The governing body of the city of Hopkins may elect to extend the duration of its redevelopment tax increment financing district 2-11 by up to four additional years.

(b) Notwithstanding ~~any law to the contrary~~ Minnesota Statutes, section 469.1763, subdivision 2, effective upon approval of this subdivision, no increments may be spent on activities located outside of the area of the district, other than:

(1) to pay administrative expenses, not to exceed ten percent of the total tax increments from the district; or

(2) to pay the costs of housing or redevelopment activities that are consistent with Minnesota Statutes, section 469.176, subdivision 4j, provided that expenditures under this clause may not exceed 20 percent of the total tax increments from the district.

The total amount of increment that may be spent on activities located outside the area of the district under this section shall be limited to 25 percent.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Hopkins and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 2. Laws 2008, chapter 366, article 5, section 26, as amended by Laws 2013, chapter 143, article 9, section 11, is amended to read:

Sec. 26. **BLOOMINGTON TAX INCREMENT FINANCING; FIVE-YEAR RULE.**

(a) The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, are increased to a ~~15-year~~ 21-year period for the Port

Authority of the City of Bloomington's Tax Increment Financing District No. 1-I, Bloomington Central Station.

(b) Notwithstanding the provisions of Minnesota Statutes, section 469.176, or any other law to the contrary, the city of Bloomington and its port authority may extend the duration limits of the district for a period through December 31, 2039.

(c) Effective for taxes payable in 2014, tax increment for the district must be computed using the current local tax rate, notwithstanding the provisions of Minnesota Statutes, section 469.177, subdivision 1a.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Bloomington and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 3. Laws 2014, chapter 308, article 6, section 8, subdivision 1, as amended by Laws 2017, First Special Session chapter 1, article 6, section 11, is amended to read:

Subdivision 1. **Authority to create districts.** (a) The governing body of the city of Edina or its development authority may establish one or more tax increment financing housing districts in the Southeast Edina Redevelopment Project Area, as the boundaries exist on March 31, 2014.

(b) The authority to request certification of districts under this section expires on December 31, ~~2019~~ 2021.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Edina and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 4. **CITY OF ALEXANDRIA; TIF DISTRICT NO. 50; FIVE-YEAR RULE EXTENSION.**

The requirement of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, is considered to be met for TIF District No. 50, administered by the city of Alexandria, or its economic development authority, if the activities are undertaken prior to July 16, 2023.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Alexandria and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 5. **CITY OF ANOKA; COMMUTER RAIL TRANSIT VILLAGE TIF DISTRICT; FIVE-YEAR RULE EXTENSION.**

The requirement of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, is considered to be met for the Commuter Rail Transit Village tax increment financing district, administered by the city of Anoka, if the activities are undertaken prior to April 7, 2023.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Anoka and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 6. **CITY OF CHAMPLIN; MISSISSIPPI CROSSINGS TIF DISTRICT; FIVE-YEAR RULE EXTENSION; DURATION EXTENSION.**

Subdivision 1. **Five-year rule.** The requirement of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, is extended to a ten-year period for the Mississippi Crossings Tax Increment Financing District administered by the city of Champlin.

Subd. 2. **Duration.** Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, or any other law to the contrary, the city of Champlin may elect to extend the duration of the Mississippi Crossings Tax Increment Financing District by five years.

EFFECTIVE DATE. This section is effective upon compliance by the governing bodies of the city of Champlin, Hennepin County, and Independent School District No. 11 (Anoka-Hennepin), with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2; and 645.021, subdivisions 2 and 3.

Sec. 7. **CITY OF DULUTH; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES AUTHORIZATION.**

Subdivision 1. **Establishment.** The city of Duluth or the Duluth Economic Development Authority may establish, by resolution, one redevelopment tax increment financing district located in the city of Duluth, St. Louis County, Minnesota, within the area bordered on the northeast by Slip 3 and the Pier B Resort property line extended northwest to Interstate 35, on the southeast by the Duluth Harbor, on the southwest by the Compass Minerals property line extended northwest to Interstate 35, and on the northwest by Interstate 35, together

with adjacent roads and rights-of-way; and such property is deemed to meet the requirements of Minnesota Statutes, section 469.174, subdivision 10.

Subd. 2. **Eligible expenditures.** Expenditures incurred in connection with the development of the property described in subdivision 1 are deemed to meet the requirements of Minnesota Statutes, section 469.176, subdivision 4j. Eligible expenditures for any tax increment financing district established in the area described in subdivision 1 include, without limitation, seawalls and pier facings adjacent to the boundaries of such district.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 8. **CITY OF MINNEAPOLIS; UPPER HARBOR TERMINAL REDEVELOPMENT TIF DISTRICT; SPECIAL RULES AUTHORIZATION.**

Subdivision 1. **Qualifying rules.** Notwithstanding Minnesota Statutes, section 469.174, subdivision 10, the governing body of the city of Minneapolis may establish, by resolution, one or more redevelopment tax increment financing districts within that portion of the North Washington Industrial Park Redevelopment Project Area as its boundaries existed on January 1, 2019, located north of Lowry Avenue. In each resolution, the city must find that each parcel in the district was part of property that was formerly used as a municipally owned intermodal barge shipping facility that can no longer be used for such purpose due to the closure of the Upper St. Anthony Falls Lock under the federal Water Resources Reform and Development Act of 2014. Except as provided in this section, the provisions of Minnesota Statutes, sections 469.174 to 469.1794, apply to each district created under this section.

Subd. 2. **Use of increments.** Minnesota Statutes, section 469.176, subdivision 4j, does not apply to any district established under this section.

Subd. 3. **Pooling authority.** Notwithstanding Minnesota Statutes, section 469.1763, subdivision 2, the permitted percentage of increments that may be expended on activities outside the district, but within the project area, is increased to 35 percent for districts established under this section.

Subd. 4. **Five-year rule.** The five-year rule period under Minnesota Statutes, section 469.1763, subdivision 3, is extended to ten years for any district established under this section.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Minneapolis and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 9. **CITY OF ROSEVILLE; HAZARDOUS SUBSTANCE SUBDISTRICT NO. 17A; EXPENDITURE OF TAX INCREMENT.**

Notwithstanding Minnesota Statutes, section 469.1763, or any other law to the contrary, the city of Roseville and the Roseville Economic Development Authority may use any or all increment generated from Hazardous Substance Subdistrict No. 17A for the purpose of financing environmental remediation pursuant to one or more response action plans on the parcels within the subdistrict as originally certified, regardless of the date of approval of the response action plan by the Pollution Control Agency.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Roseville and its chief clerical officer comply with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

ARTICLE 8
PUBLIC FINANCE

Section 1. Minnesota Statutes 2018, section 37.31, subdivision 1, is amended to read:

Subdivision 1. **Bonding authority.** The society may issue negotiable bonds in a principal amount that the society determines necessary to provide sufficient money for achieving its purposes, including the payment of interest on bonds of the society, the establishment of reserves to secure its bonds, the payment of fees to a third party providing credit enhancement, and the payment of all other expenditures of the society incident to and necessary or convenient to carry out its corporate purposes and powers. Bonds of the society may be issued as bonds or notes or in any other form authorized by law. The principal amount of bonds issued and outstanding under this section at any time may not exceed ~~$20,000,000~~ $30,000,000, excluding bonds for which refunding bonds or crossover refunding bonds have been issued.

Sec. 2. Minnesota Statutes 2018, section 103E.611, subdivision 2, is amended to read:

Subd. 2. **Interest.** (a) Interest is an additional drainage lien on all property until paid. The interest rate on the drainage lien principal from the date the drainage lien statement is recorded must be set by the board but may not exceed the rate determined by the state court administrator for judgments under section 549.09, or six percent, whichever is greater.

(b) Before the tax lists for the year are given to the county treasurer, the auditor shall compute the interest on the unpaid balance of the drainage lien at the rate set by the board. The amount of interest must be computed on the entire unpaid principal from the date the drainage lien was recorded to August 15 of the next calendar year, and afterwards from August 15 to August 15 of each year.

(c) Interest is due and payable after November 1 of each year the drainage lien principal or interest is due and unpaid.

Sec. 3. Minnesota Statutes 2018, section 123B.595, subdivision 5, is amended to read:

Subd. 5. **Bond authorization.** (a) A school district may issue general obligation bonds under this section to finance facilities plans approved by its board and the commissioner. Chapter 475, except sections 475.58 and 475.59, must be complied with. The authority to issue bonds under this section is in addition to any bonding authority authorized by this chapter or other law. The amount of bonding authority authorized under this section must be disregarded in calculating the bonding or net debt limits of this chapter, or any other law other than section 475.53, subdivision 4.

(b) At least 20 days before the earliest of ~~solicitation of bids,~~ the issuance of bonds~~,~~ or the final certification of levies under subdivision 6, the district must publish notice of the intended projects, the amount of the bond issue, and the total amount of district indebtedness.

(c) The portion of revenue under this section for bonded debt must be recognized in the debt service fund.

Sec. 4. Minnesota Statutes 2018, section 297A.993, subdivision 1, is amended to read:

Subdivision 1. **Authorization; rates.** Notwithstanding section 297A.99, subdivisions 1, 2, 3, 5, and 13, or 477A.016, or any other law, the board of a county ~~outside the metropolitan transportation area, as defined under section 297A.992, subdivision 1~~, or more than one county ~~outside the metropolitan transportation area~~ acting under a joint powers agreement, may by resolution of the county board, or each of the county boards, following a public hearing impose (1) a transportation sales tax at a rate of up to one-half of one percent on retail sales and uses taxable under this chapter, and (2) an excise tax of $20 per motor vehicle, as defined in section 297B.01, subdivision 11, purchased or acquired from any person engaged in the business of selling motor vehicles at retail, occurring within the jurisdiction of the taxing authority.

Sec. 5. Minnesota Statutes 2018, section 297A.993, subdivision 2, is amended to read:

Subd. 2. **Allocation; termination.** The proceeds of the taxes must be dedicated exclusively to: (1) payment of the capital cost of a specific transportation project or improvement; (2) payment of the costs, which may include both capital and operating costs, of a specific transit project or improvement; (3) payment of the capital costs of a safe routes to school program under section 174.40; or (4) payment of transit operating costs. The transportation or transit project or improvement must be designated by the board of the county, or more than one county acting under a joint powers agreement. Except for taxes for operating costs of a transit project or improvement, or for transit operations, the taxes must terminate when revenues raised are sufficient to finance the project. Nothing in this subdivision prohibits the exclusive dedication of the proceeds of the taxes to payments for more than one project or improvement. After a public hearing a county may, by resolution, dedicate the proceeds of the tax for a new enumerated project.

Sec. 6. Minnesota Statutes 2018, section 297A.993, is amended by adding a subdivision to read:

Subd. 4. **Bonds.** (a) A county may, by resolution, authorize, issue, and sell its bonds, notes, or other obligations for the purposes specified in subdivision 2. The county may also, by resolution, issue bonds to refund the bonds issued pursuant to this subdivision.

(b) The bonds may be limited obligations, payable solely from or secured by taxes levied under this section, and the county may also pledge its full faith, credit, and taxing power as additional security for the bonds. A regional railroad authority within the county may also pledge its taxing powers as additional security for the bonds.

(c) A county may issue and sell bonds in one or more series and without an election. The county may determine how the bonds shall be secured; how the bonds will bear interest, and the rate or rates, or variable rate; the rank or priority; how the bonds will be executed and be payable, and how they will mature; and how the bonds will be subject to any defaults, redemptions, repurchases, tender options, or other terms. The county may also determine how the bonds shall be sold.

(d) The county may enter into and perform all contracts deemed necessary or desirable by it to issue and secure the bonds, including an indenture of trust with a trustee located within or outside of the state.

(e) Before issuing bonds qualifying under this section, the county must publish a notice of its intention to issue the bonds and the date and time of a hearing to obtain public comment

on the matter. The notice must be published in the official newspaper of the county or in a newspaper of general circulation in the county. The notice must be published at least 14, but not more than 28, days before the date of the hearing.

(f) Any project financed with bonds issued under this section must be included in a capital improvement plan as defined in section 373.40, subdivision 3. For purposes of this paragraph, "project" means any project described in subdivision 2, notwithstanding section 373.40, subdivision 1, paragraph (b).

(g) Except as otherwise provided in this subdivision, the bonds must be issued and sold in the manner provided under chapter 475.

Sec. 7. Minnesota Statutes 2018, section 471.831, is amended to read:

471.831 MUNICIPALITY MAY FILE BANKRUPTCY PETITION.

Subdivision 1. **Any relief under bankruptcy code.** A municipality, as defined in subdivision 2, may file a petition and seek any relief available to it under United States Code, title 11, as amended ~~through December 31, 1996~~.

Subd. 2. **Municipality defined.** In this section, "municipality" means a municipality as defined in United States Code, title 11, section 101, as amended ~~through December 31, 1996~~, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under chapter 469, a home rule charter, or special law.

Sec. 8. Minnesota Statutes 2018, section 474A.02, subdivision 22b, is amended to read:

Subd. 22b. **Public facilities project.** "Public facilities project" means any publicly owned facility, or a facility ~~owned by a nonprofit organization~~ that is used for district heating or cooling, whether publicly or privately owned, that is eligible to be financed with the proceeds of public facilities bonds as defined under section 474A.02, subdivision 23a.

Sec. 9. Minnesota Statutes 2018, section 475.521, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** For purposes of this section, the following terms have the meanings given.

(a) "Bonds" mean an obligation defined under section 475.51.

(b) "Capital improvement" means acquisition or betterment of public lands, buildings or other improvements for the purpose of a city hall, town hall, library, public safety facility, and public works facility. An improvement must have an expected useful life of five years

or more to qualify. Capital improvement does not include light rail transit or any activity related to it, or a park, road, bridge, administrative building other than a city or town hall, or land for any of those facilities. For purposes of this section, "capital improvement" includes expenditures for purposes described in this paragraph that have been incurred by a municipality before approval of a capital improvement plan, if such expenditures are included in a capital improvement plan approved on or before the date of the public hearing under subdivision 2 regarding issuance of bonds for such expenditures.

(c) "Municipality" means a home rule charter or statutory city or a town ~~described in section 368.01, subdivision 1 or 1a~~.

Sec. 10. **REPEALER.**

Minnesota Statutes 2018, section 37.31, subdivision 8, is repealed.

Sec. 11. **EFFECTIVE DATE.**

Sections 1 to 10 are effective July 1, 2019.

ARTICLE 9
MINNESOTACARE TAXES

Section 1. Minnesota Statutes 2018, section 295.51, subdivision 1a, is amended to read:

Subd. 1a. **Nexus in Minnesota.** (a) To the extent allowed by the United States Constitution and the laws of the United States, a person who is a wholesale drug distributor ~~has nexus in Minnesota if its contacts with or presence in Minnesota is sufficient to satisfy the requirements of the United States Constitution.~~, a person subject to tax under section 295.52, subdivision 4, or a person who sells or repairs hearing aids and related equipment or prescription eyewear is subject to the taxes imposed by this chapter if the person:

(1) has or maintains within this state, directly or by a subsidiary or an affiliate, an office, place of distribution, sales, storage, or sample room or place, warehouse, or other place of business, including the employment of a resident of this state who works from a home office in this state;

(2) has a representative, including but not limited to an employee, affiliate, agent, salesperson, canvasser, solicitor, independent contractor, or other third party operating in this state under the person's authority or the authority of the person's subsidiary, for any purpose, including the repairing, selling, delivering, installing, facilitating sales, processing sales, or soliciting of orders for the person's goods or services, or the leasing of tangible

personal property located in this state, whether the place of business or the agent, representative, affiliate, salesperson, canvasser, or solicitor is located in the state permanently or temporarily, or whether or not the person, subsidiary, or affiliate is authorized to do business in this state;

(3) owns or leases real property that is located in this state; or

(4) owns or leases tangible personal property that is present in this state, including but not limited to mobile property.

(b) To the extent allowed by the United States Constitution and the laws of the United States, a person who is a wholesale drug distributor, or a person who is subject to tax under section 295.52, subdivision 4, is subject to the taxes imposed by this chapter if the person:

(1) conducts a trade or business not described in paragraph (a) and sells, delivers, or distributes legend drugs from outside this state to a destination within this state by common carrier or otherwise; and

(2) meets one of the following thresholds:

(i) makes 200 or more sales, deliveries, or distributions described in clause (1) during any taxable year;

(ii) the gross revenues of a wholesale drug distributor that sells, delivers, or distributes legend drugs as described in clause (1) totals more than $100,000 during any taxable year; or

(iii) the price paid by a person who is subject to tax under section 295.52, subdivision 4, totals more than $100,000 for legend drugs that the person sells, delivers, or distributes as described in clause (1) during any taxable year.

(c) To the extent allowed by the United States Constitution and the laws of the United States, a person who sells or repairs hearing aids and related equipment or prescription eyewear is subject to the taxes imposed by this chapter if the person:

(1) conducts a trade or business not described in paragraph (a) and:

(i) sells, delivers, or distributes hearing aids and related equipment or prescription eyewear from outside of this state to a destination within this state by common carrier or otherwise; or

(ii) repairs hearing aids and related equipment or prescription eyewear outside of this state and delivers or distributes the hearing aids and related equipment or prescription eyewear to a destination within this state by common carrier or otherwise; and

(2) meets one of the following thresholds:

(i) makes 200 or more sales, deliveries, distributions, or repairs described in clause (1) during any taxable year; or

(ii) the gross revenues of the person who sells, delivers, distributes, or repairs hearing aids and related equipment or prescription eyewear described in clause (1) totals more than $100,000 during any taxable year.

(d) Once a taxpayer has established nexus with Minnesota under paragraph (b) or (c), the taxpayer must continue to file an annual return and remit taxes for subsequent years. A taxpayer who has established nexus under paragraph (b) or (c) is no longer required to file an annual return and remit taxes if the taxpayer:

(1) ceases to engage in the activities or no longer meets any of the applicable thresholds in paragraph (b) or (c) for an entire taxable year; and

(2) notifies the commissioner by March 15 of the following calendar year, in a manner prescribed by the commissioner, that the taxpayer no longer engages in any of the activities or no longer meets any of the applicable thresholds in paragraph (b) or (c).

(e) If, after notifying the commissioner pursuant to paragraph (d), the taxpayer subsequently engages in any of the activities and meets any of the applicable thresholds in paragraph (b) or (c), the taxpayer shall again comply with the applicable requirements of paragraphs (b) to (d).

EFFECTIVE DATE; APPLICATION. (a) This section is effective the day following final enactment.

(b) In enacting this section, the legislature confirms that the United States Supreme Court decision in South Dakota v. Wayfair, Inc. et al., Dkt. No. 17-494 (June 21, 2018); 138 S. Ct. 2080 (2018), applied upon the date of that decision to provide Minnesota with jurisdiction over persons described in Minnesota Statutes, section 295.51, subdivision 1a, paragraphs (b) and (c), for purposes of imposing tax under Minnesota Statutes, chapter 295, to the extent allowed by the United States Constitution and the laws of the United States.

Sec. 2. Minnesota Statutes 2018, section 295.52, subdivision 1, is amended to read:

Subdivision 1. **Hospital tax.** A tax is imposed on each hospital equal to ~~two~~ 1.8 percent of its gross revenues.

EFFECTIVE DATE. This section is effective for gross revenues received after December 31, 2019.

Sec. 3. Minnesota Statutes 2018, section 295.52, subdivision 1a, is amended to read:

Subd. 1a. **Surgical center tax.** A tax is imposed on each surgical center equal to ~~two~~ 1.8 percent of its gross revenues.

EFFECTIVE DATE. This section is effective for gross revenues received after December 31, 2019.

Sec. 4. Minnesota Statutes 2018, section 295.52, subdivision 2, is amended to read:

Subd. 2. **Provider tax.** A tax is imposed on each health care provider equal to ~~two~~ 1.8 percent of its gross revenues.

EFFECTIVE DATE. This section is effective for gross revenues received after December 31, 2019.

Sec. 5. Minnesota Statutes 2018, section 295.52, subdivision 3, is amended to read:

Subd. 3. **Wholesale drug distributor tax.** A tax is imposed on each wholesale drug distributor equal to ~~two~~ 1.8 percent of its gross revenues.

EFFECTIVE DATE. This section is effective for gross revenues received after December 31, 2019.

Sec. 6. Minnesota Statutes 2018, section 295.52, subdivision 4, is amended to read:

Subd. 4. **Use tax; legend drugs.** (a) A person that receives legend drugs for resale or use in Minnesota, other than from a wholesale drug distributor that is subject to tax under subdivision 3, is subject to a tax equal to the price paid for the legend drugs multiplied by ~~the tax percentage specified in this section~~ 1.8 percent. Liability for the tax is incurred when legend drugs are received or delivered in Minnesota by the person.

(b) A tax imposed under this subdivision does not apply to purchases by an individual for personal consumption.

EFFECTIVE DATE. This section is effective for legend drugs received or delivered in Minnesota after December 31, 2019.

Sec. 7. Minnesota Statutes 2018, section 295.52, subdivision 8, is amended to read:

Subd. 8. **Contingent reduction in tax rate.** (a) By December 1 of each year, beginning in 2011, the commissioner of management and budget shall determine the projected balance in the health care access fund for the biennium.

(b) If the commissioner of management and budget determines that the projected balance in the health care access fund for the biennium reflects a ratio of revenues to expenditures and transfers greater than 125 percent, and if the actual cash balance in the fund is adequate, as determined by the commissioner of management and budget, the commissioner, in consultation with the commissioner of revenue, shall reduce the tax rates levied under subdivisions 1, 1a, 2, 3, and 4, for the subsequent calendar year sufficient to reduce the structural balance in the fund. The rate may be reduced to the extent that the projected revenues for the biennium do not exceed 125 percent of expenditures and transfers. The new rate shall be rounded to the nearest one-tenth of one percent. The rate reduction under this paragraph expires at the end of each calendar year and is subject to an annual redetermination by the commissioner of management and budget.

(c) For purposes of the analysis defined in paragraph (b), the commissioner of management and budget shall include projected revenues~~, notwithstanding the repeal of the tax imposed under this section effective January 1, 2020~~.

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

Sec. 8. Minnesota Statutes 2018, section 295.57, subdivision 3, is amended to read:

Subd. 3. **Interest on overpayments.** Interest must be paid on an overpayment refunded or credited to the taxpayer ~~from the date of payment of the tax until the date the refund is paid or credited. For purposes of this subdivision, the date of payment is the due date of the return or the date of actual payment of the tax, whichever is later~~ in the manner provided in section 289A.56, subdivision 2.

EFFECTIVE DATE. This section is effective for overpayments made on or after January 1, 2020.

Sec. 9. Laws 2003, First Special Session chapter 14, article 13C, section 2, subdivision 6, as amended by Laws 2004, chapter 272, article 2, section 4; Laws 2005, First Special Session chapter 4, article 5, section 18; and Laws 2005, First Special Session chapter 4, article 9, section 11, is amended to read:

Subd. 6. **Basic Health Care Grants**

	Summary by Fund	
General	1,290,454,000	1,475,996,000
Health Care Access	254,121,000	282,689,000

UPDATING FEDERAL POVERTY GUIDELINES. Annual updates to the federal poverty guidelines are effective each July 1, following publication by the United States Department of Health and Human Services for health care programs under Minnesota Statutes, chapters 256, 256B, 256D, and 256L.

The amounts that may be spent from this appropriation for each purpose are as follows:

(a) MinnesotaCare Grants

Health Care Access	253,371,000	281,939,000

MINNESOTACARE FEDERAL RECEIPTS. Receipts received as a result of federal participation pertaining to administrative costs of the Minnesota health care reform waiver shall be deposited as nondedicated revenue in the health care access fund. Receipts received as a result of federal participation pertaining to grants shall be deposited in the federal fund and shall offset health care access funds for payments to providers.

MINNESOTACARE FUNDING. The commissioner may expend money appropriated from the health care access fund for MinnesotaCare in either fiscal year of the biennium.

(b) MA Basic Health Care Grants - Families and Children

General	427,769,000	489,545,000

SERVICES TO PREGNANT WOMEN. The commissioner shall use available federal money for the State-Children's Health

Insurance Program for medical assistance services provided to pregnant women who are not otherwise eligible for federal financial participation beginning in fiscal year 2003. This federal money shall be deposited in the federal fund and shall offset general funds for payments to providers. Notwithstanding section 14, this paragraph shall not expire.

MANAGED CARE RATE INCREASE. ~~(a) Effective January 1, 2004, the commissioner of human services shall increase the total payments to managed care plans under Minnesota Statutes, section 256B.69, by an amount equal to the cost increases to the managed care plans from by the elimination of: (1) the exemption from the taxes imposed under Minnesota Statutes, section 297I.05, subdivision 5, for premiums paid by the state for medical assistance, general assistance medical care, and the MinnesotaCare program; and (2) the exemption of gross revenues subject to the taxes imposed under Minnesota Statutes, sections 295.50 to 295.57, for payments paid by the state for services provided under medical assistance, general assistance medical care, and the MinnesotaCare program. Any increase based on clause (2) must be reflected in provider rates paid by the managed care plan unless the managed care plan is a staff model health plan company.~~

~~(b) The commissioner of human services shall increase by the applicable tax rate in effect under Minnesota Statutes, section 295.52, the fee-for-service payments under medical~~

~~assistance, general assistance medical care, and the MinnesotaCare program for services subject to the hospital, surgical center, or health care provider taxes under Minnesota Statutes, sections 295.50 to 295.57, effective for services rendered on or after January 1, 2004.~~

(c) The commissioner of finance shall transfer from the health care access fund to the general fund the following amounts in the fiscal years indicated: 2004, $16,587,000; 2005, $46,322,000; 2006, $49,413,000; and 2007, $58,695,000.

(d) Notwithstanding section 14, these provisions shall not expire.

(c) MA Basic Health Care Grants - Elderly and Disabled

General	610,518,000	743,858,000

DELAY MEDICAL ASSISTANCE FEE-FOR-SERVICE - ACUTE CARE. The following payments in fiscal year 2005 from the Medicaid Management Information System that would otherwise have been made to providers for medical assistance and general assistance medical care services shall be delayed and included in the first payment in fiscal year 2006:

(1) for hospitals, the last two payments; and

(2) for nonhospital providers, the last payment.

This payment delay shall not include payments to skilled nursing facilities, intermediate care facilities for mental retardation, prepaid health plans, home health agencies, personal care

nursing providers, and providers of only waiver services. The provisions of Minnesota Statutes, section 16A.124, shall not apply to these delayed payments. Notwithstanding section 14, this provision shall not expire.

DEAF AND HARD-OF-HEARING SERVICES. If, after making reasonable efforts, the service provider for mental health services to persons who are deaf or hearing impaired is not able to earn $227,000 through participation in medical assistance intensive rehabilitation services in fiscal year 2005, the commissioner shall transfer $227,000 minus medical assistance earnings achieved by the grantee to deaf and hard-of-hearing grants to enable the provider to continue providing services to eligible persons.

(d) General Assistance Medical Care Grants

General	239,861,000	229,960,000

(e) Health Care Grants - Other Assistance

General	3,067,000	3,407,000
Health Care Access	750,000	750,000

MINNESOTA PRESCRIPTION DRUG DEDICATED FUND. Of the general fund appropriation, $284,000 in fiscal year 2005 is appropriated to the commissioner for the prescription drug dedicated fund established under the prescription drug discount program.

DENTAL ACCESS GRANTS CARRYOVER AUTHORITY. Any unspent portion of the appropriation from the health care access fund in fiscal years 2002 and 2003 for dental access grants under Minnesota Statutes, section 256B.53, shall not cancel but

shall be allowed to carry forward to be spent in the biennium beginning July 1, 2003, for these purposes.

STOP-LOSS FUND ACCOUNT. The appropriation to the purchasing alliance stop-loss fund account established under Minnesota Statutes, section 256.956, subdivision 2, for fiscal years 2004 and 2005 shall only be available for claim reimbursements for qualifying enrollees who are members of purchasing alliances that meet the requirements described under Minnesota Statutes, section 256.956, subdivision 1, paragraph (f), clauses (1), (2), and (3).

(f) Prescription Drug Program

General	9,239,000	9,226,000

PRESCRIPTION DRUG ASSISTANCE PROGRAM. Of the general fund appropriation, $702,000 in fiscal year 2004 and $887,000 in fiscal year 2005 are for the commissioner to establish and administer the prescription drug assistance program through the Minnesota board on aging.

REBATE REVENUE RECAPTURE. Any funds received by the state from a drug manufacturer due to errors in the pharmaceutical pricing used by the manufacturer in determining the prescription drug rebate are appropriated to the commissioner to augment funding of the prescription drug program established in Minnesota Statutes, section 256.955.

Sec. 10. **REPEALER.**

Laws 2011, First Special Session chapter 9, article 6, section 97, subdivision 6, is repealed effective the day following final enactment.

ARTICLE 10
DULUTH REGIONAL EXCHANGE DISTRICT

Section 1. **[16A.968] DULUTH REGIONAL EXCHANGE DISTRICT APPROPRIATION BONDS.**

Subdivision 1. **Definitions.** (a) The definitions in this subdivision and in section 469.50 apply to this section.

(b) "Appropriation bond" or "bond" means a bond, note, or other similar instrument of the state payable during a biennium from one or more of the following sources:

(1) money appropriated by law from the general fund in any biennium for debt service due with respect to obligations described in subdivision 3;

(2) proceeds of the sale of obligations described in subdivision 3;

(3) payments received for that purpose under agreements and ancillary arrangements described in subdivision 2, paragraph (d); and

(4) investment earnings on amounts in clauses (1) to (3).

(c) "Debt service" means the amount payable in any biennium of principal, premium, if any, and interest on appropriation bonds, and the fees, charges, and expenses related to the bonds.

Subd. 2. **Authorization to issue appropriation bonds.** (a) Subject to the limitations of this subdivision, and upon request by the governing body of the city of Duluth as provided in section 469.54, subdivision 3, paragraph (f), the commissioner may sell and issue appropriation bonds of the state under this section for public purposes as provided by law.

(b) Proceeds of the appropriation bonds must be credited to a special appropriation Duluth regional exchange district bond proceeds fund in the state treasury. All income from investment of the bond proceeds, as estimated by the commissioner, is appropriated to the commissioner for the payment of principal and interest on the appropriation bonds.

(c) Appropriation bonds may be issued in one or more issues or series on the terms and conditions the commissioner determines to be in the best interests of the state, but the term on any series of appropriation bonds may not exceed 25 years. The appropriation bonds of

each issue and series thereof shall be dated and bear interest and may be includable in or excludable from the gross income of the owners for federal income tax purposes.

(d) At the time of or in anticipation of issuing the appropriation bonds, and at any time thereafter, so long as the appropriation bonds are outstanding, the commissioner may enter into agreements and ancillary arrangements relating to the appropriation bonds, including but not limited to trust indentures, grant agreements, lease or use agreements, operating agreements, management agreements, liquidity facilities, remarketing or dealer agreements, letter of credit agreements, insurance policies, guaranty agreements, reimbursement agreements, indexing agreements, or interest exchange agreements. Any payments made or received according to the agreement or ancillary arrangement shall be made from or deposited as provided in the agreement or ancillary arrangement. The determination of the commissioner included in an interest exchange agreement that the agreement relates to an appropriation bond shall be conclusive.

(e) The commissioner may enter into written agreements or contracts relating to the continuing disclosure of information necessary to comply with or facilitate the issuance of appropriation bonds in accordance with federal securities laws, rules, and regulations, including Securities and Exchange Commission rules and regulations in Code of Federal Regulations, title 17, section 240.15c2-12. An agreement may be in the form of covenants with purchasers and holders of appropriation bonds set forth in the order or resolution authorizing the issuance of the appropriation bonds or a separate document authorized by the order or resolution.

(f) The appropriation bonds are not subject to chapter 16C.

Subd. 3. **Appropriation bonds authorization.** (a) Appropriation bonds may be sold and issued in amounts that, in the opinion of the commissioner, are necessary to provide sufficient funds to the commissioner of employment and economic development under subdivision 8, not to exceed $97,720,000 net of costs of issuance, for the purposes as provided under this subdivision, and pay debt service including capitalized interest, costs of issuance, costs of credit enhancement, or make payments under other agreements entered into under subdivision 2, paragraph (d).

(b) The bonds authorized by this subdivision are for the purposes of financing public infrastructure projects authorized and approved by the city of Duluth under sections 469.50 to 469.54. No bonds shall be sold under this subdivision until: (1) there has been a request pursuant to subdivision 2, paragraph (a); and (2) for any parking structure the requirements in section 469.54, subdivisions 2 and 3, paragraph (a), have been met. Upon certification

of the required qualified expenditures under section 469.54, subdivision 3, paragraph (a), by a medical business entity, bonds may be sold for a parking structure or structures benefiting that medical business entity, notwithstanding the status of certified qualified expenditures for another medical business entity.

Subd. 4. **Form; procedure.** (a) Appropriation bonds may be issued in the form of bonds, notes, or other similar instruments and in the manner provided in section 16A.672. In the event that any provision of section 16A.672 conflicts with this section, this section shall control.

(b) Every appropriation bond shall include a conspicuous statement of the limitation established in subdivision 7.

(c) Appropriation bonds may be sold at either public or private sale upon terms as the commissioner shall determine are not inconsistent with this section and may be sold at any price or percentage of par value. Any bid received may be rejected.

(d) Appropriation bonds must bear interest at a fixed or variable rate.

(e) Notwithstanding any other law, appropriation bonds issued under this section shall be fully negotiable.

Subd. 5. **Refunding bonds.** The commissioner may issue appropriation bonds for the purpose of refunding any appropriation bonds then outstanding, including the payment of any redemption premiums on the bonds, any interest accrued or to accrue to the redemption date, and costs related to the issuance and sale of the refunding bonds. The proceeds of any refunding bonds may, in the discretion of the commissioner, be applied to the purchase or payment at maturity of the appropriation bonds to be refunded, to the redemption of the outstanding appropriation bonds on any redemption date, or to pay interest on the refunding bonds and may, pending application, be placed in escrow to be applied to the purchase, payment, retirement, or redemption. Any escrowed proceeds pending use may be invested and reinvested in obligations that are authorized investments under section 11A.24. The income earned or realized on the investment may also be applied to the payment of the appropriation bonds to be refunded or interest or premiums on the refunded appropriation bonds, or to pay interest on the refunding bonds. After the terms of the escrow have been fully satisfied, any balance of the proceeds and any investment income may be returned to the general fund or, if applicable, the special appropriation Duluth regional exchange district bond proceeds fund for use in any lawful manner. All refunding bonds issued under this subdivision must be prepared, executed, delivered, and secured by appropriations in the same manner as the appropriation bonds to be refunded.

Subd. 6. **Appropriation bonds as legal investments.** Any of the following entities may legally invest any sinking funds, money, or other funds belonging to them or under their control in any appropriation bonds issued under this section:

(1) the state, the investment board, public officers, municipal corporations, political subdivisions, and public bodies;

(2) banks and bankers, savings and loan associations, credit unions, trust companies, savings banks and institutions, investment companies, insurance companies, insurance associations, and other persons carrying on a banking or insurance business; and

(3) personal representatives, guardians, trustees, and other fiduciaries.

Subd. 7. **No full faith and credit; state not required to make appropriations.** The appropriation bonds are not public debt of the state, and the full faith, credit, and taxing powers of the state are not pledged to the payment of the appropriation bonds or to any payment that the state agrees to make under this section. Appropriation bonds shall not be obligations paid directly, in whole or in part, from a tax of statewide application on any class of property, income, transaction, or privilege. Appropriation bonds shall be payable in each fiscal year only from amounts that the legislature may appropriate for debt service for any fiscal year, provided that nothing in this section shall be construed to require the state to appropriate money sufficient to make debt service payments with respect to the appropriation bonds in any fiscal year. Appropriation bonds shall be canceled and shall no longer be outstanding on the earlier of (1) the first day of a fiscal year for which the legislature shall not have appropriated amounts sufficient for debt service, or (2) the date of final payment of the principal of and interest on the appropriation bonds.

Subd. 8. **Appropriation of proceeds.** The proceeds of appropriation bonds issued under subdivision 3 and interest credited to the special appropriation Duluth regional exchange district bond proceeds fund are appropriated as follows:

(1) to the commissioner of employment and economic development for a grant or grants to the city of Duluth for public infrastructure projects as specified in subdivision 3, upon other terms and conditions that the commissioner of employment and economic development in the commissioner's sole discretion determines are warranted, with the agreement being exempt from sections 16B.97 to 16B.991; and

(2) to the commissioner for accrued and capitalized interest, nonsalary costs of issuance of the bonds, costs of credit enhancement of the bonds, and payments under any agreements entered into under subdivision 2, paragraph (d), each as permitted by state and federal law.

Subd. 9. **Appropriation for debt service and other purposes.** An amount up to $8,100,000 needed to pay principal and interest on appropriation bonds issued under subdivision 3 is appropriated each fiscal year from the general fund to the commissioner, subject to the city of Duluth's entitlement to receive appropriation support payments under section 469.54, subdivision 3, and further subject to repeal, unallotment under section 16A.152, or cancellation, otherwise as provided in subdivision 7, for deposit into the bond payments account established for this purpose in the special Duluth regional exchange district bond proceeds fund. The appropriation is available beginning in fiscal year 2022 and through fiscal year 2055.

Subd. 10. **Waiver of immunity.** The waiver of immunity by the state provided for by section 3.751, subdivision 1, shall be applicable to the appropriation bonds and any ancillary contracts to which the commissioner is a party.

Sec. 2. **[469.50] DEFINITIONS.**

Subdivision 1. **Application.** For the purposes of sections 469.50 to 469.54, the terms defined in this section have the meanings given them.

Subd. 2. **City.** "City" means the city of Duluth.

Subd. 3. **Commissioner.** "Commissioner" means the commissioner of employment and economic development.

Subd. 4. **County.** "County" means St. Louis County.

Subd. 5. **District.** "District" means the regional exchange district established under section 469.51.

Subd. 6. **Medical business entity west.** "Medical business entity west" means a nonprofit integrated health system with two hospitals located within the district.

Subd. 7. **Medical business entity east.** "Medical business entity east" means a nonprofit health system operating one hospital within the district.

Subd. 8. **Public infrastructure project.** (a) "Public infrastructure project" means a project identified in section 469.53.

(b) A public infrastructure project is not a business subsidy under section 116J.993.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Duluth and its chief clerical clerk officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 3. **[469.51] REGIONAL EXCHANGE DISTRICT.**

Subdivision 1. **Establishment.** There is established in the city a regional exchange district. The regional exchange district is bounded by: East 6th Street from North 3rd Avenue East to North 7th Avenue East; North 7th Avenue East from East 6th Street to East 3rd Street; East 3rd Street from North 7th Avenue East to North 12th Avenue East; North 12th Avenue East from East 3rd Street straight through the Duluth Rose Garden to the Lake Superior waterfront; the Lake Superior waterfront from the Duluth Rose Garden at North 12th Avenue East to Lake Place Park at North 3rd Avenue East; North 3rd Avenue East from Lake Place Park at the Lake Superior waterfront to East 6th Street, excluding any property operated as a hotel on the corner of Superior Street and North 3rd Avenue East.

Subd. 2. **Purpose; findings.** The public purposes of the district are to facilitate:

(1) repurposing vacant or underutilized private land, or unutilized property interests such as air rights, for development or redevelopment and to incent significant private investment;

(2) redeveloping vacant or underutilized private land to increase its tax-generating and job-creating potential or to provide housing or meet community needs; and

(3) development by the anchoring institutions in the community, such as health care organizations and institutions of higher education, to create opportunities to improve the economy of the city and greater Minnesota regions and attract and retain workforce.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Duluth and its chief clerical clerk officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 4. **[469.52] CITY POWERS; DUTIES.**

Subdivision 1. **Port authority powers.** The city may exercise the powers of a port authority under sections 469.048 to 469.068 for purposes of implementing sections 469.50 to 469.54.

Subd. 2. **Steel products.** The city must require that a public infrastructure project use steel products made from iron ore mined from the taconite assistance area as defined in section 273.1341 to the extent practicable. In determining whether it is practicable, the city may consider the exceptions to the requirement by Public Law 111-5, section 1605.

Subd. 3. **City contracts; construction requirements.** For all public infrastructure projects, the city must make reasonable efforts to hire and cause the construction manager and any subcontractors to employ women and members of minority communities. Goals

for construction contracts must be established in the manner required under the city's disadvantaged business enterprises plan.

Subd. 4. **Public bidding exemption.** Notwithstanding section 469.068 or any other law to the contrary, the city need not require competitive bidding with respect to a parking facility or other public improvements constructed in conjunction with, and directly above or below, or adjacent and integrally related to, a private development within a district.

Subd. 5. **Parking structure revenue.** Parking facilities or structures constructed must charge market rate parking fees, except for use separately negotiated between the city and a church whose parking facility is removed to accommodate construction of a parking ramp.

Subd. 6. **City utility fund contribution.** The city must use the city utility fund to finance improvements made within the district for sanitary sewer, storm sewer, and water systems and other related utility improvements. The improvements must be approved by the city. The total expenditures required under this subdivision and under Laws 1980, chapter 511, section 1, subdivision 1, paragraph (d), must equal at least $10,000,000.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Duluth and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 5. **[469.53] REGIONAL EXCHANGE DISTRICT PUBLIC INFRASTRUCTURE PROJECTS.**

(a) The following projects shall be eligible for state appropriation support payments upon approval by the Duluth City Council. Costs may be reimbursed for eligible projects that begin construction prior to September 30, 2020, but in no case may the total state payment per project exceed the amount established in this section. Eligible projects include:

(1) two levels of expansion to an existing medical district parking ramp and skywalk replacement in an amount not to exceed $13,010,000, including any land acquisition;

(2) a ramp with up to 1,400 new parking stalls and a skywalk to serve medical entity west in an amount not to exceed $36,400,000, including any land acquisition;

(3) extension of 6th Avenue East from 2nd Street to 1st Street in an amount not to exceed $5,900,000, including any land acquisition;

(4) demolition of existing hospital structure for site reuse, to accomplish the purposes in section 469.51, subdivision 2, in an amount not to exceed $10,000,000;

(5) roadway, utility, and site improvements and capacity upgrades to support medical entity west hospital construction in an amount not to exceed $11,410,000;

(6) district energy connections, capacity enhancement, and a pressure pump station in an amount not to exceed $7,000,000; and

(7) a ramp with up to 400 new parking stall to serve medical entity east in an amount not to exceed $14,000,000.

(b) For any public infrastructure project that will not be let by the city for which state support is sought, the project must proceed and comply with any state and local contracting requirements otherwise applicable to the city had the city let the project. The city shall have the right to inspect, upon reasonable notice, the construction contracts and related documentation for any public infrastructure project for which state support is sought.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Duluth and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 6. **[469.54] STATE VALUE CAPTURE.**

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

(b) "Appropriation support payments" means payment from the state to the city pursuant to subdivision 3.

(c) "Construction projects" means expenditures for the constructing, furnishing, commissioning, and equipping of buildings, ancillary facilities, utilities, parking, and other improvements that are located within the district.

(d) "Expenditures" means expenditures made by a private entity on construction projects, including, but not limited to:

(1) planning, predesign, and design, including architectural, engineering, project management, and similar services;

(2) legal, regulatory, and other compliance costs of the project;

(3) land acquisition, demolition of existing improvements, and other site preparation costs;

(4) construction costs, including all materials and supplies of the project; and

(5) equipment, furnishings, and fixtures.

Expenditures excludes supplies and other items with a useful life of less than a year that are not used or consumed in constructing improvements to real property or are otherwise chargeable to capital costs.

(e) "Qualified expenditures" means the total expenditures under paragraph (d) since January 1, 2019, and certified under subdivision 2, and excludes any expenditures for which reimbursement is or will be sought under section 469.53.

Subd. 2. **Certification of expenditures.** By May 1 of any year, the city must certify to the commissioner the amount of qualified expenditures, required under subdivision 3, paragraph (a). The certification must be made in the form that the commissioner prescribes and include any documentation of and supporting information regarding the qualified expenditures that the commissioner requires. By September 1 of the year in which a certification was submitted, the commissioner must confirm or revise the amount of the qualified expenditures.

Subd. 3. **Appropriation support payments.** (a) Public financing for the construction of a parking structure for a medical business entity is not available until the commissioner determines that the medical business entity that would benefit from the parking structure to be financed has made at least $50,000,000 in qualified expenditures. The requirements of this paragraph apply to each medical entity individually. Upon certification of the required amount by either medical business entity, public financing for the construction of parking structures benefiting that entity is available.

(b) No appropriation support payments shall be paid before July 1, 2021. The maximum appropriation support payment paid in fiscal year 2022 is $3,660,000. The maximum appropriation support payment in any subsequent fiscal year is limited to no more than $8,100,000, each subject to paragraph (e). The total amount of appropriation support payments made under this subdivision is limited to an amount sufficient to finance $97,720,000 of public infrastructure projects.

(c) The city must use the appropriation support payments it receives under this subdivision for public infrastructure projects, including the cost to finance such projects. The city must maintain appropriate records to document the use of the funds under this requirement.

(d) The commissioner must pay to the city the amount of appropriation support payments determined under this section for the year by September 1.

(e) In lieu of directly receiving the appropriation support payments, the city may elect to have the state issue appropriation bonds as provided in section 16A.968 to finance up to $97,720,000 of public infrastructure projects. In the event the state issues appropriation

bonds for these purposes, the amount of appropriation support payments in any year is reduced by an amount equal to the amount needed from the general fund under section 16A.968, subdivision 8.

Subd. 4. **Credit for parking revenue.** (a) By March 1 of the year following the year in which the parking facilities or structures are constructed within the district, the city must certify to the commissioner:

(1) the total amount of revenue generated by the parking facilities and structures in the preceding year; and

(2) the total amount necessary for operational and maintenance expenses of the facilities or structures in the current year.

(b) By July 1 of each year thereafter, for a period of 25 years, the commissioner must confirm or revise the amounts as reported. An amount equal to 50 percent of the amount of revenue received by the city by the parking structures and facilities in the previous year that is greater than the amount necessary for operational and maintenance expenses of the facilities or structures in the current year must be paid by the city to the commissioner of employment and economic development by September 1 for deposit into the general fund.

Subd. 5. **Prevailing wage requirement.** During the construction, installation, remodeling, and repairs of any public infrastructure project funded by appropriation support payments, laborers and mechanics at the site must be paid the prevailing wage rate as defined in section 177.42, subdivision 6, and the public infrastructure project is subject to the requirements of sections 177.30 and 177.41 to 177.44.

Subd. 6. **Termination.** No aid may be paid under this section after fiscal year 2055.

Subd. 7. **Appropriation.** An amount sufficient to pay the appropriation support payments authorized under this section to the city is appropriated to the commissioner from the general fund.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Duluth and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 7. Laws 1980, chapter 511, section 1, subdivision 1, is amended to read:

Section 1. **CITY OF DULUTH; SALES AND USE TAX.** Subdivision 1. (a) Minnesota Statutes, Section ~~477A.01, Subdivision 18~~ 477A.016, shall not be deemed to prohibit the city of Duluth from amending its sales and use tax ordinances so as to impose a sales ~~or~~

and use tax at the rate of one percent upon any or all sales or uses which are taxed by the state of Minnesota pursuant to Minnesota Statutes, Chapter 297A ~~or 297B~~.

(b) Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, pursuant to the approval of the voters at the election on November 7, 2017, the city of Duluth may impose by ordinance an additional sales and use tax of one-half of one percent for the purposes specified in paragraphs (c) and (d). The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the taxes authorized under this paragraph. The tax may not be imposed until the city complies with the provisions of article 6, section 34.

(c) Revenues received from the tax authorized by paragraph (b) must be used to pay all or part of the capital and administrative costs of street, curb, gutter, sidewalk, and bridge improvements, including related lighting and signals in the city of Duluth as outlined in the Duluth Street Improvement program 2017 as designated August 8, 2017.

(d) Revenues from the tax authorized by paragraph (b) must be used to pay all or part of the improvements listed in paragraph (c) that are located within the district established under Minnesota Statutes, section 469.51. The total expenditures required under this paragraph and under Minnesota Statutes, section 469.52, subdivision 6, must equal at least $10,000,000. The allocation required under this paragraph expires ten years after the date of initial imposition of the tax.

(e) The city of Duluth, pursuant to the approval of the voters at the November 7, 2017, referendum authorizing the imposition of the taxes in this section, may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects described in paragraphs (c) and (d), until the tax terminates as provided in paragraph (f). A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(f) The tax authorized under paragraph (b) terminates at the earlier of: (1) 25 years after the date of initial imposition of the tax; or (2) when the city council determines that sufficient funds have been raised from the tax to finance the capital and administrative costs of the improvements described in paragraphs (c) and (d), plus the additional amount needed to pay the costs related to issuance of bonds under paragraph (e), including interest bonds. Any funds remaining after completion of the projects specified in paragraphs (c) and (d) and retirement or redemption of bonds in paragraph (e) shall be placed in the general fund of the city. The tax imposed under paragraph (b) may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Duluth and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

ARTICLE 11
MISCELLANEOUS

Section 1. **[270B.162] DISCLOSURE; MINIMUM WAGE STUDY.**

(a) The commissioner may disclose return information to the Federal Reserve Bank of Minneapolis to be used only for the purpose of conducting and publishing economic research studies regarding the impact of minimum wage ordinances adopted by Minneapolis, St. Paul, and other Minnesota cities.

(b) For purposes of this section, the scope of the return information disclosed is limited to return information for returns filed under chapter 290 and does not include a name, address, Social Security number, taxpayer identification number, or a federal employer identification number.

(c) The commissioner may enter into a data-sharing agreement only if the agreement includes the following:

(1) the rationale, purpose, and legal authority for the data sharing;

(2) a description of the data that may be shared;

(3) procedures governing the use of the data;

(4) procedures for transmitting the data;

(5) procedures for ensuring the security of the data, including protecting the data from unauthorized access or use;

(6) prohibitions on duplication and redisclosure of the data;

(7) a requirement that access to the data be limited to persons whose work assignment requires access to the data;

(8) a requirement that published studies must not include the identity of a taxpayer or any data where the identity of a taxpayer could be associated with any of the data derived from the taxpayer's return;

(9) procedures for retention and destruction of data shared and created, including requirements that all data must be destroyed following the final publication of any research

studies and that the Federal Reserve Bank of Minneapolis must provide the commissioner with a certificate of destruction;

(10) a requirement that the Federal Reserve Bank of Minneapolis maintain a data audit trail that records all instances of access and all actions in which data are entered, updated, or disseminated and identify all persons with access to the data; and

(11) procedures for arranging and providing for an independent annual audit to verify the Federal Reserve Bank of Minneapolis's compliance with the data-sharing agreement, including a requirement that the results of each independent annual audit be submitted to the chairs and ranking minority members of the legislative committees with jurisdiction over jobs, civil law, and data practices by June 30 each year.

(d) The results of an audit are public to the extent the data are not otherwise classified by law.

(e) The commissioner's authority to disclose return information under this section expires on December 31, 2033.

EFFECTIVE DATE. This section is effective the day following final enactment, except that the first independent annual audit report, as specified in paragraph (c), clause (11), is not due until June 30, 2020.

Sec. 2. Minnesota Statutes 2018, section 270C.57, is amended to read:

270C.57 SUCCESSOR LIABILITY OF BUSINESSES.

Subdivision 1. **Definitions.** (a) The following terms used in this section have the following meanings.

(b) "Successor" means a person who directly or indirectly purchases, acquires, is gifted, or succeeds to the business or stock of goods of any person quitting, selling, or otherwise disposing of a business or stock of goods. Successor does not include a personal representative or beneficiary of an estate, a trustee in bankruptcy, a debtor in possession, a receiver, a secured party, a mortgagee, an assignee of rents, or any other lienholder.

(c) "Person" means an individual, partnership, corporation, sole proprietorship, joint venture, limited liability company, or any other type of business entity or association.

(d) "Withhold" means setting aside money or dealing with the payment of consideration in a manner that denies a transferring business the benefit of the transfer in an amount equal to the ~~sales and withholding~~ tax liability of the transferring business.

(e) "Purchase price" means the consideration paid or to be paid for the transfer by the successor to the transferring business, and includes amounts paid for tangible property or intangibles such as leases, licenses, or goodwill. Purchase price also includes debts assumed or forgiven by the successor, or real or personal property conveyed or to be conveyed by the successor to the transferring business.

(f) "Arm's-length transaction" means a transfer for adequate consideration between independent parties both acting in their own best interests. If the parties are related to each other, a rebuttable presumption arises that the transaction is not at arm's length.

(g) "Transfer" means every mode, direct or indirect, absolute or conditional, voluntary or involuntary, of disposing of or parting with a business or an interest in a business, or a stock of goods, whether by gift or for consideration. Transfer includes a change in the type of business entity or the name of the business, where one business is discontinued and a new one started. Transfer also includes the acquisition by a new corporation of the assets of a prior business in exchange for the stock of the new corporation. Transfer does not include an assignment for the benefit of creditors, foreclosure or enforcement of a mortgage, assignment of rents, security interest or lien, sale or disposition in a bankruptcy proceeding, or sale or disposition by a receiver.

(h) "Transfer in bulk" means a transfer, other than in the ordinary course of the transferor's trade or business, of more than one-half of all the property of a business at all locations combined, as measured by the value of the property at the time of the transfer.

(i) For purposes of this section, "tax" means sales, withholding, and any tax imposed by chapter 296A.

Subd. 2. **Bulk transfers; liability of successor; lien.** (a) Whenever a business transfers in bulk to a successor the business assets, and an enforceable lien for unpaid ~~sales and withholding~~ taxes has been filed against the business by the commissioner under section 270C.63, at least 20 days before taking possession of the assets or paying the purchase price, the successor shall notify the commissioner of the transfer and the terms and conditions related to it. The notice must include the tax identification number of the transferring business. If an agreement to transfer has been entered into, this notice requirement only applies: (1) if a lien described under this paragraph has been filed prior to the date of the agreement; or (2) if the date of the transfer is more than 30 days after the date of the agreement, and a lien described under this paragraph is filed at least 30 days prior to the date of transfer.

(b) If the successor fails to give the notice required in paragraph (a), the successor is liable for any unpaid ~~sales and withholding~~ taxes, interest, and penalties due from the transferring business to the extent of the purchase price. If the successor provides the notice required in paragraph (a) and, within 20 days after receipt of the notice, the commissioner notifies the successor that tax liabilities exist in addition to those included on the lien or there are ~~sales and withholding~~ tax returns due but not filed, the successor is, in addition to being liable for the amounts included on the lien, liable for all other uncontested ~~sales and withholding~~ taxes, interest, and penalties as stated in the commissioner's notice from the transferring business to the extent of the purchase price if the successor pays the purchase price or takes possession of the assets without withholding and remitting the liability to the commissioner. The successor is liable whether the purchase price is paid or the assets are transferred prior to or after notification from the commissioner. The commissioner may also notify the successor that there are ~~no sales or withholding~~ tax liabilities or tax returns due from the transferring business other than the liabilities included on the lien, and of the current balance due to satisfy the lien.

(c) If, based upon the information available, the commissioner determines that a transfer was not at arm's length or was a gift, the successor's liability under this section equals the value of the assets transferred. For purposes of imposing the liability, the value of the property transferred is presumed, subject to rebuttal, to equal the unpaid ~~sales and withholding~~ taxes, interest, and penalties of the transferring business.

(d) In the case of a gift resulting in successor liability under this section, return of the gifted property by the donee to the donor releases the donee's successor liability.

(e) A successor who complies with the requirements of paragraphs (a) and (b) is not liable for any assessments of ~~sales and withholding~~ taxes of the transferring business made after the commissioner provides notice to the successor under paragraph (b), except for taxes assessed on returns filed to comply with the notice. If the commissioner fails to provide the notice and the 20-day period expires, the successor is not liable for any ~~sales and withholding~~ taxes of the transferring business other than those included on the lien.

Subd. 3. **Assessment; abatement; review.** The commissioner may assess liability against a successor business under this section within the time prescribed for collecting the underlying ~~sales and withholding~~ taxes, interest, and penalties. The assessment is presumed to be valid, and the burden is upon the successor to show it is incorrect or invalid. An order assessing successor liability is reviewable administratively under section 270C.35 and is appealable to Tax Court under chapter 271. The commissioner may abate an assessment if the successor's failure to give the notice required under this section is due to reasonable

cause. The procedural and appeal provisions under section 270C.34 apply to abatement requests under this subdivision. Collection remedies available against the transferring business are available against the successor from the date of assessment of successor liability.

Subd. 4. **Disclosure.** Notification by the commissioner to the successor under subdivision 2, paragraph (b), that the transferring business owes ~~sales and withholding~~ taxes, interest, and penalties or has returns that are due, or that there are no outstanding liabilities or returns other than the liabilities included on the lien, or of the current balance due to satisfy the lien, is not a disclosure violation under chapter 270B.

EFFECTIVE DATE. This section is effective for all transfers in bulk that take place after July 31, 2019.

Sec. 3. Minnesota Statutes 2018, section 296A.03, subdivision 2, is amended to read:

Subd. 2. **Qualifications.** (a) A distributor's license shall be issued to any responsible person who applies and qualifies as a distributor.

(b) Upon application to the commissioner, the commissioner must issue a distributor's license to any person who:

(1) receives petroleum products in this state for bulk storage and subsequent distribution by tank truck;

(2) produces, manufactures, or refines petroleum products in this state;

~~(3) holds an unrevoked license as a distributor as of July 1, 1994;~~

~~(4)~~ (3) imports petroleum products into this state via boat, barge, or pipeline for storage and subsequent delivery at or further transportation from boat, barge, or pipeline terminals in this state; or

~~(5)~~ (4) holds a license and performs a function under the motor fuel tax law of an adjoining state equivalent to that of a distributor under this chapter, who desires to ship or deliver petroleum products from that state to persons in this state not licensed as distributors in this state and who agrees to assume with respect to all petroleum products so shipped or delivered the liabilities of a distributor receiving petroleum products in this state; provided, however, that any such license shall be issued only for the purpose of permitting such person to receive in this state the petroleum products so shipped or delivered. Except as herein provided, all persons licensed as distributors under this clause shall have the same rights and privileges and be subject to the same duties, requirements, and penalties as other licensed distributors.

(c) The commissioner shall not issue or renew a license to a person otherwise eligible under this subdivision if the person:

(1) has unpaid tax due under this chapter;

(2) has unfiled tax returns or reports due under this chapter;

(3) has had a license issued pursuant to chapter 296A revoked within the last five years; or

(4) has had an equivalent license issued by another state or Canadian province revoked within the last five years for failure to pay a tax or file a tax return or report.

EFFECTIVE DATE. This section is effective for all licenses with an effective date after June 30, 2019.

Sec. 4. Minnesota Statutes 2018, section 296A.04, is amended by adding a subdivision to read:

Subd. 1a. **Issuance and renewal of license.** The provisions of section 296A.03, subdivision 2, paragraph (c), apply to special fuel dealers.

EFFECTIVE DATE. This section is effective for all licenses with an effective date after June 30, 2019.

Sec. 5. Minnesota Statutes 2018, section 296A.05, is amended by adding a subdivision to read:

Subd. 1a. **Issuance and renewal of license.** The provisions of section 296A.03, subdivision 2, paragraph (c), apply to bulk purchasers.

EFFECTIVE DATE. This section is effective for all licenses with an effective date after June 30, 2019.

Sec. 6. Minnesota Statutes 2018, section 296A.06, is amended to read:

296A.06 REVOCATION OF LICENSE, PERMIT, OR CERTIFICATE; SUSPENSION OF LICENSE.

Subd. 1. **Revocation of license, permit, or certificate.** If any person fails to comply with this chapter or the rules adopted under this chapter, without reasonable cause, the commissioner may give the person 30 days' notice in writing, specifying the violations, and stating that based upon such violations the commissioner intends to revoke the person's license, permit, or certificate. The notice shall also advise the person of the person's right

to contest the revocation under this section and the general procedures for a contested case hearing under chapter 14. The notice may be served personally or by mail in the manner prescribed for service of an order of assessment. A license, permit, or certificate is revoked when the commissioner serves a notice of revocation upon the person after 30 days have passed following the date of the notice of intent to revoke without the person requesting a hearing. If a hearing is timely requested and held, the license, permit, or certificate is revoked after the commissioner serves an order of revocation under section 14.62, subdivision 1.

Subd. 2. **Suspension of license.** (a) Notwithstanding subdivision 1, the license of a distributor, fuel dealer, or bulk purchaser that has not filed a tax return or report or paid a delinquent tax or fee within five days after notice and demand by the commissioner is suspended. The suspension remains in effect until the demanded tax return or report has been filed and the tax and fees shown on that return or report have been paid. If the commissioner determines that the failure to file or failure to pay is due to reasonable cause, then a license must not be suspended, or if suspended, must be reinstated.

(b) A licensee whose license is suspended under this subdivision may request a contested case hearing under chapter 14. Any such hearing must be held within 20 days of the issuance of the notice and demand issued under paragraph (a), unless the parties agree to a later hearing date. The administrative law judge's report must be issued within 20 days after the close of the hearing record, unless the parties agree to a later report issuance date. The commissioner must issue a final decision within 30 days after receipt of the report of the administrative law judge and subsequent exceptions and argument under section 14.61. The suspension imposed under paragraph (a) remains in effect during any contest case hearing process requested pursuant to this paragraph.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 7. Minnesota Statutes 2018, section 297F.08, subdivision 8, is amended to read:

Subd. 8. **Sale of stamps.** The commissioner may sell stamps on a credit basis under conditions prescribed by the commissioner. The commissioner shall sell the stamps at a price which includes the tax ~~after giving effect to the discount provided in subdivision 7~~. The commissioner shall recover the actual costs of the stamps from the distributor. The commissioner shall annually establish the maximum amount of stamps that may be purchased each month.

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

Sec. 8. Minnesota Statutes 2018, section 297F.08, subdivision 9, is amended to read:

Subd. 9. **Tax stamping machines.** The commissioner shall require any person licensed as a distributor to stamp packages with a tax stamping machine, approved by the commissioner, which shall be provided by the distributor. The commissioner shall also supervise and check the operation of the machines and shall provide for the payment of the tax on any package so stamped~~, subject to the discount provided in subdivision 7~~. If the commissioner finds that a stamping machine is not affixing a legible stamp on the package, the commissioner may order the distributor to immediately cease the stamping process until the machine is functioning properly.

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

Sec. 9. Minnesota Statutes 2018, section 298.225, subdivision 1, is amended to read:

Subdivision 1. **Guaranteed distribution.** (a) Except as provided under paragraph (c), the distribution of the taconite production tax as provided in section 298.28, subdivisions 3 to 5, 6, paragraph (b), 7, and 8, shall equal the lesser of the following amounts:

(1) the amount distributed pursuant to this section and section 298.28, with respect to 1983 production if the production for the year prior to the distribution year is no less than 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the amount of the distributions shall be reduced proportionately at the rate of two percent for each 1,000,000 tons, or part of 1,000,000 tons by which the production is less than 42,000,000 tons; or

(2)(i) for the distributions made pursuant to section 298.28, subdivisions 4, paragraphs (b) and (c), and 6, paragraph (c), 31.2 percent of the amount distributed pursuant to this section and section 298.28, with respect to 1983 production;

(ii) for the distributions made pursuant to section 298.28, subdivision 5, paragraphs (b) and (d), 75 percent of the amount distributed pursuant to this section and section 298.28, with respect to 1983 production provided that the aid guarantee for distributions under section 298.28, subdivision 5, paragraph (b), shall be reduced by five cents per taxable ton for production years 2014 and thereafter.

(b) The distribution of the taconite production tax as provided in section 298.28, subdivision 2, shall equal the following amount:

(1) if the production for the year prior to the distribution year is at least 42,000,000 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect to 1999 production; or

(2) if the production for the year prior to the distribution year is less than 42,000,000 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect to 1999 production, reduced proportionately at the rate of two percent for each 1,000,000 tons or part of 1,000,000 tons by which the production is less than 42,000,000 tons.

(c) The distribution of the taconite production tax under section 298.28, subdivision 3, paragraph (a), must equal the amount distributed under 298.28, with respect to 1983 production.

EFFECTIVE DATE. This section is effective for distributions in 2020 and thereafter.

Sec. 10. Minnesota Statutes 2018, section 298.28, subdivision 3, is amended to read:

Subd. 3. **Cities; towns.** (a) 12.5 cents per taxable ton, less any amount distributed under subdivision 8, and paragraph (b), must be allocated to the taconite municipal aid account to be distributed as provided in section 298.282. The amount allocated to the taconite municipal aid account must be annually increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1.

(b) An amount must be allocated to towns or cities that is annually certified by the county auditor of a county containing a taconite tax relief area as defined in section 273.134, paragraph (b), within which there is (1) an organized township if, as of January 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron ore or (2) a city if, as of January 2, 1980, more than 75 percent of the assessed valuation of the city consists of iron ore.

(c) The amount allocated under paragraph (b) will be the portion of a township's or city's certified levy equal to the proportion of (1) the difference between 50 percent of January 2, 1982, assessed value in the case of a township and 50 percent of the January 2, 1980, assessed value in the case of a city and its current assessed value to (2) the sum of its current assessed value plus the difference determined in (1), provided that the amount distributed shall not exceed $55 per capita in the case of a township or $75 per capita in the case of a city. For purposes of this limitation, population will be determined according to the 1980 decennial census conducted by the United States Bureau of the Census. If the current assessed value of the township exceeds 50 percent of the township's January 2, 1982, assessed value, or if the current assessed value of the city exceeds 50 percent of the city's January 2, 1980, assessed value, this paragraph shall not apply. For purposes of this paragraph, "assessed value," when used in reference to years other than 1980 or 1982, means the appropriate net tax capacities multiplied by 10.2.

(d) In addition to other distributions under this subdivision, three cents per taxable ton for distributions in 2009 must be allocated for distribution to towns that are entirely located within the taconite tax relief area defined in section 273.134, paragraph (b). For distribution in 2010 through 2014 and for distribution in 2018 and subsequent years, the three-cent amount must be annually increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. The amount available under this paragraph will be distributed to eligible towns on a per capita basis, provided that no town may receive more than $50,000 in any year under this paragraph. Any amount of the distribution that exceeds the $50,000 limitation for a town under this paragraph must be redistributed on a per capita basis among the other eligible towns, to whose distributions do not exceed $50,000.

EFFECTIVE DATE. This section is effective for distributions in 2020 and thereafter.

Sec. 11. Minnesota Statutes 2018, section 298.28, subdivision 11, is amended to read:

Subd. 11. **Remainder.** (a) The proceeds of the tax imposed by section 298.24 which remain after the distributions and payments in subdivisions 2 to 10a, as certified by the commissioner of revenue, and paragraphs (b), (c), and (d) have been made, together with interest earned on all money distributed under this section prior to distribution, shall be divided between the taconite environmental protection fund created in section 298.223 and the Douglas J. Johnson economic protection trust fund created in section 298.292 as follows: Two-thirds to the taconite environmental protection fund and one-third to the Douglas J. Johnson economic protection trust fund. The proceeds shall be placed in the respective special accounts.

(b) There shall be distributed to each city, town, and county the amount that it received under Minnesota Statutes 1978, section 294.26, in calendar year 1977; provided, however, that (1) the amount distributed in 1981 to the unorganized territory number 2 of Lake County and the town of Beaver Bay based on the between-terminal trackage of Erie Mining Company will be distributed in 1982 and subsequent years to the unorganized territory number 2 of Lake County and the towns of Beaver Bay and Stony River based on the miles of track of Erie Mining Company in each taxing district; and (2) a city located within six miles of five other cities qualifying for a distribution under section 298.282 shall receive a distribution equal to $5,000 under this paragraph in calendar year 2020 and subsequent years. The distribution to all other cites and towns receiving a distribution under this paragraph shall be reduced by the ratio that $5,000 bears to the total aid distribution received by all cities and towns under this paragraph.

(c) There shall be distributed to the Iron Range resources and rehabilitation account the amounts it received in 1977 under Minnesota Statutes 1978, section 298.22. The amount distributed under this paragraph shall be expended within or for the benefit of the taconite assistance area defined in section 273.1341.

(d) There shall be distributed to each school district 62 percent of the amount that it received under Minnesota Statutes 1978, section 294.26, in calendar year 1977.

EFFECTIVE DATE. This section is effective for aid distributions in 2020 and subsequent years.

Sec. 12. Minnesota Statutes 2018, section 298.282, subdivision 1, is amended to read:

Subdivision 1. **Distribution of taconite municipal aid account.** The amount deposited with the county as provided in section 298.28, subdivision 3, must be distributed as provided by this section among: (1) the municipalities ~~comprising~~ located within a taconite assistance area under section 273.1341 that meet the criteria of section 273.1341, clause (1) or (2); (2) a township that contains a state park consisting primarily of an underground iron ore mine; ~~and~~ (3) a city located within five miles of that state park; and (4) Breitung Township in St. Louis County, each being referred to in this section as a qualifying municipality. The distribution to Breitung Township under this subdivision shall be $15,000 annually.

EFFECTIVE DATE. This section is effective beginning with distributions in 2020.

Sec. 13. Minnesota Statutes 2018, section 353.27, subdivision 3c, is amended to read:

Subd. 3c. **Former MERF members; member and employer contributions.** (a) For the period July 1, ~~2015~~ 2019, through December 31, 2031, the member contributions for former members of the Minneapolis Employees Retirement Fund and by the former Minneapolis Employees Retirement Fund-covered employing units are governed by this subdivision.

(b) The member contribution for a public employee who was a member of the former Minneapolis Employees Retirement Fund on June 29, 2010, is 9.75 percent of the salary of the employee.

(c) The employer regular contribution with respect to a public employee who was a member of the former Minneapolis Employees Retirement Fund on June 29, 2010, is 9.75 percent of the salary of the employee.

(d) The annual employer supplemental contribution is the employing unit's share of ~~$31,000,000. For calendar years 2017 and 2018, the employer supplemental contribution is the employing unit's share of~~ $21,000,000.

(e) Each employing unit's share under paragraph (d) is the amount determined from an allocation between each employing unit in the portion equal to the unit's employer supplemental contribution paid or payable under Minnesota Statutes 2012, section 353.50, during calendar year 2014.

(f) The employer supplemental contribution amount under paragraph (d) for calendar year ~~2015~~ 2019 must be invoiced by the executive director of the Public Employees Retirement Association by July 1, ~~2015. The calendar year 2015 payment is payable in a single amount on or before September 30, 2015~~ 2019. For subsequent calendar years, the employer supplemental contribution under paragraph (d) must be invoiced on January 31 of each year ~~and~~. The employer supplemental contribution is payable in two parts, with the first half payable on or before July 31 and with the second half payable on or before December 15. Late payments are payable with interest, compounded annually, at the applicable rate or rates specified in section 356.59, subdivision 3, per month for each month or portion of a month that has elapsed after the due date.

(g) The employer supplemental contribution under paragraph (d) terminates on December 31, 2031.

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

Sec. 14. Minnesota Statutes 2018, section 353.505, is amended to read:

353.505 STATE CONTRIBUTIONS; FORMER MERF DIVISION.

(a) On September 15, 2019, and annually thereafter, the state shall pay to the general employees retirement plan of the Public Employees Retirement Association, with respect to the former MERF division, ~~$6,000,000~~ $16,000,000.

~~(b) On September 15, 2017, and September 15, 2018, the state shall pay to the general employees retirement plan of the Public Employees Retirement Association, with respect to the former MERF division, $16,000,000.~~

~~(c)~~ (b) State contributions under this section end on September 15, 2031.

(c) The commissioner of management and budget shall pay the contribution specified in this section. The amount required is appropriated annually from the general fund to the commissioner of management and budget.

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

Sec. 15. Laws 2009, chapter 122, section 3, subdivision 1, is amended to read:

Subdivision 1. **Establishment.** Any two or more of the following municipalities in St. Louis County may establish, by resolution of their respective governing bodies, the Central Iron Range Sanitary Sewer District: the cities of Buhl, Chisholm, and Kinney, and the ~~towns~~ town of ~~of Balkan and~~ Great Scott. Instead of adopting a resolution, a municipality may hold a referendum on the question of whether to join the district at a general or special election. After a municipality has adopted a resolution or held a referendum in which the voters approved joining the district, the municipality must provide notice to the chief clerical officer of other municipalities listed. The district is established when the first two municipalities have notified the other municipalities. Other municipalities may join without the consent of the member municipalities within 60 days after the district is established. If the district is established, it also includes the territory occupied by the Minnesota Discovery Center, formerly Ironworld. The sewer district is under the control and management of the Central Iron Range Sanitary Sewer Board. The district is established as a public corporation and political subdivision of the state with perpetual succession and all the rights, powers, privileges, immunities, and duties granted to or imposed upon a municipal corporation, as provided in this act.

EFFECTIVE DATE; LOCAL APPROVAL. This section is effective the day after the governing body and chief clerical officer of each municipality that is part of the Central Iron Range Sanitary Sewer District timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 16. Laws 2009, chapter 122, section 3, subdivision 2, is amended to read:

Subd. 2. **Members and selection.** The board is composed of members selected as provided in this subdivision. The town board of each township that joins the district shall appoint one ~~resident~~ member to the sewer board. The city council of each city that joins the district shall appoint members to the sewer board as follows: three members for the city of Chisholm, two members for the city of Buhl, and one member for the city of Kinney. One member must be selected by the Iron Range Resources and Rehabilitation Board (IRRRB) on behalf of ~~Ironworld~~ the Minnesota Discovery Center. Each member of the sewer board:

(1) must be a resident of the municipality the member represents, except the member appointed by the IRRRB;

(2) may be a member of the governing body of the municipality appointing the member; and

(3) has one vote.

The first terms are as follows: one-third of the members for one year, one-third for two years, and the remainder for three years, fixed by lot at the district's first meeting; thereafter, all terms are for three years.

EFFECTIVE DATE; LOCAL APPROVAL. This section is effective retroactively from December 27, 2003, and all appointments of sewer board members made since such date are ratified and confirmed, the day after the governing body and chief clerical officer of each municipality that is part of the Central Iron Range Sanitary Sewer District comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 17. **BUDGET RESERVE REDUCTION.**

On July 1, 2021, the balance of the budget reserve account established in Minnesota Statutes, section 16A.152, subdivision 1a, is reduced by $491,369,000.

Sec. 18. **APPROPRIATION; TAXPAYER ASSISTANCE GRANTS.**

(a) $400,000 in fiscal year 2020 and $400,000 in fiscal year 2021 are appropriated from the general fund to the commissioner of revenue to make grants to one or more nonprofit organizations, qualifying under section 501(c)(3) of the Internal Revenue Code of 1986, to coordinate, facilitate, encourage, and aid in the provision of taxpayer assistance services. These amounts are in addition to any other amounts appropriated by law. Of the amount appropriated, up to five percent may be used for the administration of the taxpayer assistance grants program.

(b) For purposes of this section, "taxpayer assistance services" means accounting and tax preparation services provided by volunteers to low-income, elderly, and disadvantaged Minnesota residents to help them file federal and state income tax returns and Minnesota property tax refund claims and to provide personal representation before the Department of Revenue and Internal Revenue Service.

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

Sec. 19. **APPROPRIATION.**

$3,000,000 in fiscal year 2020 and $3,000,000 in fiscal year 2021 are appropriated to the commissioner of revenue to administer this act.

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

Sec. 20. **REPEALER.**

(a) Minnesota Statutes 2018, section 297F.08, subdivision 5, is repealed.

(b) Minnesota Statutes 2018, sections 296A.03, subdivision 5; 296A.04, subdivision 2; and 296A.05, subdivision 2, and Minnesota Rules, part 8125.0410, subpart 1, are repealed.

EFFECTIVE DATE. Paragraph (a) is effective the day following final enactment. Paragraph (b) is effective for all licenses with an effective date after June 30, 2019.

ARTICLE 12

DEPARTMENT OF REVENUE INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES; POLICY CHANGES

Section 1. Minnesota Statutes 2018, section 290.0137, is amended to read:

290.0137 ACCELERATED RECOGNITION OF CERTAIN INSTALLMENT SALE GAINS.

(a) In the case of a nonresident individual or a person who becomes a nonresident individual during the tax year, taxable net income shall include the ~~allocable~~ amount realized upon a sale of the assets of, or any interest in, an S corporation or partnership that operated in Minnesota during the year of sale, including any income or gain to be recognized in future years pursuant to an installment sale method of reporting under the Internal Revenue Code.

(1) For the purposes of this paragraph, an individual who becomes a nonresident of Minnesota in any year after an installment sale is required to recognize the full amount of any income or gain described in this paragraph on the individual's final Minnesota resident tax return to the extent that such income has not been recognized in a prior year.

(2) For the purposes of this section, "realized" has the meaning given in section 1001(b) of the Internal Revenue Code.

(3) For the purposes of this section, "installment sale" means any installment sale under section 453 of the Internal Revenue Code and any other sale that is reported utilizing a method of accounting authorized under subchapter E of the Internal Revenue Code that allows taxpayers to delay reporting or recognizing a realized gain until a future year.

~~(4) For the purposes of this section, "allocable amount" means the full amount to be apportioned to Minnesota under section 290.191 or 290.20, or the full amount to be assigned to Minnesota under section 290.17.~~

(b) Notwithstanding paragraph (a), nonresident taxpayers may elect to defer recognizing unrecognized installment sale gains by making an election under this paragraph. The election must be filed on a form to be determined or prescribed by the commissioner and must be filed by the due date of the individual income tax return, including any extension. Electing taxpayers must make an irrevocable agreement to:

(1) file Minnesota tax returns in all subsequent years when gains from the installment sales are recognized and reported to the Internal Revenue Service;

(2) allocate gains to the state of Minnesota as though the gains were realized in the year of sale under section 290.17, 290.191, or 290.20; and

(3) include all relevant federal tax documents reporting the installment sale with subsequent Minnesota tax returns.

(c) Income or gain recognized for Minnesota purposes pursuant to paragraph (a) must be excluded from taxable net income in any future year that the taxpayer files a Minnesota tax return to the extent that the income or gain has already been subject to tax pursuant to paragraph (a).

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

Sec. 2. Minnesota Statutes 2018, section 290.06, subdivision 2c, is amended to read:

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

(1) On the first $35,480, 5.35 percent;

(2) On all over $35,480, but not over $140,960, 7.05 percent;

(3) On all over $140,960, but not over $250,000, 7.85 percent;

(4) On all over $250,000, 9.85 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts after the adjustment required in subdivision 2d.

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

(1) On the first $24,270, 5.35 percent;

(2) On all over $24,270, but not over $79,730, 7.05 percent;

(3) On all over $79,730, but not over $150,000, 7.85 percent;

(4) On all over $150,000, 9.85 percent.

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

(1) On the first $29,880, 5.35 percent;

(2) On all over $29,880, but not over $120,070, 7.05 percent;

(3) On all over $120,070, but not over $200,000, 7.85 percent;

(4) On all over $200,000, 9.85 percent.

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

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

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code and increased by:

(i) the additions required under ~~section~~ sections 290.0131, subdivisions 2 and 6 to 11, and 290.0137, paragraph (a); and reduced by

(ii) the Minnesota assignable portion of the subtraction for United States government interest under section 290.0132, subdivision 2, ~~and~~ the subtractions under ~~section~~ sections 290.0132, subdivisions 9, 10, 14, 15, 17, and 18, and 290.0137, paragraph (c), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code, increased by:

(i) the ~~amounts specified in section~~ additions required under sections 290.0131, subdivisions 2 and 6 to 11, and 290.0137, paragraph (a); and reduced by

(ii) the ~~amounts specified in section~~ subtractions under sections 290.0132, subdivisions 2, 9, 10, 14, 15, 17, and 18, and 290.0137, paragraph (c).

EFFECTIVE DATE. The amendment to paragraph (a) is effective for taxable years beginning after December 31, 2018. The amendment to paragraph (e) is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2018, section 290.06, subdivision 2d, is amended to read:

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

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2012" shall be substituted for the word "1992." For 2014, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the year preceding the taxable year. The commissioner shall determine the rate bracket for married filing separate returns after this adjustment is done. The rate bracket for married filing separate must be one-half of the rate bracket for married filing joint. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

ARTICLE 13

DEPARTMENT OF REVENUE INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES; TECHNICAL CHANGES

Section 1. Minnesota Statutes 2018, section 289A.38, subdivision 7, is amended to read:

Subd. 7. **Federal tax changes.** (a) If the amount of income, items of tax preference, deductions, or credits for any year of a taxpayer, or the wages paid by a taxpayer for any period, as reported to the Internal Revenue Service is changed or corrected by the commissioner of Internal Revenue or other officer of the United States or other competent authority, or where a renegotiation of a contract or subcontract with the United States results in a change in income, items of tax preference, deductions, credits, or withholding tax, or, in the case of estate tax, where there are adjustments to the taxable estate, the taxpayer shall report the change or correction or renegotiation results in writing to the commissioner. The report must be submitted within 180 days after the final determination and must be in the form of either an amended Minnesota estate, withholding tax, corporate franchise tax, or income tax return conceding the accuracy of the federal determination or a letter detailing how the federal determination is incorrect or does not change the Minnesota tax. An amended Minnesota income tax return must be accompanied by an amended property tax refund return, if necessary. A taxpayer filing an amended federal tax return must also file a copy of the amended return with the commissioner of revenue within 180 days after filing the amended return.

(b) For the purposes of paragraph (a), a change or correction includes any case where a taxpayer reaches a closing agreement or compromise with the Internal Revenue Service under section 7121 or 7122 of the Internal Revenue Code.

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

Sec. 2. Minnesota Statutes 2018, section 290.92, subdivision 28, is amended to read:

Subd. 28. **Payments to horse racing license holders.** Effective with payments made after April 1, 1988, any holder of a license issued by the Minnesota Racing Commission who makes a payment for personal or professional services to a holder of a class C license issued by the commission, except an amount paid as a purse, shall deduct from the payment and withhold 6.25 percent of the amount as Minnesota withholding tax when the amount paid to that individual by the same person during the calendar year exceeds $600. For purposes of the provisions of this section, a payment to any person which is subject to withholding under this subdivision must be treated as if the payment was a wage paid by an employer to an employee. Every individual who is to receive a payment which is subject

to withholding under this subdivision shall furnish the license holder with a statement, made under the penalties of perjury, containing the name, address, and Social Security account number of the person receiving the payment. No withholding is required if the individual presents a signed certificate from the individual's employer which states that the individual is an employee of that employer. A nonresident individual who holds a class C license must be treated as an athlete for purposes of applying the provisions of subdivision 4a and section 290.17, subdivision 2~~(1)(b)(ii)~~(a)(2)(ii).

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

Sec. 3. Minnesota Statutes 2018, section 462D.03, subdivision 2, is amended to read:

Subd. 2. **Designation of qualified beneficiary.** (a) The account holder must designate a first-time home buyer as the qualified beneficiary of the account ~~by April 15 of the year~~ in a form and manner prescribed by the commissioner following the taxable year in which the account was established. The account holder may be the qualified beneficiary. The account holder may change the designated qualified beneficiary at any time, but no more than one qualified beneficiary may be designated for an account at any one time. For purposes of the one beneficiary restriction, a married couple qualifies as one beneficiary. Changing the designated qualified beneficiary of an account does not affect computation of the ten-year period under section 462D.06, subdivision 2.

(b) The commissioner shall establish a process for account holders to notify the state that permits recording of the account, the account holder or holders, any transfers under section 462D.04, subdivision 2, and the designated qualified beneficiary for each account. This may be done upon filing the account holder's income tax return or in any other way the commissioner determines to be appropriate.

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

ARTICLE 14
DEPARTMENT OF REVENUE; SALES AND USE TAXES; TECHNICAL CHANGES

Section 1. Minnesota Statutes 2018, section 297A.68, subdivision 17, is amended to read:

Subd. 17. **Ships used in interstate commerce; other vessels.** Repair, replacement, and rebuilding parts and materials, and lubricants, for the following are exempt:

(1) ships or vessels used or to be used principally in interstate or foreign commerce ~~are exempt.~~; and

(2) vessels with a gross registered tonnage of at least 3,000 tons ~~are exempt~~.

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

Sec. 2. Minnesota Statutes 2018, section 297A.68, subdivision 42, is amended to read:

Subd. 42. **Qualified data centers.** (a) Purchases of enterprise information technology equipment and computer software for use in a qualified data center, or a qualified refurbished data center, are exempt, except that computer software maintenance agreements are exempt for purchases made after June 30, 2013. The tax on purchases exempt under this paragraph must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded after June 30, 2013, in the manner provided in section 297A.75. This exemption includes enterprise information technology equipment and computer software purchased to replace or upgrade enterprise information technology equipment and computer software in a qualified data center, or a qualified refurbished data center.

(b) Electricity used or consumed in the operation of a qualified data center or qualified refurbished data center is exempt.

(c) For purposes of this subdivision, "qualified data center" means a facility in Minnesota:

(1) that is comprised of one or more buildings that consist in the aggregate of at least 25,000 square feet, and that are located on a single parcel or on contiguous parcels, where the total cost of construction or refurbishment, investment in enterprise information technology equipment, and computer software is at least $30,000,000 within a 48-month period. The 48-month period begins no sooner than July 1, 2012, except that costs for computer software maintenance agreements purchased before July 1, 2013, are not included in determining if the $30,000,000 threshold has been met;

(2) that is constructed or substantially refurbished after June 30, 2012, where "substantially refurbished" means that at least 25,000 square feet have been rebuilt or modified, including:

(i) installation of enterprise information technology equipment; environmental control, computer software, and energy efficiency improvements; and

(ii) building improvements; and

(3) that is used to house enterprise information technology equipment, where the facility has the following characteristics:

(i) uninterruptible power supplies, generator backup power, or both;

(ii) sophisticated fire suppression and prevention systems; and

(iii) enhanced security. A facility will be considered to have enhanced security if it has restricted access to the facility to selected personnel; permanent security guards; video camera surveillance; an electronic system requiring pass codes, keycards, or biometric scans, such as hand scans and retinal or fingerprint recognition; or similar security features.

In determining whether the facility has the required square footage, the square footage of the following spaces shall be included if the spaces support the operation of enterprise information technology equipment: office space, meeting space, and mechanical and other support facilities. For purposes of this subdivision, "computer software" includes, but is not limited to, software utilized or loaded at a qualified data center or qualified refurbished data center, including maintenance, licensing, and software customization.

(d) For purposes of this subdivision, a "qualified refurbished data center" means an existing facility that qualifies as a data center under paragraph (c), clauses (2) and (3), but that is comprised of one or more buildings that consist in the aggregate of at least 25,000 square feet, and that are located on a single parcel or contiguous parcels, where the total cost of construction or refurbishment, investment in enterprise information technology equipment, and computer software is at least $50,000,000 within a 24-month period.

(e) For purposes of this subdivision, "enterprise information technology equipment" means computers and equipment supporting computing, networking, or data storage, including servers and routers. It includes, but is not limited to: cooling systems, cooling towers, and other temperature control infrastructure; power infrastructure for transformation, distribution, or management of electricity used for the maintenance and operation of a qualified data center or qualified refurbished data center, including but not limited to exterior dedicated business-owned substations, backup power generation systems, battery systems, and related infrastructure; and racking systems, cabling, and trays, which are necessary for the maintenance and operation of the qualified data center or qualified refurbished data center.

(f) A qualified data center or qualified refurbished data center may claim the exemptions in this subdivision for purchases made either within 20 years of the date of its first purchase qualifying for the exemption under paragraph (a), or by June 30, 2042, whichever is earlier.

(g) The purpose of this exemption is to create jobs in the construction and data center industries.

(h) This subdivision is effective for sales and purchases made before July 1, 2042.

(i) The commissioner of employment and economic development must certify to the commissioner of revenue, in a format approved by the commissioner of revenue, when a

qualified data center has met the requirements under paragraph (c) or a qualified refurbished data center has met the requirements under paragraph (d). The certification must provide the following information regarding each qualified data center or qualified refurbished data center:

(1) the total square footage amount;

(2) the total amount of construction or refurbishment costs and the total amount of qualifying investments in enterprise information technology equipment and computer software; ~~and~~

(3) the beginning and ending of the applicable period under either paragraph (c) or (d) in which the qualifying expenditures and purchases under clause (2) were made, but in no case shall the period begin before July 1, 2012; and

(4) the date upon which the qualified data center first met the requirements under paragraph (c) or a qualified refurbished data center first met the requirements under paragraph (d).

(j) Any refund for sales tax paid on qualifying purchases under this subdivision must not be issued unless the commissioner of revenue has received the certification required under paragraph (i) ~~either from~~ issued by the commissioner of employment and economic development ~~or the qualified data center or qualified refurbished data center claiming the refund; and~~.

(k) The commissioner of employment and economic development must annually notify the commissioner of revenue of the qualified data centers that are projected to meet the requirements under paragraph (c) and the qualified refurbished data centers that are projected to meet the requirements under paragraph (d) in each of the next four years. The notification must provide the information required under paragraph (i), clauses (1) to ~~(3)~~ (4), for each qualified data center or qualified refurbished data center.

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

Sec. 3. Minnesota Statutes 2018, section 297A.68, subdivision 44, is amended to read:

Subd. 44. **Greater Minnesota business expansions.** (a) Purchases and use of tangible personal property or taxable services by a qualified business~~, as defined in section 116J.8738,~~ are exempt if:

(1) the commissioner of employment and economic development certifies to the commissioner of revenue, in a format approved by the commissioner of revenue, that the qualified business meets the requirements under section 116J.8738;

(2) the business subsidy agreement provides that the exemption under this subdivision applies;

~~(2)~~ (3) the property or services are primarily used or consumed at the facility in greater Minnesota identified in the business subsidy agreement; and

~~(3)~~ (4) the purchase was made and delivery received during the duration of the ~~certification of the business as a qualified business under section 116J.8738~~ business subsidy agreement.

(b) Purchase and use of construction materials and supplies used or consumed in, and equipment incorporated into, the construction of improvements to real property in greater Minnesota are exempt if the improvements after completion of construction are to be used in the conduct of the trade or business of the qualified business, ~~as defined in section 116J.8738~~ and the commissioner of employment and economic development certifies to the commissioner of revenue, in a format approved by the commissioner of revenue, that the qualified business meets the requirements under section 116J.8738. This exemption applies regardless of whether the purchases are made by the business or a contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax.

(d) The tax on purchases imposed under this subdivision must be imposed and collected as if the rate under section 297A.62 applied, and then refunded in the manner provided in section 297A.75. The total amount refunded for a facility over the certification period is limited to the amount listed in the business subsidy agreement. No more than $7,000,000 may be refunded in a fiscal year for all purchases under this subdivision. Refunds must be allocated on a first-come, first-served basis. If more than $7,000,000 of eligible claims are made in a fiscal year, claims by qualified businesses carry over to the next fiscal year, and the commissioner of revenue must first allocate refunds to qualified businesses eligible for a refund in the preceding fiscal year. Any portion of the balance of funds allocated for refunds under this paragraph does not cancel and shall be carried forward to and available for refunds in subsequent fiscal years. Notwithstanding section 297A.75, subdivision 4, for an eligible refund claim that carries over to a subsequent fiscal year, the interest on the amount carried over must be paid on the refund no sooner than from 90 days after July 1 of the fiscal year in which funds are available for the eligible claim.

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

Sec. 4. Minnesota Statutes 2018, section 297A.71, subdivision 45, is amended to read:

Subd. 45. **Biopharmaceutical manufacturing facility.** (a) Materials and supplies used or consumed in, capital equipment incorporated into, and privately owned infrastructure in support of the construction, improvement, or expansion of a biopharmaceutical manufacturing facility in the state are exempt if the commissioner of employment and economic development certifies to the commissioner of revenue that the following criteria are met:

(1) the facility is used for the manufacturing of biologics;

(2) the total capital investment made at the facility exceeds $50,000,000; and

(3) the facility creates and maintains at least 190 full-time equivalent positions at the facility. These positions must be new jobs in Minnesota and not the result of relocating jobs that currently exist in Minnesota.

(b) The tax must be imposed and collected as if the rate under section 297A.62 applied, and refunded in the manner provided in section 297A.75.

(c) To be eligible for a refund, the owner of the biopharmaceutical manufacturing facility must:

(1) initially apply to the ~~Department~~ commissioner of employment and economic development for certification no later than one year from the final completion date of construction, improvement, or expansion of the facility; and

(2) for each year that the owner of the biopharmaceutical manufacturing facility applies for a refund, the ~~owner~~ commissioner of revenue must have received written certification from the ~~Department~~ commissioner of employment and economic development that the facility has met the criteria of paragraph (a).

(d) The refund is to be paid annually at a rate of 25 percent of the total allowable refund payable to date, with the commissioner making annual payments of the remaining refund until all of the refund has been paid.

(e) For purposes of this subdivision, "biopharmaceutical" and "biologics" are interchangeable and mean medical drugs or medicinal preparations produced using technology that uses biological systems, living organisms, or derivatives of living organisms to make or modify products or processes for specific use. The medical drugs or medicinal preparations include but are not limited to proteins, antibodies, nucleic acids, and vaccines.

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

Sec. 5. Minnesota Statutes 2018, section 297A.77, is amended by adding a subdivision to read:

Subd. 5. **Records must be kept.** Every person liable for any tax imposed by this chapter, or for the collection thereof, shall keep such records, render such statements, make such returns, and comply with such rules, as the commissioner may from time to time prescribe.

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

ARTICLE 15
DEPARTMENT OF REVENUE; TOBACCO TAXES; TECHNICAL CHANGES

Section 1. Minnesota Statutes 2018, section 297F.01, subdivision 19, is amended to read:

Subd. 19. **Tobacco products.** (a) "Tobacco products" means any product containing, made, or derived from tobacco that is intended for human consumption, whether chewed, smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, or any component, part, or accessory of a tobacco product, including, but not limited to, cigars; cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking tobacco; snuff; snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing tobacco; shorts; refuse scraps, clippings, cuttings and sweepings of tobacco, and other kinds and forms of tobacco; but does not include cigarettes as defined in this section. Tobacco products includes nicotine solution products. Tobacco products excludes any tobacco product that has been approved by the United States Food and Drug Administration for sale as a tobacco cessation product, as a tobacco dependence product, or for other medical purposes, and is being marketed and sold solely for such an approved purpose.

(b) Except for the imposition of tax under section 297F.05, subdivisions 3 and 4, tobacco products includes a premium cigar, as defined in subdivision 13a.

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

Sec. 2. Minnesota Statutes 2018, section 297F.01, is amended by adding a subdivision to read:

Subd. 22b. **Nicotine solution products.** (a) "Nicotine solution products" means any cartridge, bottle, or other package that contains nicotine made or derived from tobacco, that is in a solution that is consumed, or meant to be consumed, through the use of a heating element, power source, electronic circuit, or other electronic, chemical, or mechanical means that produces vapor or aerosol. This paragraph expires December 31, 2019.

(b) Beginning January 1, 2020, "nicotine solution products" means any cartridge, bottle, or other package that contains nicotine, including nicotine made or derived from tobacco or sources other than tobacco, that is in a solution that is consumed, or meant to be consumed, through the use of a heating element, power source, electronic circuit, or other electronic, chemical, or mechanical means that produces vapor or aerosol.

(c) Nicotine solution products includes any electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device, and any batteries, heating elements, or other components, parts, or accessories sold with and meant to be used in the consumption of a solution containing nicotine.

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

Sec. 3. Minnesota Statutes 2018, section 297F.01, subdivision 23, is amended to read:

Subd. 23. **Wholesale sales price.** (a) "Wholesale sales price" means the price at which a distributor purchases a tobacco product.

(b) When a distributor sells a cartridge, bottle, or other package of a solution containing nicotine that is part of a kit that also includes a product, device, component, part, or accessory described in subdivision 22b:

(1) the wholesale sales price is the price at which the distributor purchases the kit; except that

(2) if the distributor also separately sells the same package of solution containing nicotine that is sold with the kit and can isolate the cost of the package of solution containing nicotine, then the wholesale sales price includes only the price at which the distributor separately purchases the package of the solution containing nicotine and any taxes, charges, and costs listed in paragraph (c).

(c) Wholesale sales price includes the applicable federal excise tax, freight charges, or packaging costs, regardless of whether they were included in the purchase price.

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

ARTICLE 16

MINNESOTACARE; TECHNICAL CHANGES

Section 1. Minnesota Statutes 2018, section 295.50, is amended by adding a subdivision to read:

Subd. 2b. **Emergency medical reasons.** "Emergency medical reasons" means a public health emergency declaration pursuant to United States Code, title 42, section 247d; a national security or peacetime emergency declared by the governor pursuant to section 12.31; or a situation involving an action by the commissioner of health pursuant to section 144.4197, 144.4198, or 151.37, subdivisions 2, paragraph (b), and 10, except that, for purposes of this subdivision, a drug shortage not caused by a public health emergency shall not constitute an emergency medical reason.

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

Sec. 2. Minnesota Statutes 2018, section 295.50, subdivision 3, is amended to read:

Subd. 3. **Gross revenues.** "Gross revenues" are total amounts received in money or otherwise by:

(1) a hospital for patient services;

(2) a surgical center for patient services;

(3) a health care provider, other than a staff model health ~~carrier~~ plan company, for patient services;

(4) a wholesale drug distributor for sale or distribution of legend drugs that are delivered in Minnesota by the wholesale drug distributor, by common carrier, or by mail, unless the legend drugs are delivered to another wholesale drug distributor who sells legend drugs exclusively at wholesale~~. Legend drugs do not include nutritional products as defined in Minnesota Rules, part 9505.0325, and blood and blood components~~; and

(5) a staff model health plan company as gross premiums for enrollees, co-payments, deductibles, coinsurance, and fees for patient services.

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

Sec. 3. Minnesota Statutes 2018, section 295.50, subdivision 4, is amended to read:

Subd. 4. **Health care provider.** (a) "Health care provider" means:

(1) a person whose health care occupation is regulated or required to be regulated by the state of Minnesota furnishing any or all of the following goods or services directly to a patient or consumer: medical, surgical, optical, visual, dental, hearing, nursing services, drugs, laboratory, diagnostic or therapeutic services;

(2) a person who provides goods and services not listed in clause (1) that qualify for reimbursement under the medical assistance program provided under chapter 256B;

(3) a staff model health plan company;

(4) an ambulance service required to be licensed; ~~or~~

(5) a person who sells or repairs hearing aids and related equipment or prescription eyewear~~.~~; or

(6) a person providing patient services, who does not otherwise meet the definition of health care provider and is not specifically excluded in clause (b), who employs or contracts with a health care provider as defined in clauses (1) to (5) to perform, supervise, otherwise oversee, or consult with regarding patient services.

(b) Health care provider does not include:

(1) hospitals; medical supplies distributors, except as specified under paragraph (a), clause (5); nursing homes licensed under chapter 144A or licensed in any other jurisdiction; wholesale drug distributors; pharmacies; surgical centers; bus and taxicab transportation, or any other providers of transportation services other than ambulance services required to be licensed; supervised living facilities for persons with developmental disabilities, licensed under Minnesota Rules, parts 4665.0100 to 4665.9900; housing with services establishments required to be registered under chapter 144D; board and lodging establishments providing only custodial services that are licensed under chapter 157 and registered under section 157.17 to provide supportive services or health supervision services; adult foster homes as defined in Minnesota Rules, part 9555.5105; day training and habilitation services for adults with developmental disabilities as defined in section 252.41, subdivision 3; boarding care homes, as defined in Minnesota Rules, part 4655.0100; and adult day care centers as defined in Minnesota Rules, part 9555.9600;

(2) home health agencies as defined in Minnesota Rules, part 9505.0175, subpart 15; a person providing personal care services and supervision of personal care services as defined in Minnesota Rules, part 9505.0335; a person providing home care nursing services as defined in Minnesota Rules, part 9505.0360; and home care providers required to be licensed under chapter 144A for home care services provided under chapter 144A;

(3) a person who employs health care providers solely for the purpose of providing patient services to its employees;

(4) an educational institution that employs health care providers solely for the purpose of providing patient services to its students if the institution does not receive fee for service payments or payments for extended coverage; and

(5) a person who receives all payments for patient services from health care providers, surgical centers, or hospitals for goods and services that are taxable to the paying health care providers, surgical centers, or hospitals, as provided under section 295.53, subdivision 1, paragraph (b), clause (3) or (4), or from a source of funds that is exempt from tax under this chapter.

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

Sec. 4. Minnesota Statutes 2018, section 295.50, is amended by adding a subdivision to read:

Subd. 7a. **Manufacturer.** "Manufacturer" has the meaning provided in section 151.01, subdivision 14a.

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

Sec. 5. Minnesota Statutes 2018, section 295.50, subdivision 9b, is amended to read:

Subd. 9b. **Patient services.** (a) "Patient services" means inpatient and outpatient services and other goods and services provided by hospitals, surgical centers, or health care providers. They include the following health care goods and services provided to a patient or consumer:

(1) bed and board;

(2) nursing services and other related services;

(3) use of hospitals, surgical centers, or health care provider facilities;

(4) medical social services;

(5) drugs, biologicals, supplies, appliances, and equipment;

(6) other diagnostic or therapeutic items or services;

(7) medical or surgical services;

(8) items and services furnished to ambulatory patients not requiring emergency care; and

(9) emergency services.

(b) "Patient services" does not include:

(1) services provided to nursing homes licensed under chapter 144A;

(2) examinations for purposes of utilization reviews, insurance claims or eligibility, litigation, and employment, including reviews of medical records for those purposes;

(3) services provided to and by community residential mental health facilities licensed under Minnesota Rules, parts 9520.0500 to 9520.0670, and to and by residential treatment programs for children with severe emotional disturbance licensed or certified under chapter 245A;

(4) services provided ~~to and by community support programs and family community support programs approved under Minnesota Rules, parts 9535.1700 to 9535.1760, or certified as mental health rehabilitative services under chapter 256B;~~ under the following programs: day treatment services as defined in section 245.462, subdivision 8; assertive community treatment as described in section 256B.0622; adult rehabilitative mental health services as described in section 256B.0623; adult crisis response services as described in section 256B.0624; children's therapeutic services and supports as described in section 256B.0943; and children's mental health crisis response services as described in section 256B.0944;

(5) services provided to and by community mental health centers as defined in section 245.62, subdivision 2;

(6) services provided to and by assisted living programs and congregate housing programs;

(7) hospice care services;

(8) home and community-based waivered services under sections 256B.0915, 256B.49, and 256B.501;

(9) targeted case management services under sections 256B.0621; 256B.0625, subdivisions 20, 20a, 33, and 44; and 256B.094; and

(10) services provided to the following: supervised living facilities for persons with developmental disabilities licensed under Minnesota Rules, parts 4665.0100 to 4665.9900; housing with services establishments required to be registered under chapter 144D; board and lodging establishments providing only custodial services that are licensed under chapter 157 and registered under section 157.17 to provide supportive services or health supervision

services; adult foster homes as defined in Minnesota Rules, part 9555.5105; day training and habilitation services for adults with developmental disabilities as defined in section 252.41, subdivision 3; boarding care homes as defined in Minnesota Rules, part 4655.0100; adult day care services as defined in section 245A.02, subdivision 2a; and home health agencies as defined in Minnesota Rules, part 9505.0175, subpart 15, or licensed under chapter 144A.

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

Sec. 6. Minnesota Statutes 2018, section 295.50, is amended by adding a subdivision to read:

Subd. 10c. **Pharmacy benefits manager.** "Pharmacy benefits manager" means an entity that performs pharmacy benefits management.

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

Sec. 7. Minnesota Statutes 2018, section 295.50, is amended by adding a subdivision to read:

Subd. 13a. **Third-party purchaser of health care services.** "Third-party purchaser of health care services" includes but is not limited to a health carrier or community integrated service network that pays for health care services on behalf of patients or that reimburses, indemnifies, compensates, or otherwise insures patients for health care services.

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

Sec. 8. Minnesota Statutes 2018, section 295.50, subdivision 14, is amended to read:

Subd. 14. **Wholesale drug distributor.** "Wholesale drug distributor" means ~~a wholesale drug distributor required to be licensed under sections 151.42 to 151.51.~~ any person engaged in wholesale drug distribution including but not limited to manufacturers; repackagers; own-label distributors; jobbers; brokers; warehouses, including manufacturers' and distributors' warehouses, chain drug warehouses, and wholesale drug warehouses; independent wholesale drug traders; and pharmacies that conduct wholesale drug distribution. A wholesale drug distributor does not include a common carrier or individual hired primarily to transport legend drugs.

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

Sec. 9. Minnesota Statutes 2018, section 295.50, subdivision 15, is amended to read:

Subd. 15. **Legend drug.** "Legend drug" means a drug that is required by federal law to bear one of the following statements: "Caution: Federal law prohibits dispensing without prescription" or "Rx only." Legend drugs do not include nutritional products as defined in Minnesota Rules, part 9505.0325, subpart 1, and blood and blood components.

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

Sec. 10. Minnesota Statutes 2018, section 295.50, is amended by adding a subdivision to read:

Subd. 16. **Wholesale drug distribution.** "Wholesale drug distribution" means the sale or distribution of legend drugs to a person other than a consumer or patient, but does not include:

(1) a sale between a division, subsidiary, parent, affiliated, or related company under the common ownership and control of a corporate entity;

(2) the purchase or other acquisition, by a hospital or other health care entity that is a member of a group purchasing organization, of a legend drug for its own use from the organization or from other hospitals or health care entities that are members of such organizations;

(3) the sale, purchase, or trade of a legend drug by a charitable organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1988, to a nonprofit affiliate of the organization to the extent otherwise permitted by law;

(4) the sale, purchase, or trade of a legend drug among hospitals or other health care entities that are under common control;

(5) the sale, purchase, or trade of a legend drug for emergency medical reasons;

(6) the transfer of legend drugs by a retail pharmacy to another retail pharmacy to alleviate a temporary shortage; or

(7) the distribution of legend drug samples by manufacturer representatives.

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

Sec. 11. Minnesota Statutes 2018, section 295.53, subdivision 1, is amended to read:

Subdivision 1. **Exclusions and Exemptions.** (a) The following payments are excluded from the gross revenues subject to the hospital, surgical center, or health care provider taxes under sections 295.50 to 295.59:

~~(1) payments received for services provided under the Medicare program, including payments received from the government, and organizations governed by sections 1833 and 1876 of title XVIII of the federal Social Security Act, United States Code, title 42, section 1395, and enrollee deductibles, coinsurance, and co-payments, whether paid by the Medicare enrollee or by a Medicare supplemental coverage as defined in section 62A.011, subdivision 3, clause (10), or by Medicaid payments under title XIX of the federal Social Security Act. Payments for services not covered by Medicare are taxable;~~

~~(2) payments received for home health care services;~~

~~(3) payments received from hospitals or surgical centers for goods and services on which liability for tax is imposed under section 295.52 or the source of funds for the payment is exempt under clause (1), (7), (10), or (14);~~

~~(4) payments received from health care providers for goods and services on which liability for tax is imposed under this chapter or the source of funds for the payment is exempt under clause (1), (7), (10), or (14);~~

~~(5) amounts paid for legend drugs, other than nutritional products and blood and blood components, to a wholesale drug distributor who is subject to tax under section 295.52, subdivision 3, reduced by reimbursements received for legend drugs otherwise exempt under this chapter;~~

~~(6)~~ (1) payments received by a health care provider or the wholly owned subsidiary of a health care provider for care provided outside Minnesota;

~~(7) payments received from the chemical dependency fund under chapter 254B;~~

~~(8) payments received in the nature of charitable donations that are not designated for providing patient services to a specific individual or group;~~

~~(9) payments received for providing patient services incurred through a formal program of health care research conducted in conformity with federal regulations governing research on human subjects. Payments received from patients or from other persons paying on behalf of the patients are subject to tax;~~

~~(10) payments received from any governmental agency for services benefiting the public, not including payments made by the government in its capacity as an employer or insurer or payments made by the government for services provided under the MinnesotaCare program or the medical assistance program governed by title XIX of the federal Social Security Act, United States Code, title 42, sections 1396 to 1396v;~~

~~(11)~~ (2) government payments received by the commissioner of human services for state-operated services;

~~(12)~~ (3) payments received by a health care provider for hearing aids and related equipment or prescription eyewear delivered outside of Minnesota; and

~~(13)~~ (4) payments received by an educational institution from student tuition, student activity fees, health care service fees, government appropriations, donations, or grants, and for services identified in and provided under an individualized education program as defined in section 256B.0625 or Code of Federal Regulations, chapter 34, section 300.340(a). Fee for service payments and payments for extended coverage are taxable~~;~~.

~~(14) payments received under the federal Employees Health Benefits Act, United States Code, title 5, section 8909(f), as amended by the Omnibus Reconciliation Act of 1990. Enrollee deductibles, coinsurance, and co-payments are subject to tax; and~~

~~(15) payments received under the federal Tricare program, Code of Federal Regulations, title 32, section 199.17(a)(7). Enrollee deductibles, coinsurance, and co-payments are subject to tax.~~

(b) The following payments are exempted from the gross revenues subject to hospital, surgical center, or health care provider taxes under sections 295.50 to 295.59:

(1) payments received for services provided under the Medicare program, including payments received from the government and organizations governed by sections 1833, 1853, and 1876 of title XVIII of the federal Social Security Act, United States Code, title 42, section 1395; and enrollee deductibles, co-insurance, and co-payments, whether paid by the Medicare enrollee, by Medicare supplemental coverage as described in section 62A.011, subdivision 3, clause (10), or by Medicaid payments under title XIX of the federal Social Security Act. Payments for services not covered by Medicare are taxable;

(2) payments received for home health care services;

(3) payments received from hospitals or surgical centers for goods and services on which liability for tax is imposed under section 295.52 or the source of funds for the payment is exempt under clauses (1), (6), (9), (10), or (11);

(4) payments received from the health care providers for goods and services on which liability for tax is imposed under this chapter or the source of funds for the payment is exempt under clause (1), (6), (9), (10), or (11);

(5) amounts paid for legend drugs to a wholesale drug distributor who is subject to tax under section 295.52, subdivision 3, reduced by reimbursement received for legend drugs otherwise exempt under this chapter;

(6) payments received from the chemical dependency fund under chapter 254B;

(7) payments received in the nature of charitable donations that are not designated for providing patient services to a specific individual or group;

(8) payments received for providing patient services incurred through a formal program of health care research conducted in conformity with federal regulations governing research on human subjects. Payments received from patients or from other persons paying on behalf of the patients are subject to tax;

(9) payments received from any governmental agency for services benefiting the public, not including payments made by the government in its capacity as an employer or insurer or payments made by the government for services provided under the MinnesotaCare program or the medical assistance program governed by title XIX of the federal Social Security Act, United States Code, title 42, section 1396 to 1396v;

(10) payments received under the federal Employees Health Benefits Act, United States Code, title 5, section 8909(f), as amended by the Omnibus Reconciliation Act of 1990. Enrollee deductibles, co-insurance, and co-payments are subject to tax;

(11) payments received under the federal Tricare program, Code of Federal Regulations, title 32, section 199.17(a)(7). Enrollee deductibles, co-insurance, and co-payments are subject to tax; and

(12) supplemental or enhanced payments authorized under section 256B.196 or 256B.197.

~~(b)~~ (c) Payments received by wholesale drug distributors for legend drugs sold directly to veterinarians or veterinary bulk purchasing organizations are excluded from the gross revenues subject to the wholesale drug distributor tax under sections 295.50 to 295.59.

~~(c) Supplemental or enhanced payments authorized under section 256B.19, subdivision 1c, 256B.196, or 256B.197 are excluded from gross revenues subject to the tax under sections 295.50 to 295.59.~~

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

Sec. 12. Minnesota Statutes 2018, section 295.57, subdivision 5, is amended to read:

Subd. 5. **Exemption for amounts paid for legend drugs.** If a hospital, surgical center, or health care provider cannot determine the actual cost or reimbursement of legend drugs under the exemption provided in section 295.53, subdivision 1, paragraph ~~(a)~~ (b), clause (5), the following method must be used:

A hospital, surgical center, or health care provider must determine the amount paid for legend drugs used during the month or quarter and multiply that amount by a ratio, the numerator of which is the total amount received for taxable patient services, and the denominator of which is the total amount received for all patient services, including amounts exempt under section 295.53, subdivision 1, paragraph (b). The result represents the allowable exemption for the monthly or quarterly cost of drugs.

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

Sec. 13. Minnesota Statutes 2018, section 295.582, subdivision 1, is amended to read:

Subdivision 1. **Tax expense transfer.** ~~(a) A hospital, surgical center, or health care provider that is subject to a tax under section 295.52, or a pharmacy that has paid additional expense transferred under this section by a wholesale drug distributor, may transfer additional expense generated by section 295.52 obligations on to all third-party contracts for the purchase of health care services on behalf of a patient or consumer. Nothing shall prohibit a pharmacy from transferring the additional expense generated under section 295.52 to a pharmacy benefits manager. The additional expense transferred to the third-party purchaser or a pharmacy benefits manager must not exceed the tax percentage specified in section 295.52 multiplied against the gross revenues received under the third-party contract, and the tax percentage specified in section 295.52 multiplied against co-payments and deductibles paid by the individual patient or consumer. The expense must not be generated on revenues derived from payments that are excluded from the tax under section 295.53. All third-party purchasers of health care services including, but not limited to, third-party purchasers regulated under chapter 60A, 62A, 62C, 62D, 62H, 62N, 64B, 65A, 65B, 79, or 79A, or under section 471.61 or 471.617, and pharmacy benefits managers must pay the transferred expense in addition to any payments due under existing contracts with the hospital, surgical center, pharmacy, or health care provider, to the extent allowed under federal law. A third-party purchaser of health care services includes, but is not limited to, a health carrier or community integrated service network that pays for health care services on behalf of patients or that reimburses, indemnifies, compensates, or otherwise insures patients for health care services. For purposes of this section, a pharmacy benefits manager means an~~

~~entity that performs pharmacy benefits management. A third-party purchaser or pharmacy benefits manager shall comply with this section regardless of whether the third-party purchaser or pharmacy benefits manager is a for-profit, not-for-profit, or nonprofit entity. A wholesale drug distributor may transfer additional expense generated by section 295.52 obligations to entities that purchase from the wholesaler, and the entities must pay the additional expense. Nothing in this section limits the ability of a hospital, surgical center, pharmacy, wholesale drug distributor, or health care provider to recover all or part of the section 295.52 obligation by other methods, including increasing fees or charges.~~

(a) The tax expense generated by section 295.52 may be transferred as follows:

(1) a hospital, surgical center, or health care provider subject to the tax under section 295.52 may transfer the tax expense to all third-party contracts for the purchase of health care services on behalf of a patient or consumer;

(2) a wholesale drug distributor subject to the tax under section 295.52 may transfer the tax expense to entities that purchase legend drugs from the wholesale drug distributor; and

(3) a pharmacy that has paid the tax expense transferred by a wholesale drug distributor may transfer the tax expense to all third-party contracts for the purchase of health care services on behalf of a patient or consumer. Nothing shall prohibit a pharmacy from transferring the tax expense generated under section 295.52 to a pharmacy benefits manager.

(b) The transfer of the tax expense under paragraph (a) must comply with the following:

(1) the tax expense transferred to the third-party purchaser or a pharmacy benefits manager must not exceed the tax percentage specified in section 295.52 multiplied against:

(i) gross revenues received under the third-party contract; and

(ii) co-payments and deductibles paid by the individual patient or consumer; and

(2) the tax expense must not be generated on revenues derived from payments that are excluded or exempted from the tax under section 295.53.

(c) Payment of the transferred tax expense is required as follows:

(1) all third-party purchasers of health care services, including but not limited to third-party purchasers regulated under chapter 60A, 62A, 62C, 62D, 62H, 62N, 64B, 65A, 65B, 79, or 79A, or under section 471.61 or 471.617, and pharmacy benefits managers must pay the transferred expense. This is in addition to any payments due under existing contracts with the hospital, surgical center, pharmacy, or health care provider, to the extent allowed under federal law; and

(2) all entities that purchase legend drugs from a wholesale drug distributor must pay the transferred expense.

(d) A third-party purchaser or pharmacy benefits manager must comply with this section regardless of whether the third-party purchaser or pharmacy benefits manager is a for-profit, not-for-profit, or nonprofit entity.

(e) Nothing in this section limits the ability of a hospital, surgical center, health care provider, pharmacy, or wholesale drug distributor to recover all or part of the section 295.52 obligation by other methods, including increasing fees or charges.

~~(b)~~ (f) Any hospital, surgical center, or health care provider subject to a tax under section 295.52 or a pharmacy that has paid the additional expense transferred under this section by a wholesale drug distributor may file a complaint with the commissioner responsible for regulating the third-party purchaser if at any time the third-party purchaser fails to comply with ~~paragraph (a)~~ this section.

~~(c)~~ (g) If the commissioner responsible for regulating the third-party purchaser finds at any time that the third-party purchaser has not complied with ~~paragraph (a)~~ this section, the commissioner may take enforcement action against a third-party purchaser which is subject to the commissioner's regulatory jurisdiction and which does not allow a hospital, surgical center, pharmacy, or provider to pass-through the tax expense. The commissioner may by order fine or censure the third-party purchaser or revoke or suspend the certificate of authority or license of the third-party purchaser to do business in this state if the commissioner finds that the third-party purchaser has not complied with this section. The third-party purchaser may appeal the commissioner's order through a contested case hearing in accordance with chapter 14.

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

ARTICLE 17
DEPARTMENT OF REVENUE; PROPERTY TAX; POLICY

Section 1. Minnesota Statutes 2018, section 162.145, subdivision 3, is amended to read:

Subd. 3. **Administration.** (a) Subject to funds made available by law, the commissioner shall allocate all funds as provided in subdivision 4 and shall ~~notify~~, by June 1, certify to the commissioner of revenue the amounts to be paid.

(b) Following ~~notification~~ certification from the commissioner ~~of transportation~~, the commissioner of revenue shall distribute the specified funds to cities in the same manner

as local government aid under chapter 477A. An appropriation to the commissioner ~~of transportation~~ under this section is available to the commissioner of revenue for the purposes specified in this paragraph.

(c) Notwithstanding other law to the contrary, in order to receive distributions under this section, a city must conform to the standards in section 477A.017, subdivision 2. A city that receives funds under this section must make and preserve records necessary to show that the funds are spent in compliance with subdivision 4.

EFFECTIVE DATE. This section is effective for aids payable in 2019 and thereafter.

Sec. 2. Minnesota Statutes 2018, section 273.124, subdivision 13, is amended to read:

Subd. 13. **Homestead application.** (a) A person who meets the homestead requirements under subdivision 1 must file a homestead application with the county assessor to initially obtain homestead classification.

(b) The commissioner shall prescribe the content, format, and manner of the homestead application required to be filed under this chapter pursuant to section 270C.30. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to receive homestead treatment.

(c) Every property owner applying for homestead classification must furnish to the county assessor the Social Security number of each occupant who is listed as an owner of the property on the deed of record, the name and address of each owner who does not occupy the property, and the name and Social Security number of ~~each owner's~~ the spouse of each occupying owner. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

If a property owner occupies a homestead, the property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse file with the assessor an affidavit or other proof required by the assessor stating that the property qualifies as a homestead under subdivision 1, paragraph (e).

Owners or spouses occupying residences owned by their spouses and previously occupied with the other spouse, either of whom fail to include the other spouse's name and Social Security number on the homestead application or provide the affidavits or other proof requested, will be deemed to have elected to receive only partial homestead treatment of their residence. The remainder of the residence will be classified as nonhomestead residential.

When an owner or spouse's name and Social Security number appear on homestead applications for two separate residences and only one application is signed, the owner or spouse will be deemed to have elected to homestead the residence for which the application was signed.

(d) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The Social Security number of each relative occupying the property and the name and Social Security number of the spouse of a relative occupying the property shall be required on the homestead application filed under this subdivision. If a different relative of the owner subsequently occupies the property, the owner of the property must notify the assessor within 30 days of the change in occupancy. The Social Security number of a relative occupying the property or the spouse of a relative occupying the property is private data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of revenue, or, for the purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

(e) The homestead application shall also notify the property owners that if the property is granted homestead status for any assessment year, that same property shall remain classified as homestead until the property is sold or transferred to another person, or the owners, the spouse of the owner, or the relatives no longer use the property as their homestead. Upon the sale or transfer of the homestead property, a certificate of value must be timely filed with the county auditor as provided under section 272.115. Failure to notify the assessor within 30 days that the property has been sold, transferred, or that the owner, the spouse of the owner, or the relative is no longer occupying the property as a homestead, shall result in the penalty provided under this subdivision and the property will lose its current homestead status.

(f) If a homestead application has not been filed with the county by December 15, the assessor shall classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner may be entitled to receive the homestead classification by proper application under section 375.192.

EFFECTIVE DATE. This section is effective for applications for homestead filed in 2020 and thereafter.

ARTICLE 18

DEPARTMENT OF REVENUE; PROPERTY TAXES; TECHNICAL

Section 1. Minnesota Statutes 2018, section 270C.85, subdivision 2, is amended to read:

Subd. 2. **Powers and duties.** The commissioner shall have and exercise the following powers and duties in administering the property tax laws~~.~~:

~~(a)~~ (1) confer with, advise, and give the necessary instructions and directions to local assessors and local boards of review throughout the state as to their duties under the laws of the state~~.~~;

~~(b)~~ (2) direct proceedings, actions, and prosecutions to be instituted to enforce the laws relating to the liability and punishment of public officers and officers and agents of corporations for failure or negligence to comply with the provisions of the property tax laws, and cause complaints to be made against local assessors, members of boards of equalization, members of boards of review, or any other assessing or taxing officer, to the proper authority, for their removal from office for misconduct or negligence of duty~~.~~;

~~(c)~~ (3) require county attorneys to assist in the commencement of prosecutions in actions or proceedings for removal, forfeiture, and punishment, for violation of the property tax laws in their respective districts or counties~~.~~;

~~(d)~~ (4) require town, city, county, and other public officers to report and certify information, at the parcel level or in the aggregate, as to the assessment and taxation of real and personal property, and such other information as may be needful in the work of the commissioner~~, in such form as the commissioner may prescribe~~. The commissioner shall prescribe the content, format, manner, and time of filing of all required reports and certifications;

~~(e)~~ (5) transmit to the governor, on or before the third Monday in December of each even-numbered year, and to each member of the legislature, on or before November 15 of each even-numbered year, the report of the department for the preceding years, showing all the taxable property subject to the property tax laws and the value of the same, in tabulated form~~.~~;

~~(f)~~ (6) inquire into the methods of assessment and taxation and ascertain whether the assessors faithfully discharge their duties~~.~~; and

~~(g)~~ (7) assist local assessors in determining the estimated market value of industrial special-use property. For purposes of this ~~paragraph~~ clause, "industrial special-use property" means property that:

~~(1)~~ (i) is designed and equipped for a particular type of industry;

~~(2)~~ (ii) is not easily adapted to some other use due to the unique nature of the facilities;

~~(3)~~ (iii) has facilities totaling at least 75,000 square feet in size; and

~~(4)~~ (iv) has a total estimated market value of $10,000,000 or greater based on the assessor's preliminary determination.

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

Sec. 2. Minnesota Statutes 2018, section 270C.89, subdivision 1, is amended to read:

Subdivision 1. **Initial report.** Each county assessor shall file ~~by April 1~~ with the commissioner a copy of ~~the abstract~~ preliminary assessment information that the commissioner may require under section 270C.85, subdivision 2, clause (4), that will be acted upon by the local and county boards of review. ~~The abstract must list the real and personal property in the county itemized by assessment districts.~~ The assessor of each county in the state shall file with the commissioner, within ten working days following final action of the local board of review or equalization and within five days following final action of the county board of equalization, any changes made by the local or county board. ~~The information must be filed in the manner prescribed by the commissioner.~~

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

Sec. 3. Minnesota Statutes 2018, section 270C.89, subdivision 2, is amended to read:

Subd. 2. **Final report.** The final ~~abstract of assessments~~ assessment information after adjustments by the State Board of Equalization and inclusion of any omitted property shall be ~~submitted~~ reported to the commissioner ~~on or before September 1 of each calendar year~~ under section 270C.85, subdivision 2, clause (4). ~~The final abstract must separately report the captured tax capacity of tax increment financing districts under section 469.177, subdivision 2, the areawide net tax capacity contribution values determined under sections 276A.05, subdivision 1, and 473F.07, subdivision 1, and the value subject to the power line credit under section 273.42.~~

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

Sec. 4. Minnesota Statutes 2018, section 270C.91, is amended to read:

270C.91 RECORD OF PROCEEDINGS CHANGING NET TAX CAPACITY; DUTIES OF COUNTY AUDITOR.

A record of all proceedings of the commissioner affecting any change in the net tax capacity of any property, as revised by the State Board of Equalization, shall be kept by the commissioner and a copy thereof, duly certified, shall be mailed each year to the auditor of each county wherein such property is situated, on or before June 30 ~~or 30 days after submission of the abstract required by section 270C.89, whichever is later~~. This record shall specify the amounts or amount, or both, added to or deducted from the net tax capacity of the real property of each of the several towns and cities, and of the real property not in towns or cities, also the percent or amount of both, added to or deducted from the several classes of personal property in each of the towns and cities, and also the amount added to or deducted from the assessment of any person. The county auditor shall add to or deduct from such tract or lot, or portion thereof, of any real property in the county the required percent or amount, or both, on the net tax capacity thereof as it stood after equalized by the county board, adding in each case a fractional sum of 50 cents or more, and deducting in each case any fractional sum of less than 50 cents, so that no net tax capacity of any separate tract or lot shall contain any fraction of a dollar; and add to, or deduct from, the several classes of personal property in the county the required percent or amount, or both, on the net tax capacity thereof as it stood after equalized by the county board, adding or deducting in manner aforesaid any fractional sum so that no net tax capacity of any separate class of personal property shall contain a fraction of a dollar, and add to or deduct from assessment of any person, as they stood after equalization by the county board, the required amounts to agree with the assessments as returned by the commissioner.

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

Sec. 5. Minnesota Statutes 2018, section 273.061, subdivision 9, is amended to read:

Subd. 9. **Additional general duties.** Additional duties of the county assessor ~~shall be~~ are as follows:

(1) to make all assessments, based upon the appraised values reported by the local assessors or assistants and the county assessor's own knowledge of the value of the property assessed;

(2) to personally view and determine the value of any property ~~which~~ that because of its type or character may be difficult for the local assessor to appraise;

(3) to make all changes ordered by the local boards of review, relative to the net tax capacity of the property of any individual, firm or corporation after notice has been given and hearings held as provided by law;

(4) to enter all assessments in the assessment books, furnished by the county auditor, with each book and the tabular statements for each book in correct balance;

(5) to prepare all assessment cards, charts, maps and any other forms prescribed by the commissioner of revenue;

(6) to attend the meeting of the county board of equalization; to investigate and report on any assessment ordered by said board; to enter all changes made by said board in the assessment books and prepare ~~the abstract of assessments for the commissioner of revenue~~ information reported to the commissioner under section 270C.85, subdivision 2, clause (4); to enter all changes made by the State Board of Equalization in the assessment books; to deduct all exemptions authorized by law from each assessment and certify to the county auditor the taxable value of each parcel of land, as described and listed in the assessment books by the county auditor, and the taxable value of the personal property of each person, firm, or corporation assessed;

(7) to investigate and make recommendations relative to all applications for the abatement of taxes or applications for the reduction of the net tax capacity of any property; and

(8) to perform all other duties relating to the assessment of property for the purpose of taxation which may be required by the commissioner of revenue.

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

Sec. 6. Minnesota Statutes 2018, section 273.0755, is amended to read:

273.0755 TRAINING AND EDUCATION OF PROPERTY TAX PERSONNEL.

(a) Beginning with the four-year period starting on July 1, 2000, every person licensed by the state Board of Assessors at the Accredited Minnesota Assessor level or higher, shall successfully complete a weeklong Minnesota laws course sponsored by the Department of Revenue at least once in every four-year period. An assessor need not attend the course if they successfully pass the test for the course.

(b) The commissioner of revenue may require that each county, and each city for which the city assessor performs the duties of county assessor, have ~~(i)~~ (1) a person on the assessor's staff who is certified by the Department of Revenue in sales ratio calculations, ~~(ii)~~ (2) an officer or employee who is certified by the Department of Revenue in tax calculations, and

~~(iii)~~ (3) an officer or employee who is certified by the Department of Revenue in the proper preparation of ~~abstracts of assessment. The commissioner of revenue may require that each county have an officer or employee who is certified by the Department of Revenue in the proper preparation of abstracts of tax lists~~ information reported to the commissioner under section 270C.85, subdivision 2, clause (4). Certifications under this paragraph expire after four years.

(c) Beginning with the four-year educational licensing period starting on July 1, 2004, every Minnesota assessor licensed by the State Board of Assessors must attend and participate in a seminar that focuses on ethics, professional conduct and the need for standardized assessment practices developed and presented by the commissioner of revenue. This requirement must be met at least once in every subsequent four-year period. This requirement applies to all assessors licensed for one year or more in the four-year period.

(d) When the commissioner of revenue determines that an individual or board that performs functions related to property tax administration has performed those functions in a manner that is not uniform or equitable, the commissioner may require that the individual or members of the board complete supplemental training. The commissioner may not require that an individual complete more than 32 hours of supplemental training pursuant to this paragraph. If the individual is required to complete supplemental training due to that individual's membership on a local or county board of appeal and equalization, the commissioner may not require that the individual complete more than two hours of supplemental training.

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

Sec. 7. Minnesota Statutes 2018, section 273.113, subdivision 3, is amended to read:

Subd. 3. **Reimbursement for lost revenue.** The county auditor shall certify to the commissioner of revenue~~, as part of the abstracts of tax lists required to be filed with the commissioner~~ under section ~~275.29~~ 270C.85, subdivision 2, clause (4), the amount of tax lost to the county from the property tax credit under subdivision 2. Any prior year adjustments must also be certified ~~in the abstracts of tax lists~~. The commissioner of revenue shall review the certifications to determine their accuracy. The commissioner may make the changes in the certification that are considered necessary or return a certification to the county auditor for corrections. The commissioner shall reimburse each taxing district, other than school districts, for the taxes lost. The payments must be made at the time provided in section 473H.10 for payment to taxing jurisdictions in the same proportion that the ad valorem tax is distributed. Reimbursements to school districts must be made as provided in section

273.1392. The amount necessary to make the reimbursements under this section is annually appropriated from the general fund to the commissioner of revenue.

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

Sec. 8. Minnesota Statutes 2018, section 273.119, subdivision 2, is amended to read:

Subd. 2. **Reimbursement for lost revenue.** The county may transfer money from the county conservation account created in section 40A.152 to the county revenue fund to reimburse the fund for the cost of the property tax credit. The county auditor shall certify to the commissioner of revenue~~, as part of the abstracts of tax lists required to be filed with the commissioner~~ under section ~~275.29~~ 270C.85, subdivision 2, clause (4), the amount of tax lost to the county from the property tax credit under subdivision 1 and the extent that the tax lost exceeds funds available in the county conservation account. Any prior year adjustments must also be certified ~~in the abstracts of tax lists~~. The commissioner of revenue shall review the certifications to determine their accuracy. The commissioner may make the changes in the certification that are considered necessary or return a certification to the county auditor for corrections. The commissioner shall reimburse each taxing district, other than school districts, from the Minnesota conservation fund under section 40A.151 for the taxes lost in excess of the county account. The payments must be made at the time provided in section 473H.10, subdivision 3, for payment to taxing jurisdictions in the same proportion that the ad valorem tax is distributed.

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

Sec. 9. Minnesota Statutes 2018, section 273.1231, subdivision 3, is amended to read:

Subd. 3. **Disaster or emergency area.** (a) "Disaster or emergency area" means a geographic area for which:

(1)(i) the president of the United States, the secretary of agriculture, or the administrator of the Small Business Administration has determined that a disaster exists pursuant to federal law, or

(ii) a local emergency has been declared pursuant to section 12.29; and

(2) an application by the local unit of government requesting property tax relief under this section has been received by the governor and approved by the executive council.

(b) The executive council must not approve an application unless:

(1) a completed disaster survey is included; and

(2) within the boundaries of the applicant, (i) the average damage for the buildings that are damaged is at least $5,000, and (ii) either at least 25 taxable buildings were damaged, or the total dollar amount of damage to all taxable buildings equals or exceeds one percent of the total taxable market value of buildings for the applicant as reported to the commissioner of revenue under section ~~270C.89, subdivision 2~~ 270C.85, subdivision 2, clause (4), for the assessment in the year prior to the year of the damage.

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

Sec. 10. Minnesota Statutes 2018, section 273.136, subdivision 2, is amended to read:

Subd. 2. **Reduction amounts submitted to county.** The commissioner of revenue shall determine, not later than April 1 of each year, the amount of reduction resulting from section 273.135 in each county containing a tax relief area as defined by section 273.134, paragraph (b), basing determinations on a review of ~~abstracts of tax lists submitted by the county auditors pursuant to section 275.29~~ information reported to the commissioner under section 270C.85, subdivision 2, clause (4). The commissioner may make changes ~~in the abstracts of tax lists~~ as deemed necessary. The commissioner of revenue, after such review, shall submit to the St. Louis County auditor, on or before April 15, the amount of the first half payment payable hereunder and on or before September 15 the amount of the second half payment.

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

Sec. 11. Minnesota Statutes 2018, section 273.1384, subdivision 3, is amended to read:

Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions allowed under subdivision 2 within the county for each taxes payable year and shall certify that amount to the commissioner of revenue ~~as a part of the abstracts of tax lists submitted by the county auditors under section 275.29~~ under section 270C.85, subdivision 2, clause (4). Any prior year adjustments shall also be certified ~~on the abstracts of tax lists~~. The commissioner shall review the certifications for accuracy, and may make such changes as are deemed necessary, or return the certification to the county auditor for correction. The credit under this section must be used to proportionately reduce the net tax capacity-based property tax payable to each local taxing jurisdiction as provided in section 273.1393.

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

Sec. 12. Minnesota Statutes 2018, section 273.1387, subdivision 3, is amended to read:

Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions allowed under this section within the county for each taxes payable year and shall certify that amount to the commissioner of revenue ~~as a part of the abstracts of tax lists submitted under section 275.29~~ under section 270C.85, subdivision 2, clause (4). Any prior year adjustments shall also be certified ~~on the abstracts of tax lists~~. The commissioner shall review the certifications for accuracy, and may make such changes as are deemed necessary, or return the certification to the county auditor for correction. The credit under this section must be used to reduce the school district net tax capacity-based property tax as provided in section 273.1393.

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

Sec. 13. Minnesota Statutes 2018, section 273.18, is amended to read:

273.18 LISTING, VALUATION, AND ASSESSMENT OF EXEMPT PROPERTY BY COUNTY AUDITORS.

(a) In every sixth year after the year 2010, the county auditor shall enter the description of each tract of real property exempt by law from taxation, with the name of the owner, and the assessor shall value and assess the same in the same manner that other real property is valued and assessed, and shall designate in each case the purpose for which the property is used.

(b) ~~For purposes of the apportionment of fire state aid under section 69.021, subdivision 7,~~ The county auditor shall include ~~on the abstract of assessment of exempt real property filed under this section~~ in the exempt property information that the commissioner may require under section 270C.85, subdivision 2, clause (4), the total number of acres of all natural resources lands for which in lieu payments are made under sections 477A.11 to 477A.14. The assessor shall estimate its market value, provided that if the assessor is not able to estimate the market value of the land on a per parcel basis, the assessor shall furnish the commissioner of revenue with an estimate of the average value per acre of this land within the county.

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

Sec. 14. Minnesota Statutes 2018, section 274.14, is amended to read:

274.14 LENGTH OF SESSION; RECORD.

The board must meet after the second Friday in June on at least one meeting day and may meet for up to ten consecutive meeting days. The actual meeting dates must be contained on the valuation notices mailed to each property owner in the county as provided in section 273.121. For this purpose, "meeting days" is defined as any day of the week excluding Sunday. At the board's discretion, "meeting days" may include Saturday. No action taken by the county board of review after June 30 is valid, except for corrections permitted in sections 273.01 and 274.01. The county auditor shall keep an accurate record of the proceedings and orders of the board. The record must be published like other proceedings of county commissioners. A copy of the published record must be sent to the commissioner of revenue~~, with the abstract of assessment required by section 274.16~~ within five days following final action of the county board of equalization.

For counties that conduct either regular board of review meetings or open book meetings, at least one of the meeting days must include a meeting that does not end before 7:00 p.m. For counties that require taxpayer appointments for the board of review, appointments must include some available times that extend until at least 7:00 p.m. The county may have a Saturday meeting in lieu of, or in addition to, the extended meeting times under this paragraph.

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

Sec. 15. Minnesota Statutes 2018, section 274.16, is amended to read:

274.16 CORRECTED LISTS~~, ABSTRACTS~~.

The county assessor or, in Ramsey County, the official designated by the board of county commissioners shall calculate the changes of the assessment lists determined by the county board of equalization, and make corrections accordingly, in the real or personal lists, or both, and shall make ~~duplicate abstracts~~ duplicates of them. One must be filed in the assessor's office, and one must be forwarded to the commissioner of revenue as provided in section 270C.89.

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

Sec. 16. Minnesota Statutes 2018, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **Levy amount.** The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined

in this section. The state general levy for commercial-industrial property is $784,590,000 for taxes payable in 2018 and thereafter. The state general levy for seasonal-recreational property is $44,190,000 for taxes payable in 2018 and thereafter. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F.

The commissioner shall increase or decrease the preliminary or final rate for a year as necessary to account for errors and tax base changes that affected a preliminary or final rate for either of the two preceding years. Adjustments are allowed to the extent that the necessary information is available to the commissioner at the time the rates for a year must be certified, and for the following reasons:

(1) an erroneous report of taxable value by a local official;

(2) an erroneous calculation by the commissioner; and

(3) an increase or decrease in taxable value for commercial-industrial or seasonal residential recreational property reported ~~on the abstracts of tax lists submitted under section 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89~~ to the commissioner under section 270C.85, subdivision 2, clause (4), for the same year.

The commissioner may, but need not, make adjustments if the total difference in the tax levied for the year would be less than $100,000.

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

Sec. 17. Minnesota Statutes 2018, section 290B.09, subdivision 1, is amended to read:

Subdivision 1. **Determination; payment.** The county auditor shall determine the total current year's deferred amount of property tax under this chapter in the county, and ~~submit~~ report those amounts ~~as part of the abstracts of tax lists submitted by the county auditors under section 275.29~~ to the commissioner under section 270C.85, subdivision 2, clause (4). The commissioner may make changes ~~in the abstracts of tax lists~~ as deemed necessary. The commissioner of revenue, after such review, shall pay the deferred amount of property tax to each county treasurer on or before August 31.

The county treasurer shall distribute as part of the October settlement the funds received as if they had been collected as a part of the property tax.

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

Sec. 18. Minnesota Statutes 2018, section 469.177, subdivision 1, is amended to read:

Subdivision 1. **Original net tax capacity.** (a) Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original net tax capacity of the tax increment financing district and that portion of the district overlying any subdistrict as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original net tax capacity has increased or decreased as a result of a change in tax exempt status of property within the district and any subdistrict, reduction or enlargement of the district or changes pursuant to subdivision 4. The auditor shall certify the amount within 30 days after receipt of the request and sufficient information to identify the parcels included in the district. The certification relates to the taxes payable year as provided in subdivision 6.

(b) If the classification under section 273.13 of property located in a district changes to a classification that has a different assessment ratio, the original net tax capacity of that property must be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed.

(c) The amount to be added to the original net tax capacity of the district as a result of previously tax exempt real property within the district becoming taxable equals the net tax capacity of the real property as most recently assessed pursuant to ~~section 273.18~~ information reported to the commissioner under section 270C.85, subdivision 2, clause (4), or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If improvements are made to tax exempt property after the municipality approves the district and before the parcel becomes taxable, the assessor shall, at the request of the authority, separately assess the estimated market value of the improvements. If the property becomes taxable, the county auditor shall add to original net tax capacity, the net tax capacity of the parcel, excluding the separately assessed improvements. If substantial taxable improvements were made to a parcel after certification of the district and if the property later becomes tax exempt, in whole or part, as a result of the authority acquiring the property through foreclosure or exercise of remedies under a lease or other revenue agreement or as a result of tax forfeiture, the amount to be added to the original net tax capacity of the district as a result of the property again becoming taxable is the amount of the parcel's value that was included in original net tax capacity when the parcel was first certified. The amount to be added to the original net tax capacity of the district as a result of enlargements equals the net tax capacity of the added real property as most recently certified by the commissioner

of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4.

(d) If the net tax capacity of a property increases because the property no longer qualifies under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act, chapter 473H, the Rural Preserve Property Tax Program under section 273.114, or because platted, unimproved property is improved or market value is increased after approval of the plat under section 273.11, subdivision 14a or 14b, the increase in net tax capacity must be added to the original net tax capacity. If the net tax capacity of a property increases because the property no longer qualifies for the homestead market value exclusion under section 273.13, subdivision 35, the increase in net tax capacity must be added to original net tax capacity if the original construction of the affected home was completed before the date the assessor certified the original net tax capacity of the district.

(e) The amount to be subtracted from the original net tax capacity of the district as a result of previously taxable real property within the district becoming tax exempt or qualifying in whole or part for an exclusion from taxable market value, or a reduction in the geographic area of the district, shall be the amount of original net tax capacity initially attributed to the property becoming tax exempt, being excluded from taxable market value, or being removed from the district. If the net tax capacity of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original net tax capacity of the district when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured net tax capacity of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

(f) If a parcel of property contained a substandard building or improvements described in section 469.174, subdivision 10, paragraph (e), that were demolished or removed and if the authority elects to treat the parcel as occupied by a substandard building under section 469.174, subdivision 10, paragraph (b), or by improvements under section 469.174, subdivision 10, paragraph (e), the auditor shall certify the original net tax capacity of the parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated

market value of the parcel for the year in which the building or other improvements were demolished or removed, but applying the classification rates for the current year.

(g) For a redevelopment district qualifying under section 469.174, subdivision 10, paragraph (a), clause (4), as a qualified disaster area, the auditor shall certify the value of the land as the original tax capacity for any parcel in the district that contains a building that suffered substantial damage as a result of the disaster or emergency.

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

Sec. 19. **REPEALER.**

Minnesota Statutes 2018, section 275.29, is repealed.

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

ARTICLE 19
FIRE STATE AID; TECHNICAL CHANGES

Section 1. **[477B.01] DEFINITIONS.**

Subdivision 1. **Scope.** Unless the language or context clearly indicates that a different meaning is intended, the following words and terms, for the purposes of this chapter and chapters 423A and 424A, have the meanings given to them.

Subd. 2. **Commissioner.** "Commissioner" means the commissioner of revenue.

Subd. 3. **Company or insurance company.** "Company" or "insurance company" has the meaning given in section 60A.02, subdivision 4.

Subd. 4. **Estimated market value.** "Estimated market value" has the meaning given in section 272.03, subdivision 14.

Subd. 5. **Fire department.** "Fire department" includes a municipal fire department and an independent nonprofit firefighting corporation.

Subd. 6. **Fire department service area.** "Fire department service area" means the area serviced by a qualifying fire department that meets the requirements of section 477B.02.

Subd. 7. **Independent nonprofit firefighting corporation.** "Independent nonprofit firefighting corporation" means an independent nonprofit firefighting corporation that meets the criteria in section 424A.094, subdivision 1, paragraph (a).

Subd. 8. **Minnesota Fire Premium Report.** "Minnesota Fire Premium Report" means a form for reporting by insurance companies of (1) gross direct fire, lightning, sprinkler

leakage, and extended coverage premiums received upon risks located or to be performed in this state less return premiums and dividends, and (2) other facts that the commissioner may require.

Subd. 9. **Municipal clerk.** "Municipal clerk" means the person elected or appointed to the position of municipal clerk or, if there is no such person, the chief financial official, the chief administrative official, or the person primarily responsible for managing the finances of a municipality.

Subd. 10. **Municipality.** (a) "Municipality" means:

(1) a home rule charter or statutory city;

(2) an organized town;

(3) a park district subject to chapter 398;

(4) the University of Minnesota; and

(5) an American Indian tribal government entity located within a federally recognized American Indian reservation.

(b) This subdivision only applies to chapter 477B.

Subd. 11. **Secretary.** "Secretary" means the secretary of an independent nonprofit firefighting corporation that has a subsidiary incorporated firefighters' relief association or whose firefighters participate in the voluntary statewide volunteer firefighter retirement plan.

Subd. 12. **Voluntary statewide volunteer firefighter retirement plan.** "Voluntary statewide volunteer firefighter retirement plan" means the retirement plan established under chapter 353G.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 2. **[477B.02] QUALIFYING FOR FIRE STATE AID.**

Subdivision 1. **Qualifications for fire state aid.** A municipality or independent nonprofit firefighting corporation qualifies to receive fire state aid if all the requirements of this section are met.

Subd. 2. **Establishment of fire department.** (a) An independent nonprofit firefighting corporation must be created under the nonprofit corporation act of this state operating for the exclusive purpose of firefighting, or the governing body of a municipality must officially establish a fire department.

(b) The fire department must have provided firefighting services for at least one calendar year.

Subd. 3. **Personnel and benefits requirements.** (a) A fire department must have a minimum of ten paid or volunteer firefighters, including a fire chief and assistant fire chief.

(b) The fire department must have regular scheduled meetings and frequent drills that include instructions in firefighting tactics and in the use, care, and operation of all fire apparatus and equipment.

(c) The fire department must have a separate subsidiary incorporated firefighters' relief association that provides retirement benefits or must participate in the voluntary statewide volunteer firefighter retirement plan; or if the municipality solely employs full-time firefighters as defined in section 299N.03, subdivision 5, retirement coverage must be provided by the public employees police and fire retirement plan.

(d) Notwithstanding paragraph (c), a municipality without a relief association as described under section 424A.08, paragraph (a), may still qualify to receive fire state aid if all other requirements of this section are met.

Subd. 4. **Equipment requirements.** The fire department must have all of the following equipment, or the equivalent as determined by the state fire marshal, by December 31 of the year preceding the certification required in subdivision 8:

(1) a motorized fire truck equipped with:

(i) a motorized pump;

(ii) a 250-gallon or larger water tank;

(iii) 300 feet of one inch or larger fire hose in two lines with combination spray and straight stream nozzles;

(iv) five-gallon hand pumps - tank extinguisher or equivalent;

(v) a dry chemical extinguisher or equivalent;

(vi) ladders;

(vii) extension ladders;

(viii) pike poles;

(ix) crowbars;

(x) axes;

(xi) lanterns; and

(xii) fire coats, helmets, and boots;

(2) the items in clause (1) suitably housed in a building of good construction with facilities for care of hoses and equipment;

(3) a reliable and adequate method of receiving fire alarms by telephone or with electric siren and suitable means of sounding an alarm; and

(4) if response is to be provided outside the corporate limits of the municipality where the fire department is located, another piece of motorized apparatus to make the response.

Subd. 5. **Fire service contract or agreement; apportionment agreement filing requirement.** (a) Every municipality or independent nonprofit firefighting corporation must file a copy of any duly executed and valid fire service contract or agreement with the commissioner.

(b) If more than one fire department provides service to a municipality, the fire departments furnishing service must enter into an agreement apportioning among themselves the percentage of the population and the percentage of the estimated market value of each shared service fire department service area. The agreement must be in writing and must be filed with the commissioner.

Subd. 6. **Compliance with rules.** The fire department must meet all other requirements that the commissioner establishes by rule.

Subd. 7. **Financial reporting requirements.** The financial reporting requirements of section 424A.014 must be satisfied.

Subd. 8. **PERA certification to commissioner.** On or before February 1 each year, if retirement coverage for a fire department is provided by the voluntary statewide volunteer firefighter retirement plan, the executive director of the Public Employees Retirement Association must certify the existence of retirement coverage.

Subd. 9. **Fire department certification to commissioner.** On or before March 15 of each year, the municipal clerk or the secretary, and the fire chief, must jointly certify to the commissioner that the fire department exists and meets the qualification requirements of this section. The certification must be on a form prescribed by the commissioner and must include all other information that the commissioner requires.

Subd. 10. **Penalty for failure to file certification.** (a) If the certification under subdivision 9 is not filed with the commissioner on or before March 15, the commissioner

must notify the municipal clerk or the secretary that a penalty equal to a portion or all of the current year aid will apply if the certification is not received within ten days of the postmark date of the notification.

(b) The penalty for failure to file the certification under subdivision 9 is equal to the amount of fire state aid determined for the municipality or the independent nonprofit firefighting corporation for the current year, multiplied by five percent for each week or fraction of a week that the certification is late. The penalty must be computed beginning ten days after the postmark date of the commissioner's notification. Aid amounts forfeited as a result of the penalty revert to the state general fund. Failure to receive the certification form is not a defense for a failure to file.

Subd. 11. **Determination by commissioner.** The commissioner must determine which municipalities and independent nonprofit firefighting corporations are qualified to receive fire state aid directly or are qualified to receive the benefit of fire state aid paid to the voluntary statewide volunteer firefighter retirement plan based on compliance with the requirements of this section and the financial compliance report required under section 6.495, subdivision 3, if applicable. The commissioner may take into account any other relevant information that comes to the attention of the commissioner when making the determination.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 3. **[477B.03] CALCULATION OF FIRE STATE AID; APPEAL.**

Subdivision 1. **Certification and calculation of fire state aid.** (a) On or before October 1, the commissioner must calculate the amount of fire state aid that each municipality or independent nonprofit firefighting corporation is to receive.

(b) The commissioner must calculate an initial fire state aid allocation amount for each municipality or independent nonprofit firefighting corporation under subdivision 4 and, if applicable, a minimum fire state aid allocation amount for each municipality or independent nonprofit firefighting corporation under subdivision 5. The municipality or independent nonprofit firefighting corporation must be apportioned the greater of the amounts calculated under subdivisions 4 and 5.

Subd. 2. **Apportionment of fire state aid.** (a) The amount of fire state aid available for apportionment, before the addition of the minimum fire state aid allocation amount under subdivision 5, is equal to 107 percent of the amount of premium taxes paid to the state upon the fire, lightning, sprinkler leakage, and extended coverage premiums reported to the

commissioner by companies or insurance companies on the Minnesota Fire Premium Report. This amount must be reduced by the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters' relief associations.

(b) The total amount available for apportionment must not be less than two percent of the premiums less return premiums reported to the commissioner by companies or insurance companies on the Minnesota Fire Premium Report after subtracting the following amounts:

(1) the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters' relief associations; and

(2) one percent of the premiums reported by township mutual insurance companies and mutual property and casualty companies with total assets of $5,000,000 or less.

(c) The commissioner must apportion the fire state aid to each municipality or independent nonprofit firefighting corporation qualified under section 477B.02 relative to the premiums reported on the Minnesota Fire Premium Reports filed under this chapter.

(d) The commissioner must calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid using the same premiums as a basis for comparison.

Subd. 3. **Population and estimated market value.** (a) Official statewide federal census figures must be used in calculations requiring the use of population figures under this chapter. Increases or decreases in population disclosed by reason of any special census must not be taken into consideration.

(b) The latest available estimated market value property figures must be used in calculations requiring the use of estimated market value property figures under this chapter.

Subd. 4. **Initial fire state aid allocation amount.** (a) The initial fire state aid allocation amount is the amount available for apportionment as fire state aid under subdivision 2, without the inclusion of any additional funding amount to support a minimum fire state aid amount under section 423A.02, subdivision 3. The initial fire state aid allocation amount is allocated one-half in proportion to the population for each fire department service area and one-half in proportion to the estimated market value of each fire department service area, including (1) the estimated market value of tax-exempt property, and (2) the estimated market value of natural resources lands receiving in lieu payments under sections 477A.11 to 477A.14 and 477A.17. The estimated market value of minerals is excluded.

(b) In the case of a municipality or independent nonprofit firefighting corporation furnishing fire protection to other municipalities as evidenced by valid fire service contracts

filed with the commissioner under section 477B.02, subdivision 5, the distribution must be adjusted proportionately to take into consideration the crossover fire protection service. Necessary adjustments must be made to subsequent apportionments.

(c) In the case of municipalities or independent nonprofit firefighting corporations qualifying for aid, the commissioner must calculate the state aid for the municipality or independent nonprofit firefighting corporation on the basis of the population and the estimated market value of the area furnished fire protection service by the fire department as evidenced by fire service agreements filed with the commissioner under section 477B.02, subdivision 5.

(d) In the case of more than one fire department furnishing contracted fire service to a municipality, the population and estimated market value in the apportionment agreement filed with the commissioner under section 477B.02, subdivision 5, must be used in calculating the state aid.

Subd. 5. **Minimum fire state aid allocation amount.** (a) The minimum fire state aid allocation amount is the amount derived from any additional funding amount to support a minimum fire state aid amount under section 423A.02, subdivision 3. The minimum fire state aid allocation amount is allocated to municipalities or independent nonprofit firefighting corporations with volunteer firefighters' relief associations or covered by the voluntary statewide volunteer firefighter retirement plan. The amount is based on the number of active volunteer firefighters who are (1) members of the relief association as reported to the Office of the State Auditor in a specific annual financial reporting year as specified in paragraphs (b) to (d), or (2) covered by the voluntary statewide volunteer firefighter retirement plan as specified in paragraph (e).

(b) For relief associations established in calendar year 1993 or a prior year, the number of active volunteer firefighters equals the number of active volunteer firefighters who were members of the relief association as reported in the annual financial reporting for calendar year 1993, but not to exceed 30 active volunteer firefighters.

(c) For relief associations established in calendar year 1994 through calendar year 1999, the number of active volunteer firefighters equals the number of active volunteer firefighters who were members of the relief association as reported in the annual financial reporting for calendar year 1998 to the Office of the State Auditor, but not to exceed 30 active volunteer firefighters.

(d) For relief associations established after calendar year 1999, the number of active volunteer firefighters equals the number of active volunteer firefighters who are members

of the relief association as reported in the first annual financial reporting submitted to the Office of the State Auditor, but not to exceed 20 active volunteer firefighters.

(e) If a relief association is terminated as a result of providing retirement coverage for volunteer firefighters by the voluntary statewide volunteer firefighter retirement plan under chapter 353G, the number of active volunteer firefighters equals the number of active volunteer firefighters of the municipality or independent nonprofit firefighting corporation covered by the statewide plan as certified by the executive director of the Public Employees Retirement Association to the commissioner and the state auditor, but not to exceed 30 active firefighters.

Subd. 6. **Corrective aid adjustments.** Any adjustments needed to correct prior misallocations must be made to subsequent fire state aid apportionments.

Subd. 7. **Appeal.** A municipality, an independent nonprofit firefighting corporation, a fire relief association, or the voluntary statewide volunteer firefighter retirement plan may object to the amount of fire state aid apportioned to it by filing a written request with the commissioner to review and adjust the apportionment of funds within the state. The decision of the commissioner is subject to appeal, review, and adjustment by the district court in the county in which the applicable municipality or independent nonprofit firefighting corporation is located or by the Ramsey County District Court with respect to the voluntary statewide volunteer firefighter retirement plan.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 4. **[477B.04] APPROPRIATION, PAYMENT, AND ADMINISTRATION.**

Subdivision 1. **Payments.** (a) The commissioner must make payments to the Public Employees Retirement Association for deposit in the voluntary statewide volunteer firefighter retirement fund on behalf of a municipality or independent nonprofit firefighting corporation that is a member of the voluntary statewide volunteer firefighter retirement plan under chapter 353G, or directly to a municipality or county designated by an independent nonprofit firefighting corporation. The payment is equal to the amount of fire state aid apportioned to the applicable fire state aid recipient under section 477B.03.

(b) Fire state aid is payable on October 1 annually. The amount of state aid due and not paid by October 1 accrues interest payable to the recipient at the rate of one percent for each month or part of a month that the amount remains unpaid after October 1.

(c) The interest under paragraph (b) does not apply when payment has not been made by October 1 due to noncompliance with sections 424A.014 and 477B.02, subdivision 7.

Subd. 2. **Appropriation.** The amount necessary to make the payments under this section and section 477B.03 is annually appropriated to the commissioner from the general fund.

Subd. 3. **Deposit of state aid.** (a) If the municipality or the independent nonprofit firefighting corporation is covered by the voluntary statewide volunteer firefighter retirement plan under chapter 353G, the executive director of the Public Employees Retirement Association must credit the fire state aid against future municipal contribution requirements under section 353G.08 and must notify the municipality or the independent nonprofit firefighting corporation of the fire state aid so credited at least annually.

(b) If the municipality or the independent nonprofit firefighting corporation is not covered by the voluntary statewide volunteer firefighter retirement plan, the treasurer of the municipality must, within 30 days after receipt, transmit the fire state aid to the treasurer of the duly incorporated firefighters' relief association if there is one organized and the association has filed a financial report with the municipality pursuant to section 424A.014, subdivision 1 or 2, whichever applies. If the relief association has not filed a financial report with the municipality, the treasurer of the municipality must delay transmission of the fire state aid to the relief association until the complete financial report is filed.

(c) The treasurer of the municipality must deposit the fire state aid money in the municipal treasury if (1) the municipality or independent nonprofit firefighting corporation is not covered by the voluntary statewide volunteer firefighter retirement plan, (2) there is no relief association organized, (3) the association has dissolved, or (4) the association has been removed as trustees of state aid. The money may be disbursed from the municipal treasury only for the purposes and in the manner set forth in section 424A.08 or for the payment of the employer contribution requirement with respect to firefighters covered by the public employees police and fire retirement plan under section 353.65, subdivision 3.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 5. **[477B.05] SHORTFALL FROM GENERAL FUND.**

(a) If the annual funding requirements of fire relief associations or consolidation accounts under sections 424A.091 to 424A.095 or Laws 2013, chapter 111, article 5, sections 31 to 42, exceed all applicable revenue sources of a given year, including the insurance premium taxes funding fire state aid under this chapter as set under section 297I.05, subdivisions 2, 3, and 4, the shortfall in the annual funding requirements must be paid from the general fund to the extent appropriated by the legislature.

(b) Nothing in this section relieves any municipality from its obligation to a relief association or consolidation account under law.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 6. **PURPOSE.**

It is the intent of the legislature to make Minnesota's fire and police state aid laws more understandable by separating and recodifying disparate administration and compliance provisions currently contained in chapter 69 of Minnesota Statutes. Due to the complexity of the recodification, prior provisions are repealed on the effective date of the new provisions.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 7. **REPEALER.**

Minnesota Statutes 2018, sections 69.011, subdivisions 1, 2, 2b, 2c, 3, and 4; 69.021, subdivisions 1, 2, 3, 4, 5, 7, 7a, 8, 9, 10, and 11; 69.031, subdivisions 1, 3, and 5; and 69.041, are repealed.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

ARTICLE 20
POLICE STATE AID; TECHNICAL CHANGES

Section 1. **[477C.01] DEFINITIONS.**

Subdivision 1. **Scope.** Unless the language or context clearly indicates that a different meaning is intended, the following words and terms, for the purposes of this chapter and chapter 423A have the meanings given to them.

Subd. 2. **Commissioner.** "Commissioner" means the commissioner of revenue.

Subd. 3. **Company or insurance company.** "Company" or "insurance company" has the meaning given in section 60A.02, subdivision 4.

Subd. 4. **Minnesota Aid to Police Premium Report.** "Minnesota Aid to Police Premium Report" means a form for reporting the total gross premiums, less return premiums and dividends, on all direct business received by an insurance company in this state during the preceding calendar year, with reference to insurance written for perils contained in auto insurance coverages as reported to the National Association of Insurance Commissioners and the commissioner of commerce.

Subd. 5. **Municipal clerk, municipal clerk-treasurer, or county auditor.** "Municipal clerk," "municipal clerk-treasurer," or "county auditor" means:

(1) the person elected or appointed to the position of municipal clerk, municipal clerk-treasurer, or county auditor or, if there is no such person, the chief financial official or the person primarily responsible for managing the finances of a municipality;

(2) for a park district, the secretary of the board of park district commissioners;

(3) for the University of Minnesota, the official designated by the Board of Regents;

(4) for the Metropolitan Airports Commission, the person designated by the commission;

(5) for the Departments of Natural Resources and Public Safety, the respective commissioner of the agency; and

(6) for a tribal police department that exercises state arrest powers under section 626.90, 626.91, 626.92, or 626.93, the person designated by the applicable American Indian tribal government.

Subd. 6. **Municipality.** (a) "Municipality" means:

(1) a home rule charter or statutory city;

(2) an organized town;

(3) a county;

(4) a park district subject to chapter 398;

(5) the University of Minnesota;

(6) an American Indian tribal government with a tribal police department that exercises state arrest powers under section 626.90, 626.91, 626.92, or 626.93;

(7) the Metropolitan Airports Commission; and

(8) the Departments of Natural Resources and Public Safety with respect to peace officers covered under chapter 352B.

(b) This subdivision only applies to chapter 477C.

Subd. 7. **Peace officer.** "Peace officer" means any person:

(1) whose primary source of income derived from wages is from direct employment by a municipality as a law enforcement officer on a full-time basis of not less than 30 hours per week;

(2) who has been employed for a minimum of six months before December 31 preceding the date of the current year's certification under section 477C.02, subdivision 1;

(3) who is sworn to enforce the general criminal laws of the state and local ordinances;

(4) who is licensed by the Peace Officers Standards and Training Board and is authorized to arrest with a warrant; and

(5) who is a member of the State Patrol retirement plan or the public employees police and fire fund.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 2. **[477C.02] QUALIFYING FOR POLICE STATE AID.**

Subdivision 1. **Certification to commissioner.** (a) A certification made under this section must be filed with the commissioner on a form prescribed by the commissioner and must include all other facts that the commissioner requires.

(b) Except as provided in subdivision 2, on or before March 15 annually, the municipal clerk, municipal clerk-treasurer, or county auditor of each municipality employing one or more peace officers must certify to the commissioner the number of peace officers employed during the previous calendar year. No peace officer may be included in the certification by more than one municipality for the same month.

(c) Credit for peace officers employed less than a full year must be apportioned. Each full month of employment of a qualifying officer during the calendar year entitles the employing municipality to credit for 1/12 of the payment for employment of a peace officer for the entire year. For purposes of this chapter, employment of a peace officer begins when the peace officer is entered on the payroll of the employing municipality.

Subd. 2. **Departments of Natural Resources and Public Safety.** On or before March 15 annually, the commissioner of natural resources must certify the number of peace officers employed by the Enforcement Division and the commissioner of public safety must certify the number of peace officers employed by the Bureau of Criminal Apprehension, the Gambling Enforcement Division, and the State Patrol Division. The certification must be on the form described in subdivision 1, paragraph (a). Peace officers certified under this subdivision must be included in the total certifications under subdivision 1.

Subd. 3. **Ineligibility of certain peace officers.** A peace officer employed by the University of Minnesota who is required by the Board of Regents to be a member of the

University of Minnesota faculty retirement plan is not eligible to be included in any police state aid certification under this section.

Subd. 4. **Penalty for failure to file certification.** (a) If a certification under subdivision 1 or 2 is not filed with the commissioner on or before March 15, the commissioner must notify the municipal clerk, municipal clerk-treasurer, or county auditor that a penalty equal to a portion or all of its current year aid will apply if the certification is not received within ten days.

(b) The penalty for failure to file the certification under subdivision 1 or 2 is equal to the amount of police state aid determined for the municipality for the current year, multiplied by five percent for each week or fraction of a week that the certification is late. The penalty must be computed beginning ten days after the postmark date of the commissioner's notification as required under this subdivision. All aid amounts forfeited as a result of the penalty revert to the state general fund. Failure to receive the certification form may not be used as a defense for a failure to file.

Subd. 5. **Determination by commissioner.** The commissioner must determine which municipalities are qualified to receive police state aid based on compliance with the requirements of this section. The commissioner may take into account any other relevant information that comes to the attention of the commissioner when making the determination.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 3. **[477C.03] CALCULATION OF POLICE STATE AID; APPEAL.**

Subdivision 1. **Certification and calculation of police state aid.** (a) On or before October 1, the commissioner must calculate the amount of police state aid that each municipality is to receive.

(b) The commissioner must calculate an excess police state aid amount for each municipality under subdivision 3 and must reduce the apportionment amount for each municipality based on the calculation.

Subd. 2. **Apportionment of police state aid.** (a) The total amount available for apportionment as police state aid is equal to 104 percent of the amount of premium taxes paid to the state on the premiums reported to the commissioner by companies or insurance companies on the Minnesota Aid to Police Premium Report. The total amount for apportionment for the police state aid program must not be less than two percent of the amount of premiums reported to the commissioner by companies or insurance companies on the Minnesota Aid to Police Premium Report.

(b) The commissioner must calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid using the same premiums as a basis for comparison.

(c) In addition to the amount for apportionment of police state aid under paragraph (a), each year $100,000 must be apportioned for police state aid. An amount sufficient to pay this increase is annually appropriated from the general fund.

(d) The commissioner must apportion police state aid to all municipalities in proportion to the relationship that the total number of peace officers employed by that municipality for the prior calendar year and the proportional or fractional number who were employed less than a calendar year as credited under section 477C.02, subdivision 1, paragraph (c), bears to the total number of peace officers employed by all municipalities subject to any reduction under subdivision 3.

(e) Any necessary additional adjustments must be made to subsequent police state aid apportionments.

Subd. 3. **Apportionment reduction; excess police state aid.** (a) The commissioner must reduce the apportionment of police state aid under this section for eligible municipalities by the amount of any excess police state aid calculated under this subdivision.

(b) The commissioner must calculate the amount of excess police state aid for each municipality as follows:

(1) for municipalities in which police retirement coverage is provided wholly by the public employees police and fire fund and all peace officers are members of the plan governed by sections 353.63 to 353.657, the excess police state aid amount equals the amount of police state aid apportioned under subdivision 2 that exceeds the employer's total prior calendar year obligation as defined in paragraph (c), as certified by the executive director of the Public Employees Retirement Association;

(2) for the Metropolitan Airports Commission, the excess police state aid amount equals the amount of apportioned police aid calculated under subdivision 2 that exceeds the commission's total prior calendar year obligation as defined in paragraph (c), as certified by the executive director of the Public Employees Retirement Association; and

(3) for the Departments of Natural Resources and Public Safety, the excess police state aid amount equals the amount of apportioned police aid calculated under subdivision 2 that exceeds the employer's total prior calendar year obligation under section 352B.02, subdivision

1c, for plan members who are peace officers, as certified by the executive director of the Minnesota State Retirement System.

(c) The municipality's total prior calendar year obligation with respect to the public employees police and fire plan under paragraph (b), clause (1), is the total prior calendar year obligation under section 353.65, subdivision 3, for police officers as defined in section 353.64, subdivisions 1, la, and 2, and the actual total prior calendar year obligation under section 353.65, subdivision 3, for firefighters, as defined in section 353.64, subdivisions 1, la, and 2, but not to exceed for those firefighters the applicable following employer calendar year amount:

Municipality	Maximum Amount
Albert Lea	$54,157.01
Anoka	10,399.31
Apple Valley	5,442.44
Austin	49,864.73
Bemidji	27,671.38
Brooklyn Center	6,605.92
Brooklyn Park	24,002.26
Burnsville	15,956.00
Cloquet	4,260.49
Coon Rapids	39,920.00
Cottage Grove	8,588.48
Crystal	5,855.00
East Grand Forks	51,009.88
Edina	32,251.00
Elk River	5,216.55
Ely	13,584.16
Eveleth	16,288.27
Fergus Falls	6,742.00
Fridley	33,420.64
Golden Valley	11,744.61
Hastings	16,561.00
Hopkins	4,324.23
International Falls	14,400.69
Lakeville	782.35
Lino Lakes	5,324.00
Little Falls	7,889.41
Maple Grove	6,707.54

Maplewood	8,476.69
Minnetonka	10,403.00
Montevideo	1,307.66
Moorhead	68,069.26
New Hope	6,739.72
North St. Paul	4,241.14
Northfield	770.63
Owatonna	37,292.67
Plymouth	6,754.71
Red Wing	3,504.01
Richfield	53,757.96
Rosemount	1,712.55
Roseville	9,854.51
St. Anthony	33,055.00
St. Louis Park	53,643.11
Thief River Falls	28,365.04
Virginia	31,164.46
Waseca	11,135.17
West St. Paul	15,707.20
White Bear Lake	6,521.04
Woodbury	3,613.00
any other municipality	0.00

(d) The total amount of excess police state aid must be deposited in the excess police state aid account in the general fund, and administered and distributed as provided in subdivision 4.

Subd. 4. **Excess police state aid holding account.** (a) The excess police state aid holding account is established in the general fund. The excess police state aid holding account is administered by the commissioner.

(b) Excess police state aid determined under subdivision 3 must be deposited annually in the excess police state aid holding account.

(c) From the balance in the excess police state aid holding account, $900,000 must be canceled annually to the general fund.

(d) On October 1 annually, one-half of the balance of the excess police state aid holding account remaining after the deduction under paragraph (c) is appropriated for additional amortization aid under section 423A.02, subdivision 1b.

(e) The remaining balance in the excess police state aid holding account, after the deductions under paragraphs (c) and (d), must be canceled annually to the general fund.

Subd. 5. **Appeal.** A municipality may object to the amount of police state aid apportioned to it by filing a written request with the commissioner to review and adjust the apportionment of funds to the municipality. The decision of the commissioner is subject to appeal, review, and adjustment by the district court in the county in which the applicable municipality is located or by the Ramsey County District Court with respect to the Departments of Natural Resources or Public Safety.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 4. **[477C.04] APPROPRIATION, PAYMENT, AND ADMINISTRATION.**

Subdivision 1. **Payments.** (a) The commissioner must make payments to the municipality equal to the amount of police state aid apportioned to the applicable state aid recipient under section 477C.03.

(b) Police state aid is payable on October 1 annually. The amount of state aid due and not paid by October 1 accrues interest payable to the recipient at the rate of one percent for each month or part of a month that the amount remains unpaid after October 1.

Subd. 2. **Appropriation.** (a) The amount necessary to make the payments under this section and section 477C.03 is annually appropriated to the commissioner from the general fund.

(b) The police state aid apportioned to the Departments of Public Safety and Natural Resources under section 477C.03 is allocated to the commissioner of management and budget for transfer to the funds and accounts from which the salaries of peace officers certified under section 477C.02, subdivision 2, are paid. On or before October l, the commissioner of revenue must certify to the commissioners of public safety, natural resources, and management and budget the amounts to be transferred from the appropriation for police state aid. The commissioners of public safety and natural resources must certify to the commissioner of management and budget the amounts to be credited to each of the funds and accounts from which the peace officers employed by their respective departments are paid.

Subd. 3. **Deposit of state aid.** (a) For a municipality in which police retirement coverage is provided by the public employees police and fire fund and all peace officers are members of the fund, including municipalities covered by section 353.665, the total state aid must

be applied toward the municipality's employer contribution to the public employees police and fire fund under sections 353.65, subdivision 3, and 353.665, subdivision 8.

(b) The county treasurer, upon receipt of the police state aid for the county, must apply the total state aid toward the county's employer contribution to the public employees police and fire fund under section 353.65, subdivision 3.

(c) The designated Metropolitan Airports Commission official, upon receipt of the police state aid for the Metropolitan Airports Commission, must apply the total police state aid toward the commission's employer contribution for peace officers to the public employees police and fire plan under section 353.65, subdivision 3.

(d) The commissioners of public safety and natural resources must allocate the police state aid first for employer contributions funded from the general fund and then for employer contributions funded from other funds. For peace officers employed by the Departments of Natural Resources or Public Safety whose salaries are paid from the general fund, the amounts transferred from the appropriation for police state aid must be canceled to the general fund.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

ARTICLE 21

FIRE AND POLICE STATE AID; MISCELLANEOUS TECHNICAL CHANGES

Section 1. **[297I.26] FIRE AND POLICE PREMIUM REPORTS.**

Subdivision 1. **Filing reports.** (a) Each company must file with the commissioner the reports defined in sections 477B.01, subdivision 8, and 477C.01, subdivision 4, signed by the authorized representative of the company, on or before March 1 annually. The fire and extended coverage portion of multiperil package premiums and all other combination premiums must be determined by applying percentages determined by the commissioner or by rating bureaus recognized by the commissioner. The commissioner shall prescribe the content, form, and manner of the reports.

(b) The commissioner must notify each company that fails to timely file the report required under paragraph (a). The notice must demand that the company file the report within 30 days. Where good cause exists, the commissioner may extend the period for filing the report as long as a request for extension is filed by the company before the expiration of the 30-day period.

Subd. 2. **Penalties.** (a) A company that fails to file the report on or before the due date in subdivision 1 is liable for a penalty equal to $25 for each seven days, or fraction thereof, that the report is delinquent, but not to exceed $200.

(b) Any person whose duty it is to file the report and who fails or refuses to file within 30 days after the postmark of the notice in subdivision 1 must be fined an amount of no more than $1,000.

(c) Any company that knowingly makes and files an inaccurate or false report is liable for a fine in an amount not less than $25 nor more than $1,000, as determined by the commissioner, and the commissioner of commerce may revoke the company's certificate of authority.

EFFECTIVE DATE. This section is effective for reports filed after December 31, 2019.

Sec. 2. **[424A.014] FINANCIAL REPORT; BOND; EXAMINATION.**

Subdivision 1. **Financial report and audit.** (a) The board of the Bloomington Fire Department Relief Association and each volunteer firefighters relief association with assets of at least $500,000 or liabilities of at least $500,000 in the prior year or in any previous year, according to the applicable actuarial valuation or according to the financial report if no valuation is required, must prepare a financial report covering the special and general funds of the relief association for the preceding fiscal year, file the financial report, and submit financial statements.

(b) The financial report must contain financial statements and disclosures that present the true financial condition of the relief association and the results of relief association operations in conformity with generally accepted accounting principles and in compliance with the regulatory, financing, and funding provisions of this chapter and any other applicable laws. The financial report must be countersigned by:

(1) the municipal clerk or clerk-treasurer of the municipality in which the relief association is located if the relief association is a firefighters' relief association that is directly associated with a municipal fire department;

(2) the municipal clerk or clerk-treasurer of the largest municipality in population that contracts with the independent nonprofit firefighting corporation if the volunteer firefighter relief association is a subsidiary of an independent nonprofit firefighting corporation, and by the secretary of the independent nonprofit firefighting corporation; or

(3) the chief financial official of the county in which the volunteer firefighter relief association is located or primarily located if the relief association is associated with a fire department that is not located in or associated with an organized municipality.

(c) The financial report must be retained in the office of the Bloomington Fire Department Relief Association or the volunteer firefighter relief association for public inspection and must be filed with the governing body of the government subdivision in which the associated fire department is located after the close of the fiscal year. One copy of the financial report must be furnished to the state auditor after the close of the fiscal year.

(d) Audited financial statements must be attested to by a certified public accountant or by the state auditor and must be filed with the state auditor on or before June 30 after the close of the fiscal year. The state auditor may accept this report in lieu of the report required in paragraph (c).

Subd. 2. **Financial statement.** (a) The board of each volunteer firefighter relief association that is not required to file a financial report and audit under subdivision 1 must prepare a detailed statement of the financial affairs for the preceding fiscal year of the relief association's special and general funds in the style and form prescribed by the state auditor. The detailed statement must show:

(1) the sources and amounts of all money received;

(2) all disbursements, accounts payable, and accounts receivable;

(3) the amount of money remaining in the treasury;

(4) total assets, including a listing of all investments;

(5) the accrued liabilities; and

(6) all other items necessary to show accurately the revenues and expenditures and financial position of the relief association.

(b) The detailed financial statement of the special and general funds required under paragraph (a) must be certified by a certified public accountant or by the state auditor in accordance with agreed-upon procedures and forms prescribed by the state auditor. The accountant must have at least five years of public accounting, auditing, or similar experience and must not be an active, inactive, or retired member of the relief association or the fire department.

(c) The detailed financial statement required under paragraph (a) must be countersigned by:

(1) the municipal clerk or clerk-treasurer of the municipality;

(2) where applicable, the municipal clerk or clerk-treasurer of the largest municipality in population that contracts with the independent nonprofit firefighting corporation if the relief association is a subsidiary of an independent nonprofit firefighting corporation, and by the secretary of the independent nonprofit firefighting corporation; or

(3) the chief financial official of the county in which the volunteer firefighter relief association is located or primarily located if the relief association is associated with a fire department that is not located in or associated with an organized municipality.

(d) The volunteer firefighters relief association board must submit a copy of the detailed financial statement required under paragraph (a) that has been certified by the governing body of the municipality to the state auditor on or before March 31 after the close of the fiscal year.

(e) A certified public accountant or auditor who performs the agreed-upon procedures under paragraph (b) is subject to the reporting requirement of section 6.67.

Subd. 3. **Qualification.** The state auditor may, upon a demonstration by a relief association of hardship or an inability to conform, extend the deadline for reports under subdivision 1 or 2, but not beyond November 30 following the due date. If the reports are not received by November 30, the municipality or relief association forfeits its current year state aid, and, until the state auditor receives the required information, the relief association or municipality is ineligible to receive any future state aid. A municipality or relief association does not qualify initially to receive, or be entitled subsequently to retain, fire state aid and police and firefighter retirement supplemental state aid payable under chapter 477B and section 423A.022 if the financial reporting requirement or the applicable requirements of this chapter or any other statute or special law have not been complied with or are not fulfilled.

Subd. 4. **Treasurer bond.** (a) The treasurer of the Bloomington Fire Department Relief Association may not enter upon duties without having given the association a bond in a reasonable amount acceptable to the municipality for the faithful discharge of duties according to law.

(b) No treasurer of a relief association governed by sections 424A.091 to 424A.096 may enter upon the duties of the office until the treasurer has given the association a good and sufficient bond in an amount equal to at least ten percent of the assets of the relief association; however, the amount of the bond need not exceed $500,000.

Subd. 5. **Report by certain municipalities; exceptions.** (a) The chief administrative officer of each municipality that has a fire department but does not have a relief association governed by sections 424A.091 to 424A.095 or Laws 2014, chapter 275, article 2, section 23, and that is not exempted under paragraph (b) or (c) must annually prepare a detailed financial report of the receipts and disbursements by the municipality for fire protection service during the preceding calendar year on a form prescribed by the state auditor. The financial report must contain any information that the state auditor deems necessary to disclose the sources of receipts and the purpose of disbursements for fire protection service. The financial report must be signed by the municipal clerk or clerk-treasurer with the state auditor on or before July 1 annually. The municipality does not qualify initially to receive, and is not entitled subsequently to retain, any fire state aid and police and firefighter retirement supplemental state aid payable under chapter 477B and section 423A.022 if the financial reporting requirement or the applicable requirements of any other statute or special law have not been complied with or are not fulfilled.

(b) Each municipality that has a fire department and provides retirement coverage to its firefighters through the voluntary statewide volunteer firefighter retirement plan under chapter 353G qualifies to have fire state aid transmitted to and retained in the statewide volunteer firefighter retirement fund without filing a detailed financial report if the executive director of the Public Employees Retirement Association certifies compliance by the municipality with the requirements of sections 353G.04 and 353G.08, subdivision 1, paragraph (e), and certifies conformity by the applicable fire chief with the requirements of section 353G.07.

(c) Each municipality qualifies to receive fire state aid under chapter 477B without filing a financial report under paragraph (a) if the municipality:

(1) has a fire department;

(2) does not have a volunteer firefighters relief association directly associated with its fire department;

(3) does not participate in the statewide volunteer firefighter retirement plan under chapter 353G;

(4) provides retirement coverage to its firefighters through the public employees police and fire retirement plan under sections 353.63 to 353.68; and

(5) is certified by the executive director of the Public Employees Retirement Association to the state auditor to have had an employer contribution under section 353.65, subdivision

3, for its firefighters for the immediately prior calendar year equal to or greater than its fire state aid for the immediately prior calendar year.

Subd. 6. **Notification by commissioner of revenue and state auditor.** (a) The state auditor, in performing an audit or examination, must notify the Legislative Commission on Pensions and Retirement if the audit or examination reveals malfeasance, misfeasance, or nonfeasance in office by relief association officials or municipal officials.

(b) The commissioner of revenue must notify the Legislative Commission on Pensions and Retirement if the state auditor has not filed the required financial compliance reports by July 1.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 3. Minnesota Statutes 2018, section 424A.05, is amended by adding a subdivision to read:

Subd. 3b. **Authorized administrative expenses from special fund.** (a) Notwithstanding any provision of law to the contrary, the payment of the following necessary, reasonable, and direct expenses of maintaining, protecting, and administering the special fund, when provided for in the bylaws of the association and approved by the board of trustees, constitutes authorized administrative expenses of a volunteer firefighters relief association organized under any law of the state or the Bloomington Fire Department Relief Association:

(1) office expenses, including but not limited to rent, utilities, equipment, supplies, postage, periodical subscriptions, furniture, fixtures, and salaries of administrative personnel;

(2) salaries of the officers of the association or their designees, and salaries of the members of the board of trustees of the association if the salary amounts are approved by the governing body of the entity that is responsible for meeting any minimum obligation under section 424A.092 or 424A.093 or Laws 2013, chapter 111, article 5, sections 31 to 42, and the itemized expenses of relief association officers and board members that are incurred as a result of fulfilling their responsibilities as administrators of the special fund;

(3) tuition, registration fees, organizational dues, and other authorized expenses of the officers or members of the board of trustees incurred in attending educational conferences, seminars, or classes relating to the administration of the relief association;

(4) audit and audit-related services, accounting and accounting-related services, and actuarial, medical, legal, and investment and performance evaluation expenses;

(5) filing and application fees payable by the relief association to federal or other government entities;

(6) reimbursement to the officers and members of the board of trustees or their designees, for reasonable and necessary expenses actually paid and incurred in the performance of their duties as officers or members of the board; and

(7) premiums on fiduciary liability insurance and official bonds for the officers, members of the board of trustees, and employees of the relief association.

(b) All other expenses of the relief association must be paid from the general fund of the association if one exists. If a relief association has only one fund, that fund is the special fund for purposes of this subdivision. If a relief association has a special fund and a general fund, the payment of any expense of the relief association that is directly related to the purposes for which both funds were established must be apportioned between the two funds on the basis of the benefits derived by each fund.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 4. **REPEALER.**

(a) Minnesota Statutes 2018, sections 69.051, subdivisions 1, 1a, 1b, 2, 3, and 4; and 69.80, are repealed.

(b) Minnesota Statutes 2018, sections 69.33; and 297I.25, subdivision 2, are repealed.

EFFECTIVE DATE. Paragraph (a) is effective July 1, 2019. Paragraph (b) is effective for reports filed after December 31, 2019.

ARTICLE 22
FIRE AND POLICE STATE AID; CONFORMING CHANGES

Section 1. Minnesota Statutes 2018, section 6.495, subdivision 3, is amended to read:

Subd. 3. **Report to commissioner of revenue.** The state auditor shall file with the commissioner of revenue a financial compliance report certifying for each relief association:

(1) the completion of the annual financial report required under section ~~69.051~~ 424A.014 and the auditing or certification of those financial reports under subdivision 1; and

(2) the receipt of any actuarial valuations required under section 424A.093 or Laws 2013, chapter 111, article 5, sections 31 to 42.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 2. Minnesota Statutes 2018, section 144E.42, subdivision 2, is amended to read:

Subd. 2. **Trust account.** (a) There is established in the general fund the Cooper/Sams volunteer ambulance trust account and the Cooper/Sams volunteer ambulance award and account.

(b) The trust account must be credited with:

(1) general fund appropriations for that purpose;

(2) transfers from the Cooper/Sams volunteer ambulance award and account; and

(3) investment earnings on those accumulated proceeds. The assets and income of the trust account must be held and managed by the commissioner of management and budget and the State Board of Investment for the benefit of the state of Minnesota and its general creditors.

(c) The Cooper/Sams volunteer ambulance account must be credited with transfers from the excess police state-aid holding account established in section ~~69.021, subdivision 11~~ 477C.03, subdivision 4, any per-year-of-service allocation under section 144E.45, subdivision 2, paragraph (c), that was not made for an individual, and investment earnings on those accumulated proceeds. The Cooper/Sams volunteer ambulance account must be managed by the commissioner of management and budget and the State Board of Investment. From the Cooper/Sams volunteer ambulance account to the trust account there must be transferred to the Cooper/Sams volunteer ambulance trust account, as the Cooper/Sams volunteer ambulance account balance permits, the following amounts:

(1) an amount equal to any general fund appropriation to the Cooper/Sams volunteer ambulance trust account for that fiscal year; and

(2) an amount equal to the percentage of the remaining balance in the account after the deduction of the amount under clause (1), as specified for the applicable fiscal year:

Fiscal year	Percentage
1995	20
1996	40
1997	50
1998	60
1999	70
2000	80
2001	90
2002 and thereafter	100

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 3. Minnesota Statutes 2018, section 297I.20, subdivision 3, is amended to read:

Subd. 3. **Historic structure rehabilitation credit.** An insurance company may claim a credit against the premiums tax imposed under this chapter equal to the amount of the credit certificate issued to it, or to a person who has assigned the credit to the insurance company, under section 290.0681. If the amount of the credit exceeds the liability for tax under this chapter, the commissioner shall refund the excess to the insurance company. An amount sufficient to pay the refunds under this section is appropriated to the commissioner from the general fund. This credit does not affect the calculation of ~~police and~~ fire state aid under section ~~69.021~~ 477B.03 and police state aid under section 477C.03.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 4. Minnesota Statutes 2018, section 353G.01, subdivision 9, is amended to read:

Subd. 9. **Municipality.** "Municipality" means a governmental entity specified in section ~~69.011, subdivision 1, paragraph (b), clauses (1), (2), and (5)~~ 477B.01, subdivision 10, a city or township that has entered into a contract with an independent nonprofit firefighting corporation, or a city or township that has entered into a contract with a joint powers entity established under section 471.59.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 5. Minnesota Statutes 2018, section 353G.05, subdivision 2, is amended to read:

Subd. 2. **Election of coverage; lump sum.** (a) The process for electing coverage of volunteer firefighters by the lump-sum retirement division is initiated by a request to the executive director for a cost analysis of the prospective retirement coverage under the lump-sum retirement division.

(b) If the volunteer firefighters are currently covered by a lump-sum volunteer firefighter relief association or a defined contribution volunteer firefighter relief association governed by chapter 424A, the cost analysis of the prospective retirement coverage must be requested jointly by the secretary of the volunteer firefighter relief association, following approval of the request by the board of the volunteer firefighter relief association, and the chief administrative officer of the entity associated with the relief association, following approval of the request by the governing body of the entity associated with the relief association. If the relief association is associated with more than one entity, the chief administrative officer of each associated entity must execute the request. If the volunteer firefighters are not

currently covered by a volunteer firefighter relief association, the cost analysis of the prospective retirement coverage must be requested by the chief administrative officer of the entity operating the fire department. The request must be made in writing and must be made on a form prescribed by the executive director.

(c) The cost analysis of the prospective retirement coverage by the lump-sum retirement division of the statewide retirement plan must be based on the service pension amount under section 353G.11 closest to the service pension amount provided by the volunteer firefighter relief association if the relief association is a lump-sum defined benefit plan, or the amount equal to 95 percent of the most current average account balance per relief association member if the relief association is a defined contribution plan, or to the lowest service pension amount under section 353G.11 if there is no volunteer firefighter relief association, rounded up, and any other service pension amount designated by the requester or requesters. The cost analysis must be prepared using a mathematical procedure certified as accurate by an approved actuary retained by the Public Employees Retirement Association.

(d) If a cost analysis is requested and a volunteer ~~firefighters'~~ firefighters relief association exists that has filed the information required under section ~~69.051~~ 424A.014 in a timely fashion, upon request by the executive director, the state auditor shall provide the most recent data available on the financial condition of the volunteer firefighter relief association, the most recent firefighter demographic data available, and a copy of the current relief association bylaws. If a cost analysis is requested, but no volunteer firefighter relief association exists, the chief administrative officer of the entity operating the fire department shall provide the demographic information on the volunteer firefighters serving as members of the fire department requested by the executive director.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 6. Minnesota Statutes 2018, section 353G.08, subdivision 1, is amended to read:

Subdivision 1. **Annual funding requirements; lump-sum retirement division.** (a) Annually, the executive director shall determine the funding requirements of each account in the lump-sum retirement division of the voluntary statewide volunteer firefighter retirement plan on or before August 1. The funding requirements computed under this subdivision must be determined using a mathematical procedure developed and certified as accurate by the approved actuary retained by the Public Employees Retirement Association and must be based on present value factors using a six percent interest rate, without any decrement assumptions. The funding requirements must be certified to the entity or entities associated with the fire department whose active firefighters are covered by the retirement plan.

(b) The overall funding balance of each lump-sum account for the current calendar year must be determined in the following manner:

(1) The total accrued liability for all active and deferred members of the account as of December 31 of the current year must be calculated based on the good time service credit of active and deferred members as of that date.

(2) The total present assets of the account projected to December 31 of the current year, including receipts by and disbursements from the account anticipated to occur on or before December 31, must be calculated. To the extent possible, the market value of assets must be utilized in making this calculation.

(3) The amount of the total present assets calculated under clause (2) must be subtracted from the amount of the total accrued liability calculated under clause (1). If the amount of total present assets exceeds the amount of the total accrued liability, then the account is considered to have a surplus over full funding. If the amount of the total present assets is less than the amount of the total accrued liability, then the account is considered to have a deficit from full funding. If the amount of total present assets is equal to the amount of the total accrued liability, then the special fund is considered to be fully funded.

(c) The financial requirements of each lump-sum account for the following calendar year must be determined in the following manner:

(1) The total accrued liability for all active and deferred members of the account as of December 31 of the calendar year next following the current calendar year must be calculated based on the good time service used in the calculation under paragraph (b), clause (1), increased by one year.

(2) The increase in the total accrued liability of the account for the following calendar year over the total accrued liability of the account for the current year must be calculated.

(3) The amount of administrative expenses of the account must be calculated by multiplying the per-person dollar amount of the administrative expenses for the most recent prior calendar year by the number of active and deferred firefighters reported to PERA on the most recent good time service credit certification form for each account.

(4) If the account is fully funded, the financial requirement of the account for the following calendar year is the total of the amounts calculated under clauses (2) and (3).

(5) If the account has a deficit from full funding, the financial requirement of the account for the following calendar year is the total of the amounts calculated under clauses (2) and

(3) plus an amount equal to one-tenth of the amount of the deficit from full funding of the account.

(6) If the account has a surplus over full funding, the financial requirement of the account for the following calendar year is the financial requirement of the account calculated as though the account was fully funded under clause (4) and, if the account has also had a surplus over full funding during the prior two years, additionally reduced by an amount equal to one-tenth of the amount of the surplus over full funding of the account.

(d) The required contribution of the entity or entities associated with the fire department whose active firefighters are covered by the lump-sum retirement division is the annual financial requirements of the lump-sum account of the retirement plan under paragraph (c) reduced by the amount of any fire state aid payable under ~~sections 69.011 to 69.051~~ chapter 477B or police and firefighter retirement supplemental state aid payable under section 423A.022 that is reasonably anticipated to be received by the retirement plan attributable to the entity or entities during the following calendar year, and an amount of interest on the assets projected to be received during the following calendar year calculated at the rate of six percent per annum. The required contribution must be allocated between the entities if more than one entity is involved. A reasonable amount of anticipated fire state aid is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

(e) The required contribution calculated in paragraph (d) must be paid to the retirement plan on or before December 31 of the year for which it was calculated. If the contribution is not received by the retirement plan by December 31, it is payable with interest at an annual compound rate of six percent from the date due until the date payment is received by the retirement plan. If the entity does not pay the full amount of the required contribution, the executive director shall collect the unpaid amount under section 353.28, subdivision 6.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 7. Minnesota Statutes 2018, section 353G.08, subdivision 1a, is amended to read:

Subd. 1a. **Annual funding requirements; monthly benefit retirement division.** (a) Annually, the executive director shall determine the funding requirements of each monthly benefit account in the voluntary statewide volunteer firefighter retirement plan on or before August 1.

(b) The executive director must determine the funding requirements of a monthly benefit account under this subdivision from:

(1) the most recent actuarial valuation normal cost, administrative expense, including the cost of a regular actuarial valuation, and amortization results for the account determined by the approved actuary retained by the retirement association under sections 356.215 and 356.216; and

(2) the standards for actuarial work, utilizing a six percent interest rate actuarial assumption and other actuarial assumptions approved under section 356.215, subdivision 18:

(i) with that portion of any unfunded actuarial accrued liability attributable to a benefit increase to be amortized over a period of 20 years from the date of the benefit change;

(ii) with that portion of any unfunded actuarial accrued liability attributable to an assumption change or an actuarial method change to be amortized over a period of 20 years from the date of the assumption or method change;

(iii) with that portion of any unfunded actuarial accrued liability attributable to an investment loss to be amortized over a period of ten years from the date of investment loss; and

(iv) with the balance of any net unfunded actuarial accrued liability to be amortized over a period of five years from the date of the actuarial valuation.

(c) The required contributions of the entity or entities associated with the fire department whose active firefighters are covered by the monthly benefit retirement division are the annual financial requirements of the monthly benefit account of the retirement plan under paragraph (b) reduced by the amount of any fire state aid payable under ~~sections 69.011 to 69.051~~ chapter 477B, or any police and firefighter retirement supplemental state aid payable under section 423A.022, that is reasonably anticipated to be received by the retirement plan attributable to the entity or entities during the following calendar year. The required contribution must be allocated between the entities if more than one entity is involved. A reasonable amount of anticipated fire state aid is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

(d) The required contribution calculated in paragraph (c) must be paid to the retirement plan on or before December 31 of the year for which it was calculated. If the contribution is not received by the retirement plan by December 31, it is payable with interest at an annual compound rate of six percent from the date due until the date payment is received by the retirement plan. If the entity does not pay the full amount of the required contribution, the executive director shall collect the unpaid amount under section 353.28, subdivision 6.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 8. Minnesota Statutes 2018, section 353G.17, subdivision 2, is amended to read:

Subd. 2. **Approval by the relief association.** (a) Before a transfer of records, assets, and liabilities from the retirement plan to a relief association may occur, the board of trustees of the relief association shall adopt resolutions as follows:

(1) approving and accepting the transfer of records, assets, and liabilities from the retirement plan; and

(2) amending the bylaws of the relief association as necessary to add the firefighters whose benefits are being transferred from the retirement plan and to provide that each benefit being transferred retains vesting, distribution, and other rights to which the firefighter, for whom the benefit is being transferred, is entitled under the terms of the retirement plan to the date of the transfer.

The board of trustees shall file a copy of the resolutions with the executive director.

(b) The board of trustees of the relief association shall file with the state auditor the following:

(1) a copy of the resolutions required under paragraph (a);

(2) a copy of the bylaws of the relief association and any bylaw amendments;

(3) a copy of the relief association's investment policy;

(4) a statement that a board of trustees has been duly elected and each trustee's name, address, telephone number, and e-mail address, if any;

(5) a copy of the most recent annual financial, investment, and plan administration report filed under section ~~69.051~~ 424A.014, unless the due date for the first report has not yet occurred; and

(6) a copy of the documentation indicating that a special fund has been established with a financial institution to receive a transfer of assets from the retirement plan.

(c) Upon receipt of the information and documents required under paragraph (b), the state auditor shall issue to the relief association and the executive director written confirmation of receipt of all required information and documents.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 9. Minnesota Statutes 2018, section 356.20, subdivision 4a, is amended to read:

Subd. 4a. **Financial report for police or firefighters relief association.** For any police or ~~firefighter's~~ firefighters relief association referred to in subdivision 2, clause (10) or (11), a financial report that is duly filed and that meets the requirements of section ~~69.051~~ 424A.014 is deemed to have met the requirements of subdivision 4.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 10. Minnesota Statutes 2018, section 356.219, subdivision 8, is amended to read:

Subd. 8. **Timing of reports.** (a) For the Bloomington Fire Department Relief Association and the volunteer firefighter relief associations, the information required under this section must be submitted by the due date for reports required under section ~~69.051, subdivision 1 or 1a~~ 424A.014, subdivision 1 or 2, as applicable. If a relief association satisfies the definition of a fully invested plan under subdivision 1, paragraph (b), for the calendar year covered by the report required under section ~~69.051, subdivision 1 or 1a~~ 424A.014, subdivision 1 or 2, as applicable, the chief administrative officer of the covered pension plan shall certify that compliance on a form prescribed by the state auditor. The state auditor shall transmit annually to the State Board of Investment a list or lists of covered pension plans which submitted certifications in order to facilitate reporting by the State Board of Investment under paragraph (c).

(b) For the St. Paul Teachers Retirement Fund Association and the University of Minnesota faculty supplemental retirement plan, the information required under this section must be submitted to the state auditor by June 1 of each year.

(c) The State Board of Investment, on behalf of pension funds specified in subdivision 1, paragraph (c), shall report information required under this section by September 1 of each year.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 11. Minnesota Statutes 2018, section 423A.02, subdivision 1b, is amended to read:

Subd. 1b. **Additional amortization state aid.** (a) Annually, the commissioner shall allocate the additional amortization state aid, if any, including any state aid in excess of the limitation in subdivision 4, on the following basis:

(1) 47.1 percent to the city of Minneapolis to defray the employer costs associated with police and firefighter retirement coverage;

(2) 25.8 percent as additional funding to support the minimum fire state aid for volunteer firefighter relief associations under section ~~69.021, subdivision 7, paragraph (d)~~ 477B.03, subdivision 5;

(3) 12.9 percent to the city of Duluth to defray employer costs associated with police and firefighter retirement coverage;

(4) 12.9 percent to the St. Paul Teachers Retirement Fund Association if the investment performance requirement of paragraph (c) is met; and

(5) 1.3 percent to the city of Virginia to defray the employer contribution under section 353.665, subdivision 8, paragraph (d).

If there is no additional employer contribution under section 353.665, subdivision 8, paragraph (b), certified under subdivision 1, paragraph (d), clause (2), with respect to the former Minneapolis Police Relief Association and the former Minneapolis Fire Department Relief Association, the commissioner shall allocate that 47.1 percent of the aid as follows: 49 percent to the Teachers Retirement Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighter relief associations under section ~~69.021, subdivision 7, paragraph (d)~~ 477B.03, subdivision 5. If there is no employer contribution by the city of Virginia under section 353.665, subdivision 8, paragraph (d), for the former Virginia Fire Department Relief Association certified on or before June 30 by the executive director of the Public Employees Retirement Association, the commissioner shall allocate that 1.3 percent of the aid as follows: 49 percent to the Teachers Retirement Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighter relief associations under section ~~69.021, subdivision 7, paragraph (d)~~ 477B.03, subdivision 5.

(b) The allocation must be made by the commissioner of revenue on October 1 annually.

(c) With respect to the St. Paul Teachers Retirement Fund Association, annually, if the teacher's association five-year average time-weighted rate of investment return does not equal or exceed the performance of a composite portfolio assumed passively managed (indexed) invested ten percent in cash equivalents, 60 percent in bonds and similar debt securities, and 30 percent in domestic stock calculated using the formula under section 11A.04, clause (11), the aid allocation to the retirement fund under this section ceases until the five-year annual rate of investment return equals or exceeds the performance of that composite portfolio.

(d) The amounts required under this subdivision are the amounts annually appropriated to the commissioner of revenue under section ~~69.021, subdivision 11~~ 477B.03, subdivision 5, paragraph (d), if any, and the aid amounts in excess of the limitation in subdivision 4.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 12. Minnesota Statutes 2018, section 423A.02, subdivision 3, is amended to read:

Subd. 3. **Reallocation of amortization state aid.** (a) Seventy percent of the difference between $5,720,000 and the current year amortization aid distributed under subdivision 1 that is not distributed for any reason to a municipality must be distributed by the commissioner of revenue according to this paragraph. The commissioner shall distribute 60 percent of the amounts derived under this paragraph to the Teachers Retirement Association, and 40 percent to the St. Paul Teachers Retirement Fund Association to fund the unfunded actuarial accrued liabilities of the respective funds. These payments must be made on July 15 each fiscal year. If the St. Paul Teachers Retirement Fund Association or the Teachers Retirement Association satisfies subdivision 5, eligibility for its portion of this aid ceases. Amounts remaining in the undistributed balance account at the end of the biennium if aid eligibility ceases cancel to the general fund.

(b) In order to receive amortization aid under paragraph (a), before June 30 annually Independent School District No. 625, St. Paul, must make an additional contribution of $800,000 each year to the St. Paul Teachers Retirement Fund Association.

(c) Thirty percent of the difference between $5,720,000 and the current year amortization aid under subdivision 1 that is not distributed for any reason to a municipality must be distributed under section ~~69.021, subdivision 7, paragraph (d)~~ 477B.03, subdivision 5, as additional funding to support a minimum fire state aid amount for volunteer firefighter relief associations.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 13. Minnesota Statutes 2018, section 423A.022, subdivision 2, is amended to read:

Subd. 2. **Allocation.** (a) Of the total amount appropriated as supplemental state aid:

(1) 58.064 percent must be paid to the executive director of the Public Employees Retirement Association for deposit in the public employees police and fire retirement fund established by section 353.65, subdivision 1;

(2) 35.484 percent must be paid to municipalities other than municipalities solely employing firefighters with retirement coverage provided by the public employees police

and fire retirement plan which qualified to receive fire state aid in that calendar year, allocated in proportion to the most recent amount of fire state aid paid under section ~~69.021, subdivision 7~~ 477B.04, for the municipality bears to the most recent total fire state aid for all municipalities other than the municipalities solely employing firefighters with retirement coverage provided by the public employees police and fire retirement plan paid under section ~~69.021, subdivision 7~~ 477B.04, with the allocated amount for fire departments participating in the voluntary statewide lump-sum volunteer firefighter retirement plan paid to the executive director of the Public Employees Retirement Association for deposit in the fund established by section 353G.02, subdivision 3, and credited to the respective account and with the balance paid to the treasurer of each municipality for transmittal within 30 days of receipt to the treasurer of the applicable volunteer firefighter relief association for deposit in its special fund; and

(3) 6.452 percent must be paid to the executive director of the Minnesota State Retirement System for deposit in the state patrol retirement fund.

(b) For purposes of this section, the term "municipalities" includes independent nonprofit firefighting corporations that participate in the voluntary statewide lump-sum volunteer firefighter retirement plan under chapter 353G or with subsidiary volunteer firefighter relief associations operating under chapter 424A.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 14. Minnesota Statutes 2018, section 423A.022, subdivision 4, is amended to read:

Subd. 4. **Payments; conditions prerequisite.** (a) The payments under this section must be made on October 1 each year, with interest at one percent for each month, or portion of a month, that the amount remains unpaid after October 1. Any necessary adjustments must be made to subsequent payments.

(b) The provisions of ~~sections 69.011 to 69.051~~ chapter 477B and section 424A.014 that prevent municipalities and relief associations from being eligible for, or receiving fire state aid under ~~sections 69.011 to 69.051~~ chapter 477B and section 424A.014 until the applicable financial reporting requirements have been complied with, apply to the amounts payable to municipalities and relief associations under this section.

EFFECTIVE DATE. This section is effective July 1, 2019, except the references to Minnesota Statutes, chapter 477B, are effective for aids payable in 2020 and thereafter.

Sec. 15. Minnesota Statutes 2018, section 424A.016, subdivision 2, is amended to read:

Subd. 2. **Defined contribution service pension eligibility.** (a) A relief association, when its articles of incorporation or bylaws so provide, may pay out of the assets of its special fund a defined contribution service pension to each of its members who:

(1) separates from active service with the fire department;

(2) reaches age 50;

(3) completes at least five years of active service as an active member of the fire department to which the relief association is associated;

(4) completes at least five years of active membership with the relief association before separation from active service; and

(5) complies with any additional conditions as to age, service, and membership that are prescribed by the bylaws of the relief association.

(b) In the case of a member who has completed at least five years of active service as an active member of the fire department to which the relief association is associated on the date that the relief association is established and incorporated, the requirement that the member complete at least five years of active membership with the relief association before separation from active service may be waived by the board of trustees of the relief association if the member completes at least five years of inactive membership with the relief association before the date of the payment of the service pension. During the period of inactive membership, the member is not entitled to receive any disability benefit coverage, is not entitled to receive additional individual account allocation of fire state aid or municipal contribution towards a service pension, and is considered to have the status of a person entitled to a deferred service pension.

(c) The service pension earned by a volunteer under this chapter and the articles of incorporation and bylaws of the relief association may be paid whether or not the municipality or independent nonprofit firefighting corporation to which the relief association is associated qualifies for the receipt of fire state aid under chapter ~~69~~ 477B.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 16. Minnesota Statutes 2018, section 424A.016, subdivision 4, is amended to read:

Subd. 4. **Individual accounts.** (a) An individual account must be established for each firefighter who is a member of the relief association.

(b) To each individual active member account must be credited an equal share of:

(1) any amounts of fire state aid and police and firefighter retirement supplemental state aid received by the relief association;

(2) any amounts of municipal contributions to the relief association raised from levies on real estate or from other available municipal revenue sources exclusive of fire state aid; and

(3) any amounts equal to the share of the assets of the special fund to the credit of:

(i) any former member who terminated active service with the fire department to which the relief association is associated before meeting the minimum service requirement provided for in subdivision 2, paragraph (b), and has not returned to active service with the fire department for a period no shorter than five years; or

(ii) any retired member who retired before obtaining a full nonforfeitable interest in the amounts credited to the individual member account under subdivision 2, paragraph (b), and any applicable provision of the bylaws of the relief association. In addition, any investment return on the assets of the special fund must be credited in proportion to the share of the assets of the special fund to the credit of each individual active member account. Administrative expenses of the relief association payable from the special fund may be deducted from individual accounts in a manner specified in the bylaws of the relief association.

(c) If the bylaws so permit and as the bylaws define, the relief association may credit any investment return on the assets of the special fund to the accounts of inactive members.

(d) Amounts to be credited to individual accounts must be allocated uniformly for all years of active service and allocations must be made for all years of service, except for caps on service credit if so provided in the bylaws of the relief association. Amounts forfeited under paragraph (b), clause (3), before a resumption of active service and membership under section 424A.01, subdivision 6, remain forfeited and may not be reinstated upon the resumption of active service and membership. The allocation method may utilize monthly proration for fractional years of service, as the bylaws or articles of incorporation of the relief association so provide. The bylaws or articles of incorporation may define a "month," but the definition must require a calendar month to have at least 16 days of active service. If the bylaws or articles of incorporation do not define a "month," a "month" is a completed calendar month of active service measured from the member's date of entry to the same date in the subsequent month.

(e) At the time of retirement under subdivision 2 and any applicable provision of the bylaws of the relief association, a retiring member is entitled to that portion of the assets of

the special fund to the credit of the member in the individual member account which is nonforfeitable under subdivision 3 and any applicable provision of the bylaws of the relief association based on the number of years of service to the credit of the retiring member.

(f) Annually, the secretary of the relief association shall certify the individual account allocations to the state auditor at the same time that the annual financial statement or financial report and audit of the relief association, whichever applies, is due under section ~~69.051~~ 424A.014.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 17. Minnesota Statutes 2018, section 424A.02, subdivision 1, is amended to read:

Subdivision 1. **Authorization.** (a) A defined benefit relief association, when its articles of incorporation or bylaws so provide, may pay out of the assets of its special fund a defined benefit service pension to each of its members who: (1) separates from active service with the fire department; (2) reaches age 50; (3) completes at least five years of active service as an active member of the fire department to which the relief association is associated; (4) completes at least five years of active membership with the relief association before separation from active service; and (5) complies with any additional conditions as to age, service, and membership that are prescribed by the bylaws of the relief association. A service pension computed under this section may be prorated monthly for fractional years of service as the bylaws or articles of incorporation of the relief association so provide. The bylaws or articles of incorporation may define a "month," but the definition must require a calendar month to have at least 16 days of active service. If the bylaws or articles of incorporation do not define a "month," a "month" is a completed calendar month of active service measured from the member's date of entry to the same date in the subsequent month. The service pension earned by a volunteer firefighter under this chapter and the articles of incorporation and bylaws of the volunteer firefighters relief association may be paid whether or not the municipality or independent nonprofit firefighting corporation to which the relief association is associated qualifies for the receipt of fire state aid under chapter ~~69~~ 477B.

(b) In the case of a member who has completed at least five years of active service as an active member of the fire department to which the relief association is associated on the date that the relief association is established and incorporated, the requirement that the member complete at least five years of active membership with the relief association before separation from active service may be waived by the board of trustees of the relief association if the member completes at least five years of inactive membership with the relief association before the date of the payment of the service pension. During the period of inactive

membership, the member is not entitled to receive disability benefit coverage, is not entitled to receive additional service credit towards computation of a service pension, and is considered to have the status of a person entitled to a deferred service pension under subdivision 7.

(c) No municipality, independent nonprofit firefighting corporation, or joint powers entity may delegate the power to take final action in setting a service pension or ancillary benefit amount or level to the board of trustees of the relief association or to approve in advance a service pension or ancillary benefit amount or level equal to the maximum amount or level that this chapter would allow rather than a specific dollar amount or level.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 18. Minnesota Statutes 2018, section 424A.02, subdivision 3a, is amended to read:

Subd. 3a. **Penalty for paying pension greater than applicable maximum.** (a) If a defined benefit relief association pays a service pension greater than the maximum service pension associated with the applicable average amount of available financing per active covered firefighter under the table in subdivision 3, paragraph (c) or (d), whichever applies, the maximum service pension under subdivision 3, paragraph (f), or the applicable maximum service pension amount specified in subdivision 3, paragraph (g), whichever is less, the state auditor shall:

(1) disqualify the municipality or the independent nonprofit firefighting corporation associated with the relief association from receiving fire state aid by making the appropriate notification to the municipality and the commissioner of revenue, with the disqualification applicable for the next apportionment and payment of fire state aid; and

(2) order the treasurer of the applicable relief association to recover the amount of the overpaid service pension or pensions from any retired firefighter who received an overpayment.

(b) Fire state aid amounts from disqualified municipalities for the period of disqualifications under paragraph (a), clause (1), must be credited to the amount of fire insurance premium tax proceeds available for the next subsequent fire state aid apportionment.

(c) The amount of any overpaid service pension recovered under paragraph (a), clause (2), must be credited to the amount of fire insurance premium tax proceeds available for the next subsequent fire state aid apportionment.

(d) The determination of the state auditor that a relief association has paid a service pension greater than the applicable maximum must be made on the basis of the information filed by the relief association and the municipality with the state auditor under ~~sections 69.011, subdivision 2, and 69.051, subdivision 1 or 1a, whichever applies,~~ this chapter and any other relevant information that comes to the attention of the state auditor. The determination of the state auditor is final. An aggrieved municipality, relief association, or person may appeal the determination under section 480A.06.

(e) The state auditor may certify, upon learning that a relief association overpaid a service pension based on an error in the maximum service pension calculation, the municipality or independent nonprofit firefighting corporation associated with the relief association for fire state aid if (1) there is evidence that the error occurred in good faith, and (2) the relief association has initiated recovery of any overpayment amount. Notwithstanding paragraph (c), all overpayments recovered under this paragraph must be credited to the relief association's special fund.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 19. Minnesota Statutes 2018, section 424A.02, subdivision 10, is amended to read:

Subd. 10. **Local approval of bylaw amendments; filing requirements.** (a) Each defined benefit relief association to which this section applies must file a revised copy of its governing bylaws with the state auditor upon the adoption of any amendment to its governing bylaws by the relief association or upon the approval of any amendment to its governing bylaws granted by the governing body of each municipality served by the fire department to which the relief association is directly associated. Failure of the relief association to file a copy of the bylaws or any bylaw amendments with the state auditor disqualifies the municipality from the distribution of any future fire state aid until this filing requirement has been completed.

(b) If the special fund of the relief association does not have a surplus over full funding under section 424A.092, subdivision 3, paragraph (c), clause (5), or 424A.093, subdivision 4, and if the municipality is required to provide financial support to the special fund of the relief association under section 424A.092 or 424A.093, no bylaw amendment which would affect the amount of, the manner of payment of, or the conditions for qualification for service pensions or ancillary benefits or disbursements other than administrative expenses authorized under section ~~69.80~~ 424A.05, subdivision 3b, payable from the special fund of the relief association is effective until it has been ratified as required under section 424A.092, subdivision 6, or 424A.093, subdivision 6. If the special fund of the relief association has

a surplus over full funding under section 424A.092, subdivision 3, or 424A.093, subdivision 4, and if the municipality is not required to provide financial support to the special fund under this section, the relief association may adopt or amend without municipal ratification its articles of incorporation or bylaws which increase or otherwise affect the service pensions or ancillary benefits payable from the special fund if authorized under section 424A.092, subdivision 6, or 424A.093, subdivision 6.

(c) If the relief association pays only a lump-sum pension, the financial requirements are to be determined by the board of trustees following the preparation of an estimate of the expected increase in the accrued liability and annual accruing liability of the relief association attributable to the change. If the relief association pays a monthly benefit service pension, the financial requirements are to be determined by the board of trustees following either an updated actuarial valuation including the proposed change or an estimate of the expected actuarial impact of the proposed change prepared by the actuary of the relief association. If a relief association adopts or amends its articles of incorporation or bylaws without municipal ratification under this subdivision, and, subsequent to the amendment or adoption, the financial requirements of the special fund under this section are such so as to require financial support from the municipality, the provision which was implemented without municipal ratification is no longer effective without municipal ratification, and any service pensions or ancillary benefits payable after that date must be paid only in accordance with the articles of incorporation or bylaws as amended or adopted with municipal ratification.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 20. Minnesota Statutes 2018, section 424A.03, subdivision 2, is amended to read:

Subd. 2. **Penalties for violations.** A municipality which has a fire department associated with a relief association which violates the provisions of subdivision 1 is directly associated or which contracts with an independent nonprofit firefighting corporation associated with a relief association which violates the provisions of subdivision 1 is a subsidiary may not be included in the apportionment of fire state aid ~~to the applicable county auditor~~ and police and firefighter retirement supplemental state aid payable under ~~section 69.021, subdivision 6,~~ chapter 477B and section 423A.022 and may not be included in the apportionment of fire state aid ~~by the county auditor~~ to the various municipalities under section ~~69.021, subdivision 7~~ 477B.03.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 21. Minnesota Statutes 2018, section 424A.05, subdivision 2, is amended to read:

Subd. 2. **Special fund assets and revenues.** The special fund must be credited with all fire state aid and police and firefighter retirement supplemental state aid received under ~~sections 69.011 to 69.051~~ chapter 477B and section 423A.022, all taxes levied by or other revenues received from the municipality under sections 424A.091 to 424A.096 or any applicable special law requiring municipal support for the relief association, any funds or property donated, given, granted or devised by any person which is specified for use for the support of the special fund and any interest or investment return earned upon the assets of the special fund. The treasurer of the relief association is the custodian of the assets of the special fund and must be the recipient on behalf of the special fund of all revenues payable to the special fund. The treasurer shall maintain adequate records documenting any transaction involving the assets or the revenues of the special fund. These records and the bylaws of the relief association are public and must be open for inspection by any member of the relief association, any officer or employee of the state or of the municipality, or any member of the public, at reasonable times and places.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 22. Minnesota Statutes 2018, section 424A.05, subdivision 3, is amended to read:

Subd. 3. **Authorized disbursements from special fund.** (a) Disbursements from the special fund may not be made for any purpose other than one of the following:

(1) for the payment of service pensions to retired members of the relief association if authorized and paid under law and the bylaws governing the relief association;

(2) for the purchase of an annuity for the applicable person under section 424A.015, subdivision 3, for the transfer of service pension or benefit amounts to the applicable person's individual retirement account under section 424A.015, subdivision 4, or to the applicable person's account in the Minnesota deferred compensation plan under section 424A.015, subdivision 5;

(3) for the payment of temporary or permanent disability benefits to disabled members of the relief association if authorized and paid under law and specified in amount in the bylaws governing the relief association;

(4) for the payment of survivor benefits or for the payment of a death benefit to the estate of the deceased active or deferred firefighter, if authorized and paid under law and specified in amount in the bylaws governing the relief association;

(5) for the payment of the fees, dues and assessments to the Minnesota State Fire Department Association and to the Minnesota State Fire Chiefs Association in order to entitle relief association members to membership in and the benefits of these associations or organizations;

(6) for the payment of insurance premiums to the state Volunteer Firefighters Benefit Association, or an insurance company licensed by the state of Minnesota offering casualty insurance, in order to entitle relief association members to membership in and the benefits of the association or organization; and

(7) for the payment of administrative expenses of the relief association as authorized under ~~section 69.80~~ subdivision 3b.

(b) Checks or authorizations for electronic fund transfers for disbursements authorized by this section must be signed by the relief association treasurer and at least one other elected trustee who has been designated by the board of trustees to sign the checks or authorizations. A relief association may make disbursements authorized by this subdivision by electronic fund transfers only if the specific method of payment and internal control policies and procedures regarding the method are approved by the board of trustees.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 23. Minnesota Statutes 2018, section 424A.07, is amended to read:

424A.07 NONPROFIT FIREFIGHTING CORPORATIONS; ESTABLISHMENT OF RELIEF ASSOCIATIONS.

Before paying any service pensions or retirement benefits under section 424A.02 or before becoming entitled to receive any amounts of fire state aid upon transmittal from a contracting municipality under section ~~69.031, subdivision 5~~ 477B.04, subdivision 3, an independent nonprofit firefighting corporation shall establish a volunteer firefighters relief association governed by this chapter.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 24. Minnesota Statutes 2018, section 424A.091, subdivision 3, is amended to read:

Subd. 3. **Remedy for noncompliance; determination.** (a) A municipality in which there exists a firefighters relief association as specified in subdivision 1 which does not comply with the applicable provisions of sections 424A.091 to 424A.096 or the provisions of any applicable special law relating to the funding or financing of the association does not qualify initially to receive, and is not entitled subsequently to retain, fire state aid under

~~sections 69.011 to 69.051~~ chapter 477B until the reason for the disqualification specified by the state auditor is remedied, whereupon the municipality or relief association, if otherwise qualified, is entitled to again receive fire state aid for the year occurring immediately subsequent to the year in which the disqualification is remedied.

(b) The state auditor shall determine if a municipality to which a firefighters' relief association is directly associated or a firefighters relief association fails to comply with the provisions of sections 424A.091 to 424A.096 or the funding or financing provisions of any applicable special law based upon the information contained in the annual financial report of the firefighters relief association required under section ~~69.051~~ 424A.014, the actuarial valuation of the relief association, if applicable, the relief association officers' financial requirements of the relief association and minimum municipal obligation determination documentation under section 424A.092, subdivisions 3 and 4; 424A.093, subdivisions 4 and 5; or 424A.094, subdivision 2, if requested to be filed by the state auditor, the applicable municipal or independent nonprofit firefighting corporation budget, if requested to be filed by the state auditor, and any other relevant documents or reports obtained by the state auditor.

(c) The municipality or independent nonprofit firefighting corporation and the associated relief association are not eligible to receive or to retain fire state aid if:

(1) the relief association fails to prepare or to file the financial report or financial statement under section ~~69.051~~ 424A.014;

(2) the relief association treasurer is not bonded in the manner and in the amount required by ~~section 69.051, subdivision 2~~ 424A.014, subdivision 4;

(3) the relief association officers fail to determine or improperly determine the accrued liability and the annual accruing liability of the relief association under section 424A.092, subdivisions 2, 2a, and 3, paragraph (c), clause (2), if applicable;

(4) if applicable, the relief association officers fail to obtain and file a required actuarial valuation or the officers file an actuarial valuation that does not contain the special fund actuarial liability calculated under the entry age normal actuarial cost method, the special fund current assets, the special fund unfunded actuarial accrued liability, the special fund normal cost under the entry age normal actuarial cost method, the amortization requirement for the special fund unfunded actuarial accrued liability by the applicable target date, a summary of the applicable benefit plan, a summary of the membership of the relief association, a summary of the actuarial assumptions used in preparing the valuation, and a

signed statement by the actuary attesting to its results and certifying to the qualifications of the actuary as an approved actuary under section 356.215, subdivision 1, paragraph (c);

(5) the municipality failed to provide a municipal contribution, or the independent nonprofit firefighting corporation failed to provide a corporate contribution, in the amount equal to the minimum municipal obligation if the relief association is governed under section 424A.092, or the amount necessary, when added to the fire state aid actually received in the plan year in question, to at least equal in total the calculated annual financial requirements of the special fund of the relief association if the relief association is governed under section 424A.093, and, if the municipal or corporate contribution is deficient, the municipality failed to include the minimum municipal obligation certified under section 424A.092, subdivision 3, or 424A.093, subdivision 5, in its budget and tax levy or the independent nonprofit firefighting corporation failed to include the minimum corporate obligation certified under section 424A.094, subdivision 2, in the corporate budget;

(6) the defined benefit relief association did not receive municipal ratification for the most recent plan amendment when municipal ratification was required under section 424A.02, subdivision 10; 424A.092, subdivision 6; or 424A.093, subdivision 6;

(7) the relief association invested special fund assets in an investment security that is not authorized under section 424A.095;

(8) the relief association had an administrative expense that is not authorized under section ~~69.80 or~~ 424A.05, subdivision 3 or 3b, or the municipality had an expenditure that is not authorized under section 424A.08;

(9) the relief association officers fail to provide a complete and accurate public pension plan investment portfolio and performance disclosure under section 356.219;

(10) the relief association fails to obtain the acknowledgment from a broker of the statement of investment restrictions under section 356A.06, subdivision 8b;

(11) the relief association officers permitted to occur a prohibited transaction under section 356A.06, subdivision 9, or 424A.04, subdivision 2a, or failed to undertake correction of a prohibited transaction that did occur; or

(12) the relief association pays a defined benefit service pension in an amount that is in excess of the applicable service pension maximum under section 424A.02, subdivision 3.

EFFECTIVE DATE. This section is effective July 1, 2019, except the reference to Minnesota Statutes, chapter 477B, is effective for aids payable in 2020 and thereafter.

Sec. 25. Minnesota Statutes 2018, section 424A.092, subdivision 3, is amended to read:

Subd. 3. **Financial requirements of relief association; minimum obligation of municipality.** (a) During the month of July, the officers of the relief association shall determine the overall funding balance of the special fund for the current calendar year, the financial requirements of the special fund for the following calendar year and the minimum obligation of the municipality with respect to the special fund for the following calendar year in accordance with the requirements of this subdivision.

(b) The overall funding balance of the special fund for the current calendar year must be determined in the following manner:

(1) The total accrued liability of the special fund for all active and deferred members of the relief association as of December 31 of the current year must be calculated under subdivisions 2 and 2a, if applicable.

(2) The total present assets of the special fund projected to December 31 of the current year, including receipts by and disbursements from the special fund anticipated to occur on or before December 31, must be calculated. To the extent possible, for those assets for which a market value is readily ascertainable, the current market value as of the date of the calculation for those assets must be utilized in making this calculation. For any asset for which no market value is readily ascertainable, the cost value or the book value, whichever is applicable, must be utilized in making this calculation.

(3) The amount of the total present assets of the special fund calculated under clause (2) must be subtracted from the amount of the total accrued liability of the special fund calculated under clause (1). If the amount of total present assets exceeds the amount of the total accrued liability, then the special fund is considered to have a surplus over full funding. If the amount of the total present assets is less than the amount of the total accrued liability, then the special fund is considered to have a deficit from full funding. If the amount of total present assets is equal to the amount of the total accrued liability, then the special fund is considered to be fully funded.

(c) The financial requirements of the special fund for the following calendar year must be determined in the following manner:

(1) The total accrued liability of the special fund for all active and deferred members of the relief association as of December 31 of the calendar year next following the current calendar year must be calculated under subdivisions 2 and 2a, if applicable.

(2) The increase in the total accrued liability of the special fund for the following calendar year over the total accrued liability of the special fund for the current year must be calculated.

(3) The amount of anticipated future administrative expenses of the special fund must be calculated by multiplying the dollar amount of the administrative expenses of the special fund for the most recent prior calendar year by the factor of 1.035.

(4) If the special fund is fully funded, the financial requirements of the special fund for the following calendar year are the total of the amounts calculated under clauses (2) and (3).

(5) If the special fund has a deficit from full funding, the financial requirements of the special fund for the following calendar year are the financial requirements of the special fund calculated as though the special fund were fully funded under clause (4) plus an amount equal to one-tenth of the original amount of the deficit from full funding of the special fund as determined under clause (2) resulting either from an increase in the amount of the service pension occurring in the last ten years or from a net annual investment loss occurring during the last ten years until each increase in the deficit from full funding is fully retired. The annual amortization contribution under this clause may not exceed the amount of the deficit from full funding.

(6) If the special fund has a surplus over full funding, the financial requirements of the special fund for the following calendar year are the financial requirements of the special fund calculated as though the special fund were fully funded under clause (4) reduced by an amount equal to one-tenth of the amount of the surplus over full funding of the special fund.

(d) The minimum obligation of the municipality with respect to the special fund is the financial requirements of the special fund reduced by the amount of any fire state aid and police and firefighter retirement supplemental state aid payable under ~~sections 69.011 to 69.051~~ chapter 477B and section 423A.022 reasonably anticipated to be received by the municipality for transmittal to the special fund during the following calendar year, an amount of interest on the assets of the special fund projected to the beginning of the following calendar year calculated at the rate of five percent per annum, and the amount of any contributions to the special fund required by the relief association bylaws from the active members of the relief association reasonably anticipated to be received during the following calendar year. A reasonable amount of anticipated fire state aid is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 26. Minnesota Statutes 2018, section 424A.092, subdivision 4, is amended to read:

Subd. 4. **Certification of financial requirements and minimum municipal obligation; levy.** (a) The officers of the relief association shall certify the financial requirements of the special fund of the relief association and the minimum obligation of the municipality with respect to the special fund of the relief association as determined under subdivision 3 on or before August 1 of each year. The certification must be made to the entity that is responsible for satisfying the minimum obligation with respect to the special fund of the relief association. If the responsible entity is a joint powers entity, the certification must be made in the manner specified in the joint powers agreement, or if the joint powers agreement is silent on this point, the certification must be made to the chair of the joint powers board.

(b) The financial requirements of the relief association and the minimum municipal obligation must be included in the financial report or financial statement under section ~~69.051~~ 424A.014. The schedule forms related to the determination of the financial requirements must be filed with the state auditor by March 31, annually, if the relief association is required to file a financial statement under section ~~69.051, subdivision 1a~~ 424A.014, subdivision 2, or by June 30, annually, if the relief association is required to file a financial report and audit under section ~~69.051, subdivision 1~~ 424A.014, subdivision 1.

(c) The municipality shall provide for at least the minimum obligation of the municipality with respect to the special fund of the relief association by tax levy or from any other source of public revenue.

(d) The municipality may levy taxes for the payment of the minimum municipal obligation without any limitation as to rate or amount and irrespective of any limitations imposed by other provisions of law upon the rate or amount of taxation until the balance of the special fund or any fund of the relief association has attained a specified level. In addition, any taxes levied under this section must not cause the amount or rate of any other taxes levied in that year or to be levied in a subsequent year by the municipality which are subject to a limitation as to rate or amount to be reduced.

(e) If the municipality does not include the full amount of the minimum municipal obligations in its levy for any year, the officers of the relief association shall certify that amount to the county auditor, who shall spread a levy in the amount of the certified minimum municipal obligation on the taxable property of the municipality.

(f) If the state auditor determines that a municipal contribution actually made in a plan year was insufficient under section 424A.091, subdivision 3, paragraph (c), clause (5), the state auditor may request a copy of the certifications under this subdivision from the relief

association or from the city. The relief association or the city, whichever applies, must provide the certifications within 14 days of the date of the request from the state auditor.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 27. Minnesota Statutes 2018, section 424A.093, subdivision 5, is amended to read:

Subd. 5. **Minimum municipal obligation.** (a) The officers of the relief association shall determine the minimum obligation of the municipality with respect to the special fund of the relief association for the following calendar year on or before August 1 of each year in accordance with the requirements of this subdivision.

(b) The minimum obligation of the municipality with respect to the special fund is an amount equal to the financial requirements of the special fund of the relief association determined under subdivision 4, reduced by the estimated amount of any fire state aid and police and firefighter retirement supplemental state aid payable under ~~sections 69.011 to 69.051~~ chapter 477B and section 423A.022 reasonably anticipated to be received by the municipality for transmittal to the special fund of the relief association during the following year and the amount of any anticipated contributions to the special fund required by the relief association bylaws from the active members of the relief association reasonably anticipated to be received during the following calendar year. A reasonable amount of anticipated fire state aid is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

(c) The officers of the relief association shall certify the financial requirements of the special fund of the relief association and the minimum obligation of the municipality with respect to the special fund of the relief association as determined under subdivision 4 and this subdivision by August 1 of each year. The certification must be made to the entity that is responsible for satisfying the minimum obligation with respect to the special fund of the relief association. If the responsible entity is a joint powers entity, the certification must be made in the manner specified in the joint powers agreement, or if the joint powers agreement is silent on this point, the certification must be made to the chair of the joint powers board.

(d) The financial requirements of the relief association and the minimum municipal obligation must be included in the financial report or financial statement under section ~~69.051~~ 424A.014.

(e) The municipality shall provide for at least the minimum obligation of the municipality with respect to the special fund of the relief association by tax levy or from any other source of public revenue. The municipality may levy taxes for the payment of the minimum

municipal obligation without any limitation as to rate or amount and irrespective of any limitations imposed by other provisions of law or charter upon the rate or amount of taxation until the balance of the special fund or any fund of the relief association has attained a specified level. In addition, any taxes levied under this section must not cause the amount or rate of any other taxes levied in that year or to be levied in a subsequent year by the municipality which are subject to a limitation as to rate or amount to be reduced.

(f) If the municipality does not include the full amount of the minimum municipal obligation in its levy for any year, the officers of the relief association shall certify that amount to the county auditor, who shall spread a levy in the amount of the minimum municipal obligation on the taxable property of the municipality.

(g) If the state auditor determines that a municipal contribution actually made in a plan year was insufficient under section 424A.091, subdivision 3, paragraph (c), clause (5), the state auditor may request from the relief association or from the city a copy of the certifications under this subdivision. The relief association or the city, whichever applies, must provide the certifications within 14 days of the date of the request from the state auditor.

EFFECTIVE DATE. This section is effective July 1, 2019, except the reference to Minnesota Statutes, chapter 477B, is effective for aids payable in 2020 and thereafter.

Sec. 28. Minnesota Statutes 2018, section 424B.09, is amended to read:

424B.09 ADMINISTRATIVE EXPENSES.

The payment of authorized administrative expenses of the subsequent volunteer firefighters relief association must be from the special fund of the subsequent volunteer firefighters relief association in accordance with section ~~69.80~~ 424A.05, subdivision 3b, and as provided for in the bylaws of the subsequent volunteer firefighters relief association and approved by the board of trustees of the subsequent volunteer firefighters relief association. The payment of any other expenses of the subsequent volunteer firefighters relief association must be from the general fund of the subsequent volunteer firefighters relief association in accordance with section ~~69.80~~ 424A.05, subdivision 3b, and as provided for in the bylaws of the subsequent volunteer firefighters relief association and approved by the board of trustees of the subsequent volunteer firefighters relief association.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 29. **REPEALER.**

Minnesota Statutes 2018, section 69.022, is repealed.

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

ARTICLE 23
DEPARTMENT OF REVENUE; MISCELLANEOUS; POLICY CHANGES

Section 1. Minnesota Statutes 2018, section 270B.08, subdivision 2, is amended to read:

Subd. 2. **Revocation or cancellation.** When a taxpayer's sales tax permit has been revoked or canceled under section 270C.722 or 297A.84, the commissioner may disclose to any person data identifying the holder of the revoked or canceled permit, ~~stating~~ the basis for the revocation or cancellation, the date of the revocation or cancellation, and ~~stating whether the~~ if a revoked or canceled permit has been reinstated, the date upon which the permit was reinstated.

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

Sec. 2. Minnesota Statutes 2018, section 297A.84, is amended to read:

297A.84 PERMITS ISSUED AND NOT ISSUED; CANCELLATION.

Subdivision 1. **Definitions.** (a) The following definitions apply for the purposes of this section.

(b) "Applicant" means an individual, corporation, or partnership. Applicant also includes any officer of a corporation or member of a partnership.

(c) "Delinquent sales tax" means tax not paid by the date the tax was due and payable under section 289A.20, subdivision 4, or an assessment not paid if the applicant has been issued an order assessing sales and use tax under section 270C.33, subdivision 4.

Subd. 2. **Permits issued.** Except as provided in subdivision 3, the commissioner ~~shall~~ must issue a permit to each applicant who has complied with section 297A.83, and with section 297A.92 if security is required. A person is considered to have a permit if the person has a Minnesota tax identification number issued by the commissioner that is currently active for taxes imposed by this chapter. A permit is valid until canceled or revoked. It is not assignable and is valid only for the person in whose name it is granted and for the transaction of business at the places designated on the permit.

Subd. 3. **Permits not issued.** (a) Except as provided in paragraph (b), the commissioner must not issue a permit to an applicant if the applicant is liable for delinquent sales tax.

(b) The commissioner must issue a permit to an applicant if an appeal period of an order assessing sales tax under section 270C.33, subdivision 5, has not ended. The commissioner

may cancel a permit issued under this paragraph in the manner provided in subdivision 4 if the applicant owes delinquent sales tax after the appeal period has ended.

Subd. 4. **Nonconforming permits; cancellation; reissue.** (a) If the commissioner issues a permit that does not conform with the requirements of this section or applicable rules, the commissioner may cancel the permit upon notice to the permit holder. The notice must be served by first class and certified mail at the permit holder's last known address. The cancellation is effective immediately.

(b) If a permit holder shows that a canceled permit was issued in conformance with the requirements of this section and applicable rules, the commissioner must reissue the permit.

EFFECTIVE DATE. This section is effective for permit applications filed after December 31, 2019.

Sec. 3. Minnesota Statutes 2018, section 297A.85, is amended to read:

297A.85 CANCELLATION OF PERMITS.

The commissioner may cancel a permit if one of the following conditions occurs:

(1) the permit holder has not filed a sales or use tax return for at least one year;

(2) the permit holder has not reported any sales or use tax liability on the permit holder's returns for at least two years;

(3) the permit holder requests cancellation of the permit; ~~or~~

(4) the permit is subject to cancellation ~~pursuant to~~ under section 270C.722, subdivision 2, paragraph (a)~~.~~; or

(5) the permit is subject to cancellation under section 297A.84.

EFFECTIVE DATE. This section is effective for permit applications filed after December 31, 2019.

Sec. 4. **REPEALER.**

Minnesota Statutes 2018, section 270C.131, is repealed.

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

ARTICLE 24

DEPARTMENT OF REVENUE; MISCELLANEOUS; TECHNICAL CHANGES

Section 1. Minnesota Statutes 2018, section 272.02, subdivision 27, is amended to read:

Subd. 27. **Superior National Forest; recreational property for use by ~~disabled~~ veterans with a disability.** Real and personal property is exempt if it is located in the Superior National Forest, and owned or leased and operated by a nonprofit organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code and primarily used to provide recreational opportunities for ~~disabled~~ veterans with a disability and their families.

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

Sec. 2. Minnesota Statutes 2018, section 272.02, subdivision 81, is amended to read:

Subd. 81. **Certain recreational property for ~~disabled~~ veterans with a disability.** Real and personal property is exempt if it is located in a county in the metropolitan area with a population of less than 500,000 according to the 2000 federal census, and owned or leased and operated by a nonprofit organization, and primarily used to provide recreational opportunities for ~~disabled~~ veterans with a disability and their families.

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

Sec. 3. Minnesota Statutes 2018, section 273.032, is amended to read:

273.032 MARKET VALUE DEFINITION.

(a) Unless otherwise provided, for the purpose of determining any property tax levy limitation based on market value or any limit on net debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market value, any qualification to receive state aid based on market value, or any state aid amount based on market value, the terms "market value," "estimated market value," and "market valuation," whether equalized or unequalized, mean the estimated market value of taxable property within the local unit of government before any of the following or similar adjustments for:

(1) the market value exclusions under:

(i) section 273.11, subdivisions 14a and 14c (vacant platted land);

(ii) section 273.11, subdivision 16 (certain improvements to homestead property);

(iii) section 273.11, subdivisions 19 and 20 (certain improvements to business properties);

(iv) section 273.11, subdivision 21 (homestead property damaged by mold);

(v) section 273.13, subdivision 34 (homestead of a ~~disabled~~ veteran with a disability or family caregiver); or

(vi) section 273.13, subdivision 35 (homestead market value exclusion); or

(2) the deferment of value under:

(i) the Minnesota Agricultural Property Tax Law, section 273.111;

(ii) the Aggregate Resource Preservation Law, section 273.1115;

(iii) the Minnesota Open Space Property Tax Law, section 273.112;

(iv) the rural preserves property tax program, section 273.114; or

(v) the Metropolitan Agricultural Preserves Act, section 473H.10; or

(3) the adjustments to tax capacity for:

(i) tax increment financing under sections 469.174 to 469.1794;

(ii) fiscal disparities under chapter 276A or 473F; or

(iii) powerline credit under section 273.425.

(b) Estimated market value under paragraph (a) also includes the market value of tax-exempt property if the applicable law specifically provides that the limitation, qualification, or aid calculation includes tax-exempt property.

(c) Unless otherwise provided, "market value," "estimated market value," and "market valuation" for purposes of property tax levy limitations and calculation of state aid, refer to the estimated market value for the previous assessment year and for purposes of limits on net debt, the issuance of bonds, certificates of indebtedness, or capital notes refer to the estimated market value as last finally equalized.

(d) For purposes of a provision of a home rule charter or of any special law that is not codified in the statutes and that imposes a levy limitation based on market value or any limit on debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market value, the terms "market value," "taxable market value," and "market valuation," whether equalized or unequalized, mean "estimated market value" as defined in paragraph (a).

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

Sec. 4. Minnesota Statutes 2018, section 273.13, subdivision 22, is amended to read:

Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. In the case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first $500,000 of market value of class 1a property has a net classification rate of one percent of its market value; and the market value of class 1a property that exceeds $500,000 has a classification rate of 1.25 percent of its market value.

(b) Class 1b property includes homestead real estate or homestead manufactured homes used for the purposes of a homestead by:

(1) any person who is blind as defined in section 256D.35, or the ~~blind~~ person who is blind and the ~~blind person's~~ spouse of the person who is blind;

(2) any person who is permanently and totally disabled or by the ~~disabled~~ person with a disability and the ~~disabled person's~~ spouse of the person with a disability; or

(3) the surviving spouse of a veteran who was permanently and totally disabled ~~veteran~~ homesteading a property classified under this paragraph for taxes payable in 2008.

Property is classified and assessed under clause (2) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph, and that the property is not eligible for the valuation exclusion under subdivision 34.

Property is classified and assessed under paragraph (b) only if the commissioner of revenue or the county assessor certifies that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first $50,000 market value of class 1b property has a net classification rate of .45 percent of its market value. The remaining market value of class 1b property is classified as class 1a or class 2a property, whichever is appropriate.

(c) Class 1c property is commercial use real and personal property that abuts public water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by the Department of Natural Resources, and is devoted to temporary and seasonal residential

occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort even if the title to the homestead is held by the corporation, partnership, or limited liability company. For purposes of this paragraph, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. Class 1c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 1c property must provide recreational activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may remain available for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. If the same owner owns two separate parcels that are located in the same township, and one of those properties is classified as a class 1c property and the other would be eligible to be classified as a class 1c property if it was used as the homestead of the owner, both properties will be assessed as a single class 1c property; for purposes of this sentence, properties are deemed to be owned by the same owner if each of them is owned by a limited liability company, and both limited liability companies have the same membership. The portion of the property used as a homestead is class 1a property under paragraph (a). The remainder of the property is classified as follows: the first $600,000 of market value is tier I, the next $1,700,000 of market value is tier II, and any remaining market value is tier III. The classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes in which all or a portion of the property was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated as class 1c as otherwise provided.

The remainder of the cabins or units and a proportionate share of the land on which they are located must be designated as class 3a commercial. The owner of property desiring designation as class 1c property must provide guest registers or other records demonstrating that the units for which class 1c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

(d) Class 1d property includes structures that meet all of the following criteria:

(1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;

(2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;

(3) the structure meets all applicable health and safety requirements for the appropriate season; and

(4) the structure is not salable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

The market value of class 1d property has the same classification rates as class 1a property under paragraph (a).

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

Sec. 5. Minnesota Statutes 2018, section 273.13, subdivision 34, is amended to read:

Subd. 34. **Homestead of ~~disabled~~ veteran with a disability or family caregiver.** (a) All or a portion of the market value of property owned by a veteran and serving as the veteran's homestead under this section is excluded in determining the property's taxable market value if the veteran has a service-connected disability of 70 percent or more as certified by the United States Department of Veterans Affairs. To qualify for exclusion under this subdivision, the veteran must have been honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers.

(b)(1) For a disability rating of 70 percent or more, $150,000 of market value is excluded, except as provided in clause (2); and

(2) for a total (100 percent) and permanent disability, $300,000 of market value is excluded.

(c) If a ~~disabled~~ veteran with a disability qualifying for a valuation exclusion under paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion shall carry over to the benefit of the veteran's spouse for the current taxes payable year and for eight additional taxes payable years or until such time as the spouse remarries, or sells, transfers, or otherwise disposes of the property, whichever comes first. Qualification under this paragraph requires an application under paragraph (h), and a spouse must notify the assessor if there is a change in the spouse's marital status, ownership of the property, or use of the property as a permanent residence.

(d) If the spouse of a member of any branch or unit of the United States armed forces who dies due to a service-connected cause while serving honorably in active service, as indicated on United States Government Form DD1300 or DD2064, holds the legal or beneficial title to a homestead and permanently resides there, the spouse is entitled to the benefit described in paragraph (b), clause (2), for eight taxes payable years, or until such time as the spouse remarries or sells, transfers, or otherwise disposes of the property, whichever comes first.

(e) If a veteran meets the disability criteria of paragraph (a) but does not own property classified as homestead in the state of Minnesota, then the homestead of the veteran's primary family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify for under paragraph (b).

(f) In the case of an agricultural homestead, only the portion of the property consisting of the house and garage and immediately surrounding one acre of land qualifies for the valuation exclusion under this subdivision.

(g) A property qualifying for a valuation exclusion under this subdivision is not eligible for the market value exclusion under subdivision 35, or classification under subdivision 22, paragraph (b).

(h) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by July 1 of the first assessment year for which the exclusion is sought. For an application received after July 1, the exclusion shall become effective for the following assessment year. Except as provided in paragraph (c), the owner of a property that has been

accepted for a valuation exclusion must notify the assessor if there is a change in ownership of the property or in the use of the property as a homestead.

(i) A first-time application by a qualifying spouse for the market value exclusion under paragraph (d) must be made any time within two years of the death of the service member.

(j) For purposes of this subdivision:

(1) "active service" has the meaning given in section 190.05;

(2) "own" means that the person's name is present as an owner on the property deed;

(3) "primary family caregiver" means a person who is approved by the secretary of the United States Department of Veterans Affairs for assistance as the primary provider of personal care services for an eligible veteran under the Program of Comprehensive Assistance for Family Caregivers, codified as United States Code, title 38, section 1720G; and

(4) "veteran" has the meaning given the term in section 197.447.

(k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit under paragraph (b), clause (2), for eight taxes payable years or until the spouse remarries or sells, transfers, or otherwise disposes of the property if:

(1) the spouse files a first-time application within two years of the death of the service member or by June 1, 2019, whichever is later;

(2) upon the death of the veteran, the spouse holds the legal or beneficial title to the homestead and permanently resides there;

(3) the veteran met the honorable discharge requirements of paragraph (a); and

(4) the United States Department of Veterans Affairs certifies that:

(i) the veteran met the total (100 percent) and permanent disability requirement under paragraph (b), clause (2); or

(ii) the spouse has been awarded dependency and indemnity compensation.

(l) The purpose of this provision of law providing a level of homestead property tax relief for ~~gravely disabled~~ veterans with a disability, their primary family caregivers, and their surviving spouses is to help ease the burdens of war for those among our state's citizens who bear those burdens most heavily.

(m) By July 1, the county veterans service officer must certify the disability rating and permanent address of each veteran receiving the benefit under paragraph (b) to the assessor.

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

Sec. 6. Minnesota Statutes 2018, section 289A.08, subdivision 6, is amended to read:

Subd. 6. **Returns of married persons.** ~~A husband and wife~~ Individuals who are married to each other must file a joint Minnesota income tax return if they filed a joint federal income tax return. If the ~~husband and wife~~ spouses have elected to file separate federal income tax returns, they must file separate Minnesota income tax returns. This election to file a joint or separate return must be changed if they change their election for federal purposes. In the event taxpayers desire to change their election, the change must be done in the manner and on the form prescribed by the commissioner.

The determination of whether an individual is married shall be made under the provisions of section 7703 of the Internal Revenue Code.

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

Sec. 7. Minnesota Statutes 2018, section 289A.25, subdivision 1, is amended to read:

Subdivision 1. **Requirements to pay.** An individual, trust, S corporation, or partnership must, when prescribed in subdivision 3, paragraph (b), make payments of estimated tax. For individuals, the term "estimated tax" means the amount the taxpayer estimates is the sum of the taxes imposed by chapter 290 for the taxable year. For trusts, S corporations, and partnerships, the term estimated tax means the amount the taxpayer estimates is the sum of the taxes for the taxable year imposed by chapter 290 and the composite income tax imposed by section 289A.08, subdivision 7. If the individual is an infant or incompetent person, the payments must be made by the individual's guardian. If joint payments on estimated tax are made but a joint return is not made for the taxable year, the estimated tax for that year may be treated as the estimated tax of either ~~the husband or the wife~~ spouse or may be divided between them.

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

Sec. 8. Minnesota Statutes 2018, section 289A.31, subdivision 2, is amended to read:

Subd. 2. **Joint income tax returns.** (a) If a joint income tax return is made by ~~a husband and wife~~ spouses, the liability for the tax is joint and several. A spouse who qualifies for relief from a liability attributable to an underpayment under section 6015(b) of the Internal Revenue Code is relieved of the state income tax liability on the underpayment.

(b) In the case of individuals who were ~~a husband and wife~~ married as determined in section 7703 of the Internal Revenue Code prior to the dissolution of their marriage or their legal separation, or prior to the death of one of the individuals, for tax liabilities reported on a joint or combined return, the liability of each person is limited to the proportion of the tax due on the return that equals that person's proportion of the total tax due if ~~the husband and wife~~ each spouse filed separate returns for the taxable year. This provision is effective only when the commissioner receives written notice of the marriage dissolution, legal separation, or death of a spouse from the ~~husband or wife~~ surviving spouse. No refund may be claimed by an ex-spouse, legally separated or widowed spouse for any taxes paid more than 60 days before receipt by the commissioner of the written notice.

(c) A request for calculation of separate liability pursuant to paragraph (b) for taxes reported on a return must be made within six years after the due date of the return. For calculation of separate liability for taxes assessed by the commissioner under section 289A.35 or 289A.37, the request must be made within six years after the date of assessment. The commissioner is not required to calculate separate liability if the remaining unpaid liability for which recalculation is requested is $100 or less.

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

Sec. 9. Minnesota Statutes 2018, section 289A.37, subdivision 6, is amended to read:

Subd. 6. **Order of assessment if joint income tax return.** If a joint income tax return is filed by ~~a husband and wife~~ spouses, an order of assessment may be a single joint notice. If the commissioner has been notified by either spouse that that spouse's address has changed and if that spouse requests it, then, instead of the single joint notice mailed to the last known address of the ~~husband and wife~~ spouses, a duplicate or original of the joint notice must be sent to the requesting spouse at the address designated by the requesting spouse. The other joint notice must be mailed to the other spouse at that spouse's last known address. An assessment is not invalid for failure to send it to a spouse if the spouse actually receives the notice in the same period as if it had been mailed to that spouse at the correct address or if the spouse has failed to provide an address to the commissioner other than the last known address.

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

Sec. 10. Minnesota Statutes 2018, section 290.0802, subdivision 2, is amended to read:

Subd. 2. **Subtraction.** (a) A qualified individual is allowed a subtraction from federal taxable income of the individual's subtraction base amount. The excess of the subtraction

base amount over the taxable net income computed without regard to the subtraction for the elderly or ~~disabled~~ a person with a disability under section 290.0132, subdivision 5, may be used to reduce the amount of a lump sum distribution subject to tax under section 290.032.

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

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

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

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

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

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

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

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

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

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

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

Sec. 11. Minnesota Statutes 2018, section 290.0802, subdivision 3, is amended to read:

Subd. 3. **Restrictions; married couples.** Except in the case of ~~a husband and wife~~ spouses who live apart at all times during the taxable year, if the taxpayer is married at the close of the taxable year, the subtraction under subdivision 2 is allowable only if the taxpayers file joint federal and state income tax returns for the taxable year.

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

Sec. 12. Minnesota Statutes 2018, section 290.091, subdivision 2, is amended to read:

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

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

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

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

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

(ii) the medical expense deduction;

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

(iv) the impairment-related work expenses of a ~~disabled~~ person with a disability;

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

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

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

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

less the sum of the amounts determined under the following:

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

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

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

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

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

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

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

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

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

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

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

Sec. 13. Minnesota Statutes 2018, section 290A.03, subdivision 3, is amended to read:

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

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

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

(i) all nontaxable income;

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

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

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, Supplemental Security Income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively

by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

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

(vii) workers' compensation;

(viii) nontaxable strike benefits;

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

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

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

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

(xiii) nontaxable scholarship or fellowship grants;

(xiv) the amount of deduction allowed under section 199 of the Internal Revenue Code;

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

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

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

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

(b) "Income" does not include:

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

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

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

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

(5) relief granted under this chapter;

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

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

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

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

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

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

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

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

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

(d) For purposes of this subdivision, the "exemption amount" means the exemption amount under section 151(d) of the Internal Revenue Code for the taxable year for which the income is reported; "retirement base amount" means the deductible amount for the taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for inflation as provided in section 219(b)(5)(C) of the Internal Revenue Code, without regard to whether the claimant or spouse claimed a deduction; and "traditional

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

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

Sec. 14. Minnesota Statutes 2018, section 290A.03, subdivision 4, is amended to read:

Subd. 4. **Household.** "Household" means a claimant and an individual related to the claimant as ~~husband or wife~~ the claimant's spouse who are domiciled in the same homestead.

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

Sec. 15. Minnesota Statutes 2018, section 290A.03, subdivision 8, is amended to read:

Subd. 8. **Claimant.** (a) "Claimant" means a person, other than a dependent, as defined under sections 151 and 152 of the Internal Revenue Code disregarding section 152(b)(3) of the Internal Revenue Code, who filed a claim authorized by this chapter and who was a resident of this state as provided in chapter 290 during the calendar year for which the claim for relief was filed.

(b) In the case of a claim relating to rent constituting property taxes, the claimant shall have resided in a rented or leased unit on which ad valorem taxes or payments made in lieu of ad valorem taxes, including payments of special assessments imposed in lieu of ad valorem taxes, are payable at some time during the calendar year covered by the claim.

(c) "Claimant" shall not include a resident of a nursing home, intermediate care facility, long-term residential facility, or a facility that accepts housing support payments whose rent constituting property taxes is paid pursuant to the Supplemental Security Income program under title XVI of the Social Security Act, the Minnesota supplemental aid program under sections 256D.35 to 256D.54, the medical assistance program pursuant to title XIX of the Social Security Act, or the housing support program under chapter 256I.

If only a portion of the rent constituting property taxes is paid by these programs, the resident shall be a claimant for purposes of this chapter, but the refund calculated pursuant to section 290A.04 shall be multiplied by a fraction, the numerator of which is income as defined in subdivision 3, paragraphs (a) and (b), reduced by the total amount of income from the above sources other than vendor payments under the medical assistance program and the denominator of which is income as defined in subdivision 3, paragraphs (a) and (b), plus vendor payments under the medical assistance program, to determine the allowable refund pursuant to this chapter.

(d) Notwithstanding paragraph (c), if the claimant was a resident of the nursing home, intermediate care facility, long-term residential facility, or facility for which the rent was paid for the claimant by the housing support program for only a portion of the calendar year covered by the claim, the claimant may compute rent constituting property taxes by disregarding the rent constituting property taxes from the nursing home or facility and use only that amount of rent constituting property taxes or property taxes payable relating to that portion of the year when the claimant was not in the facility. The claimant's household income is the income for the entire calendar year covered by the claim.

(e) In the case of a claim for rent constituting property taxes of a part-year Minnesota resident, the income and rental reflected in this computation shall be for the period of Minnesota residency only. Any rental expenses paid which may be reflected in arriving at federal adjusted gross income cannot be utilized for this computation. When two individuals of a household are able to meet the qualifications for a claimant, they may determine among them as to who the claimant shall be. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. If a homestead property owner was a part-year Minnesota resident, the income reflected in the computation made pursuant to section 290A.04 shall be for the entire calendar year, including income not assignable to Minnesota.

(f) If a homestead is occupied by two or more renters, who are not ~~husband and wife~~ married to each other, the rent shall be deemed to be paid equally by each, and separate claims shall be filed by each. The income of each shall be each renter's household income for purposes of computing the amount of credit to be allowed.

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

Sec. 16. Minnesota Statutes 2018, section 290A.05, is amended to read:

290A.05 COMBINED HOUSEHOLD INCOME.

If a person occupies a homestead with another person ~~or persons~~ not related to the person as ~~husband and wife~~ the person's spouse, excluding dependents, roomers or boarders on contract, and has property tax payable with respect to the homestead, the household income of the claimant or claimants for the purpose of computing the refund allowed by section 290A.04 shall include the total income received by the other persons residing in the homestead. For purposes of this section, "dependent" includes a parent of the claimant or spouse who lives in the claimant's homestead and does not have an ownership interest in the homestead. If a person occupies a homestead with another person or persons not related

to the person as ~~husband and wife~~ the person's spouse or as dependents, the property tax payable or rent constituting property tax shall be reduced as follows.

If the other person or persons are residing at the homestead under rental or lease agreement, the amount of property tax payable or rent constituting property tax shall be that portion not covered by the rental agreement.

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

Sec. 17. Minnesota Statutes 2018, section 290A.08, is amended to read:

290A.08 ONE CLAIMANT PER HOUSEHOLD.

Only one claimant per household per year is entitled to relief under this chapter. Payment of the claim for relief may be made payable to the ~~husband and wife~~ spouses as one claimant. The commissioner, upon written request, may issue separate checks, to the ~~husband and wife~~ spouses for one-half of the relief provided the original check has not been issued or has been returned. Individuals related as ~~husband and wife~~ spouses who were married during the year may elect to file a joint claim which shall include each spouse's income, rent constituting property taxes, and property taxes payable. ~~Husbands and wives~~ Spouses who were married for the entire year and were domiciled in the same household for the entire year must file a joint claim. The maximum dollar amount allowable for a joint claim shall not exceed the amount that one person could receive.

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

Sec. 18. Minnesota Statutes 2018, section 290A.09, is amended to read:

290A.09 PROOF OF CLAIM.

Every claimant shall supply to the commissioner of revenue, in support of the claim, proof of eligibility under this chapter, including but not limited to amount of rent paid or property taxes accrued, name and address of owner or managing agent of property rented, changes in homestead, household membership, household income, size and nature of property claimed as a homestead.

~~Disabled~~ Persons with a disability filing claims shall submit proof of disability in the form and manner as the commissioner may prescribe. The department may require examination and certification by the claimant's physician or by a physician designated by the commissioner. The cost of any examination shall be borne by the claimant, unless the examination proves the disability, in which case the cost of the examination shall be borne by the commissioner.

A determination of disability of a claimant by the Social Security Administration under Title II or Title XVI of the Social Security Act shall constitute presumptive proof of disability.

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

Sec. 19. Minnesota Statutes 2018, section 297A.61, subdivision 18, is amended to read:

Subd. 18. **~~Disabled~~ Person with a disability.** "~~Disabled~~ Person with a disability" means an individual who has a permanent and total disability as defined in section 273.13, subdivision 22.

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

Sec. 20. Minnesota Statutes 2018, section 297A.67, subdivision 6, is amended to read:

Subd. 6. **Other exempt meals.** (a) Prepared food, candy, and soft drinks purchased for and served exclusively to individuals who are 60 years of age or over and their spouses or to ~~disabled~~ persons with a disability and their spouses by governmental agencies, nonprofit organizations, or churches, or pursuant to any program funded in whole or in part through United States Code, title 42, sections 3001 through 3045, wherever delivered, prepared, or served, are exempt. Taxable food sold through vending machines is not exempt.

(b) Prepared food, candy, and soft drinks purchased for and served exclusively to children who are less than 14 years of age or ~~disabled~~ children with a disability who are less than 16 years of age and who are attending a child care or early childhood education program, are exempt if they are:

(1) purchased by a nonprofit child care facility that is exempt under section 297A.70, subdivision 4, and that primarily serves families with income of 250 percent or less of federal poverty guidelines; and

(2) prepared at the site of the child care facility.

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

Sec. 21. Minnesota Statutes 2018, section 297A.67, subdivision 12, is amended to read:

Subd. 12. **Parts and accessories used to make a motor vehicle ~~disabled~~ accessible to a person with a disability.** Parts, accessories, and labor charges that are used solely to modify a motor vehicle to make it ~~disabled~~ accessible to persons with a disability are exempt.

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

Sec. 22. Minnesota Statutes 2018, section 297A.70, subdivision 3, is amended to read:

Subd. 3. **Sales of certain goods and services to government.** (a) The following sales to or use by the specified governments and political subdivisions of the state are exempt:

(1) repair and replacement parts for emergency rescue vehicles, fire trucks, and fire apparatus to a political subdivision;

(2) machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10;

(3) chore and homemaking services to a political subdivision of the state to be provided to elderly individuals or ~~disabled individuals~~ persons with a disability;

(4) telephone services to the Office of MN.IT Services that are used to provide telecommunications services through the MN.IT services revolving fund;

(5) firefighter personal protective equipment as defined in paragraph (b), if purchased or authorized by and for the use of an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or a political subdivision;

(6) bullet-resistant body armor that provides the wearer with ballistic and trauma protection, if purchased by a law enforcement agency of the state or a political subdivision of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

(7) motor vehicles purchased or leased by political subdivisions of the state if the vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b), exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax under section 297B.03, clause (12);

(8) equipment designed to process, dewater, and recycle biosolids for wastewater treatment facilities of political subdivisions, and materials incidental to installation of that equipment;

(9) the removal of trees, bushes, or shrubs for the construction and maintenance of roads, trails, or firebreaks when purchased by an agency of the state or a political subdivision of the state;

(10) purchases by the Metropolitan Council or the Department of Transportation of vehicles and repair parts to equip operations provided for in section 174.90, including, but not limited to, the Northstar Corridor Rail project; and

(11) purchases of water used directly in providing public safety services by an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or a political subdivision.

(b) For purposes of this subdivision, "firefighters personal protective equipment" means helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls; goggles; self-contained breathing apparatus; canister filter masks; personal alert safety systems; spanner belts; optical or thermal imaging search devices; and all safety equipment required by the Occupational Safety and Health Administration.

(c) For purchases of items listed in paragraph (a), clause (10), the tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

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

Sec. 23. Minnesota Statutes 2018, section 297A.70, subdivision 4, is amended to read:

Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph (b), to the following "nonprofit organizations" are exempt:

(1) a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes if the item purchased is used in the performance of charitable, religious, or educational functions;

(2) any senior citizen group or association of groups that:

(i) in general limits membership to persons who are either age 55 or older, or ~~physically disabled~~ persons with a physical disability;

(ii) is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, not including housing, no part of the net earnings of which inures to the benefit of any private shareholders; and

(iii) is an exempt organization under section 501(c) of the Internal Revenue Code; and

(3) an organization that qualifies for an exemption for memberships under subdivision 12 if the item is purchased and used in the performance of the organization's mission.

For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery owned by a religious organization.

(b) This exemption does not apply to the following sales:

(1) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility;

(2) construction materials purchased by tax-exempt entities or their contractors to be used in constructing buildings or facilities that will not be used principally by the tax-exempt entities;

(3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67, subdivision 2, except wine purchased by an established religious organization for sacramental purposes or as allowed under subdivision 9a; and

(4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except as provided in paragraph (c).

(c) This exemption applies to the leasing of a motor vehicle as defined in section 297B.01, subdivision 11, only if the vehicle is:

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

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

(d) A limited liability company also qualifies for exemption under this subdivision if (1) it consists of a sole member that would qualify for the exemption, and (2) the items purchased qualify for the exemption.

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

Sec. 24. Minnesota Statutes 2018, section 297A.70, subdivision 16, is amended to read:

Subd. 16. **Camp fees.** Fees to camps or other recreation facilities are exempt for:

(1) services primarily for children, adults accompanying children, or persons with ~~disabilities~~ a disability; or

(2) educational or religious activities;

~~and~~ if the camp or facilities are owned and operated by an exempt organization under section 501(c)(3) of the Internal Revenue Code.

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

Sec. 25. Minnesota Statutes 2018, section 297A.71, subdivision 22, is amended to read:

Subd. 22. **Materials used to make residential property ~~disabled~~ accessible to persons with a disability.** Building materials and equipment sold to, or stored, used, or consumed by, a nonprofit organization are exempt if:

(1) the materials and equipment are used or incorporated into modifying an existing residential structure to make it ~~disabled~~ accessible to persons with a disability; and

(2) the materials and equipment used in the modification would qualify for an exemption under either subdivision 11 or 12 if made by the current owner of the residence.

For purposes of this subdivision, "nonprofit organization" means any nonprofit corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, educational, or civic purposes; or a veterans' group exempt from federal taxation under section 501(c), clause (19), of the Internal Revenue Code.

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

Sec. 26. Minnesota Statutes 2018, section 297A.75, subdivision 1, is amended to read:

Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

(1) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;

(2) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;

(3) building materials for correctional facilities under section 297A.71, subdivision 3;

(4) building materials used in a residence for ~~disabled~~ veterans with a disability exempt under section 297A.71, subdivision 11;

(5) elevators and building materials exempt under section 297A.71, subdivision 12;

(6) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;

(7) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;

(8) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37;

(9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph (a), clause (10);

(10) materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivision 40;

(11) materials, supplies, and equipment for construction, improvement, or expansion of:

(i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 42;

(ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision 45;

(iii) a research and development facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 46; and

(iv) an industrial measurement manufacturing and controls facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 47;

(12) enterprise information technology equipment and computer software for use in a qualified data center exempt under section 297A.68, subdivision 42;

(13) materials, supplies, and equipment for qualifying capital projects under section 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);

(14) items purchased for use in providing critical access dental services exempt under section 297A.70, subdivision 7, paragraph (c);

(15) items and services purchased under a business subsidy agreement for use or consumption primarily in greater Minnesota exempt under section 297A.68, subdivision 44;

(16) building materials, equipment, and supplies for constructing or replacing real property exempt under section 297A.71, subdivision 49; and

(17) building materials, equipment, and supplies for constructing or replacing real property exempt under section 297A.71, subdivision 50, paragraph (b).

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

Sec. 27. Minnesota Statutes 2018, section 297B.01, subdivision 14, is amended to read:

Subd. 14. **Purchase price.** (a) "Purchase price" means the total consideration valued in money for a sale, whether paid in money or otherwise. The purchase price excludes the amount of a manufacturer's rebate paid or payable to the purchaser. If a motor vehicle is taken in trade as a credit or as part payment on a motor vehicle taxable under this chapter, the credit or trade-in value allowed by the person selling the motor vehicle shall be deducted from the total selling price to establish the purchase price of the vehicle being sold and the trade-in allowance allowed by the seller shall constitute the purchase price of the motor vehicle accepted as a trade-in. The purchase price in those instances where the motor vehicle is acquired by gift or by any other transfer for a nominal or no monetary consideration shall also include the average value of similar motor vehicles, established by standards and guides as determined by the motor vehicle registrar. The purchase price in those instances where a motor vehicle is manufactured by a person who registers it under the laws of this state shall mean the manufactured cost of such motor vehicle and manufactured cost shall mean the amount expended for materials, labor, and other properly allocable costs of manufacture, except that in the absence of actual expenditures for the manufacture of a part or all of the motor vehicle, manufactured costs shall mean the reasonable value of the completed motor vehicle.

(b) The term "purchase price" shall not include the portion of the value of a motor vehicle due solely to modifications necessary to make the motor vehicle ~~disability~~ accessible to persons with a disability.

(c) The term "purchase price" shall not include the transfer of a motor vehicle by way of gift between ~~a husband and wife~~ spouses or parent and child, or to a nonprofit organization as provided under subdivision 16, paragraph (c), clause (6), nor shall it include the transfer of a motor vehicle by a guardian to a ward when there is no monetary consideration and the title to such vehicle was registered in the name of the guardian, as guardian, only because the ward was a minor.

(d) The term "purchase price" shall not include the transfer of a motor vehicle as a gift between a foster parent and foster child. For purposes of this subdivision, a foster relationship exists, regardless of the age of the child, if (1) a foster parent's home is or was licensed as

a foster family home under Minnesota Rules, parts 2960.3000 to 2960.3340, and (2) the county verifies that the child was a state ward or in permanent foster care.

(e) There shall not be included in "purchase price" the amount of any tax imposed by the United States upon or with respect to retail sales whether imposed upon the retailer or the consumer.

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

Sec. 28. Minnesota Statutes 2018, section 297B.01, subdivision 16, is amended to read:

Subd. 16. **Sale, sells, selling, purchase, purchased, or acquired.** (a) "Sale," "sells," "selling," "purchase," "purchased," or "acquired" means any transfer of title of any motor vehicle, whether absolutely or conditionally, for a consideration in money or by exchange or barter for any purpose other than resale in the regular course of business.

(b) Any motor vehicle utilized by the owner only by leasing such vehicle to others or by holding it in an effort to so lease it, and which is put to no other use by the owner other than resale after such lease or effort to lease, shall be considered property purchased for resale.

(c) The terms also shall include any transfer of title or ownership of a motor vehicle by other means, for or without consideration, except that these terms shall not include:

(1) the acquisition of a motor vehicle by inheritance from or by bequest of, or transfer-on-death of title by, a decedent who owned it;

(2) the transfer of a motor vehicle which was previously licensed in the names of two or more joint tenants and subsequently transferred without monetary consideration to one or more of the joint tenants;

(3) the transfer of a motor vehicle by way of gift from a limited used vehicle dealer licensed under section 168.27, subdivision 4a, to an individual, when the transfer is with no monetary or other consideration or expectation of consideration and the parties to the transfer submit an affidavit to that effect at the time the title transfer is recorded;

(4) the transfer of a motor vehicle by gift between:

(i) spouses;

(ii) parents and a child; or

(iii) grandparents and a grandchild;

(5) the voluntary or involuntary transfer of a motor vehicle between ~~a husband and wife~~ spouses in a divorce proceeding; or

(6) the transfer of a motor vehicle by way of a gift to an organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code when the motor vehicle will be used exclusively for religious, charitable, or educational purposes.

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

Sec. 29. Minnesota Statutes 2018, section 298.018, subdivision 1, is amended to read:

Subdivision 1. **Within taconite assistance area.** The proceeds of the tax paid under sections 298.015 and 298.016 on ores, metals, or minerals mined or extracted within the taconite assistance area defined in section 273.1341, shall be allocated as follows:

(1) five percent to the city or town within which the minerals or energy resources are mined or extracted, or within which the concentrate was produced. If the mining and concentration, or different steps in either process, are carried on in more than one taxing district, the commissioner shall apportion equitably the proceeds among the cities and towns by attributing 50 percent of the proceeds of the tax to the operation of mining or extraction, and the remainder to the concentrating plant and to the processes of concentration, and with respect to each thereof giving due consideration to the relative extent of the respective operations performed in each taxing district;

(2) ten percent to the taconite municipal aid account to be distributed as provided in section 298.282, subdivisions 1 and 2, on the dates provided under this section;

(3) ten percent to the school district within which the minerals or energy resources are mined or extracted, or within which the concentrate was produced. If the mining and concentration, or different steps in either process, are carried on in more than one school district, distribution among the school districts must be based on the apportionment formula prescribed in clause (1);

(4) 20 percent to a group of school districts comprised of those school districts wherein the mineral or energy resource was mined or extracted or in which there is a qualifying municipality as defined by section 273.134, paragraph (b), in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 126C.05 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that

portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions;

(5) 20 percent to the county within which the minerals or energy resources are mined or extracted, or within which the concentrate was produced. If the mining and concentration, or different steps in either process, are carried on in more than one county, distribution among the counties must be based on the apportionment formula prescribed in clause (1), provided that any county receiving distributions under this clause shall pay one percent of its proceeds to the Range Association of Municipalities and Schools;

(6) 20 percent to St. Louis County acting as the counties' fiscal agent to be distributed as provided in sections 273.134 to 273.136;

(7) five percent to the commissioner of Iron Range resources and rehabilitation for the purposes of section 298.22;

(8) three percent to the Douglas J. Johnson economic protection trust fund; and

(9) seven percent to the taconite environmental protection fund.

~~The proceeds of the tax shall be distributed on July 15 each year.~~

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

Sec. 30. Minnesota Statutes 2018, section 298.018, is amended by adding a subdivision to read:

Subd. 1a. **Distribution date.** The proceeds of the tax allocated under subdivision 1 shall be distributed on December 15 each year. Any payment of proceeds received after December 15 shall be distributed on the next net proceeds tax distribution date.

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

Sec. 31. Minnesota Statutes 2018, section 298.282, subdivision 1, is amended to read:

Subdivision 1. **Distribution of taconite municipal aid account.** (a) The amount deposited with the county as provided in section 298.28, subdivision 3, must be distributed as provided by this section among: (1) the municipalities comprising a taconite assistance area under section 273.1341; (2) a township that contains a state park consisting primarily of an underground iron ore mine; and (3) a city located within five miles of that state park, each being referred to in this section as a qualifying municipality.

(b) The amount deposited in the state general fund as provided in section 298.018, subdivision 1, must be distributed in the same manner as provided under paragraph (a)

except that subdivisions 3, 4, and 5 do not apply, and the distributions shall be made on the dates provided under section 298.018, subdivision 1a.

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

Sec. 32. Laws 2017, First Special Session chapter 1, article 8, section 3, the effective date, is amended to read:

EFFECTIVE DATE. This section is effective for (1) petitions and appeals filed after June 30, 2017, for which notices of entry of order are mailed before July 1, 2019, and (2) notices of entry of order mailed after June 30, 2019.

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