

1.1 A bill for an act

1.2 relating to taxation; modifying individual income, corporate franchise, sales and

1.3 use, and gross receipts taxes and other various taxes and tax-related provisions;

1.4 providing appointments; providing for certain federal conformity; modifying

1.5 pass-through entity tax provisions; modifying the sustainable aviation fuel credit;

1.6 modifying the dependent care credit; modifying the historic structure rehabilitation

1.7 credit; imposing a gross receipts tax on firearms; lowering the statewide sales and

1.8 use tax rate and expanding the base; imposing a social media tax and dedicating

1.9 receipts; making changes to the cannabis gross receipts tax; creating a commission

1.10 on artificial intelligence; providing for appointments; requiring reports;

1.11 appropriating money; amending Minnesota Statutes 2024, sections 41A.30,

1.12 subdivisions 1, 2, 7; 270C.726, subdivisions 2, 3; 289A.02, subdivision 7; 289A.08,

1.13 subdivision 7a; 289A.12, subdivisions 4, 12, by adding a subdivision; 289A.60,

1.14 subdivision 8; 290.01, subdivisions 19, 31; 290.0122, subdivision 4; 290.0131,

1.15 subdivision 9, by adding subdivisions; 290.0132, by adding subdivisions; 290.0133,

1.16 subdivision 11, by adding subdivisions; 290.0134, by adding subdivisions; 290.033;

1.17 290.06, subdivision 40; 290.067; 290.0921, subdivision 3; 290.21, subdivision 10;

1.18 290.92, subdivision 26; 290A.03, subdivision 15; 291.005, subdivision 1; 295.81,

1.19 subdivisions 1, 3, 4, 6, 9; 297A.61, subdivision 3; 297A.62, subdivision 1; 297F.25,

1.20 subdivision 1; Minnesota Statutes 2025 Supplement, sections 41A.30, subdivision

1.21 5; 290.06, subdivisions 2c, 23a; 290.091, subdivision 2; proposing coding for new

1.22 law in Minnesota Statutes, chapters 116J; 290; 295.

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

1.24 **ARTICLE 1**

1.25 **FEDERAL UPDATE**

1.26 Section 1. Minnesota Statutes 2024, section 289A.02, subdivision 7, is amended to read:

1.27 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal

1.28 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~May 1,~~

1.29 ~~2023~~ March 1, 2026.

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

2.4 Sec. 2. Minnesota Statutes 2024, section 289A.12, subdivision 4, is amended to read:

2.5 Subd. 4. **Returns by persons, corporations, cooperatives, governmental entities, or**  
2.6 **school districts.** (a) The commissioner may by notice and demand require to the extent  
2.7 required by section 6041 of the Internal Revenue Code, a person, corporation, or cooperative,  
2.8 the state of Minnesota and its political subdivisions, and a city, county, and school district  
2.9 in Minnesota, making payments in the regular course of a trade or business during the  
2.10 taxable year to any person or corporation of \$600 or more on account of rents or royalties,  
2.11 or of \$10 or more on account of interest, or \$10 or more on account of dividends or patronage  
2.12 dividends, or \$600 or more on account of either wages, salaries, commissions, fees, prizes,  
2.13 awards, pensions, annuities, or any other fixed or determinable gains, profits or income, not  
2.14 otherwise reportable under section 289A.09, subdivision 2, or on account of earnings of  
2.15 \$10 or more distributed to its members by savings associations or credit unions chartered  
2.16 under the laws of this state or the United States, (1) to file with the commissioner a return  
2.17 ~~(except in cases where a valid agreement to participate in the combined federal and state~~  
2.18 ~~information reporting system has been entered into, and the return is filed only with the~~  
2.19 ~~commissioner of internal revenue under the applicable filing and informational reporting~~  
2.20 ~~requirements of the Internal Revenue Code)~~ with respect to the payments in excess of the  
2.21 amounts named, giving the names and addresses of the persons to whom the payments were  
2.22 made, the amounts paid to each, and (2) to make a return with respect to the total number  
2.23 of payments and total amount of payments, for each category of income named, which were  
2.24 in excess of the amounts named. This subdivision does not apply to the payment of interest  
2.25 or dividends to a person who was a nonresident of Minnesota for the entire year.

2.26 (b) For payments for which a return is covered by paragraph (a), regardless of whether  
2.27 the commissioner has required filing under paragraph (a), the payor must file a copy of the  
2.28 return with the commissioner if:

2.29 (1) the return is for a payment made to a Minnesota resident, to a recipient with a  
2.30 Minnesota address, or for activity occurring in the state of Minnesota; and

2.31 (2) the payment is for wages, salaries, or other compensation for services provided. The  
2.32 commissioner may require this information to be filed in electronic or another form that the  
2.33 commissioner determines is appropriate, ~~notwithstanding the provisions of paragraph (c).~~

3.1 ~~(e) A person, corporation, or cooperative required to file returns under this subdivision~~  
 3.2 ~~must file the returns on magnetic media if magnetic media was used to satisfy the federal~~  
 3.3 ~~reporting requirement under section 6011(e) of the Internal Revenue Code, unless the person~~  
 3.4 ~~establishes to the satisfaction of the commissioner that compliance with this requirement~~  
 3.5 ~~would be an undue hardship.~~

3.6 **EFFECTIVE DATE.** This section is effective retroactively for payments made after  
 3.7 December 31, 2025.

3.8 Sec. 3. Minnesota Statutes 2024, section 289A.12, subdivision 12, is amended to read:

3.9 Subd. 12. **Statements to payees.** A person who can be required to file a return with the  
 3.10 commissioner under subdivisions 4 to 10 and 19 must furnish to a person whose name is  
 3.11 set forth in the return a written statement showing the name and address of the person making  
 3.12 the return, and the aggregate amount of payments to the person shown on the return.

3.13 This written statement must be given to the person on or before January 31 of the year  
 3.14 following the calendar year for which the return was made.

3.15 **EFFECTIVE DATE.** This section is effective retroactively for payments made after  
 3.16 December 31, 2025.

3.17 Sec. 4. Minnesota Statutes 2024, section 289A.12, is amended by adding a subdivision to  
 3.18 read:

3.19 Subd. 19. **Returns relating to payments made in settlement of payment card and**  
 3.20 **third-party network transactions, nonemployee income, and miscellaneous income.** (a)  
 3.21 A person that is required or would be required to file a return relating to payments made in  
 3.22 settlement of payment card and third-party network transactions, nonemployee income, or  
 3.23 miscellaneous income pursuant to section 6041(a) or 6050W of the Internal Revenue Code,  
 3.24 is required to file a return with the commissioner under subdivision 4, except:

3.25 (1) the threshold must be \$600 instead of \$2,000 under section 6041(a) of the Internal  
 3.26 Revenue Code; and

3.27 (2) section 6050W(e)(2) of the Internal Revenue Code does not apply.

3.28 (b) The return must be filed with the commissioner on or before January 31 of the year  
 3.29 following the calendar year for which the payments were made.

3.30 **EFFECTIVE DATE.** This section is effective retroactively for payments made after  
 3.31 December 31, 2025.

4.1 Sec. 5. Minnesota Statutes 2024, section 289A.60, subdivision 8, is amended to read:

4.2 Subd. 8. **Penalties; failure to file informational return; incorrect taxpayer**

4.3 **identification number.** (a) In the case of a failure to file an informational return required  
4.4 by section 289A.12 with the commissioner on the date prescribed (determined with regard  
4.5 to any extension of time for filing), the person failing to file the return shall pay a penalty  
4.6 of \$50 for each failure or in the case of a partnership, S corporation, or fiduciary return, \$50  
4.7 for each partner, shareholder, or beneficiary; but the total amount imposed on the delinquent  
4.8 person for all failures during any calendar year must not exceed \$25,000. If a failure to file  
4.9 a return is due to intentional disregard of the filing requirement, then the penalty imposed  
4.10 under the preceding sentence must not be less than an amount equal to:

4.11 (1) in the case of a return not described in clause (2) or (3), ten percent of the aggregate  
4.12 amount of the items required to be reported;

4.13 (2) in the case of a return required to be filed under section 289A.12, subdivision 5, five  
4.14 percent of the gross proceeds required to be reported; ~~and~~

4.15 (3) in the case of a return required to be filed under section 289A.12, subdivision 9,  
4.16 relating to direct sales, \$100 for each failure; however, the total amount imposed on the  
4.17 delinquent person for intentional failures during a calendar year must not exceed \$50,000.  
4.18 The penalty must be collected in the same manner as a delinquent income tax;

4.19 (4) in the case of a statement required to be provided to a payee under section 289A.12,  
4.20 subdivision 12, \$50 for each failure; however, the total amount imposed on the delinquent  
4.21 person for failures during a calendar year must not exceed \$50,000; and

4.22 (5) in the case of a return required to be filed under section 289A.12, subdivision 19,  
4.23 \$50 for each failure; however, the total amount imposed on the delinquent person for failures  
4.24 during a calendar year must not exceed \$50,000.

4.25 (b) If a partnership or S corporation files a partnership or S corporation return with an  
4.26 incorrect tax identification number used for a partner or shareholder after being notified by  
4.27 the commissioner that the identification number is incorrect, the partnership or S corporation  
4.28 must pay a penalty of \$50 for each such incorrect number.

4.29 **EFFECTIVE DATE.** This section is effective retroactively for payments made after  
4.30 December 31, 2025.

5.1 Sec. 6. Minnesota Statutes 2024, section 290.01, subdivision 19, is amended to read:

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

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

5.11 (c) In the case of a regulated investment company or a fund thereof, as defined in section  
5.12 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment  
5.13 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,  
5.14 except that:

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

5.17 (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue  
5.18 Code must be applied by allowing a deduction for capital gain dividends and exempt-interest  
5.19 dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code;  
5.20 and

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

5.24 (d) The net income of a real estate investment trust as defined and limited by section  
5.25 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust  
5.26 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

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

5.30 (f) The Internal Revenue Code of 1986, as amended through ~~May 1, 2023~~ March 1,  
5.31 2026, applies for taxable years beginning after December 31, 1996.

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

6.4 (h) In the case of a partnership electing to file a composite return under section 289A.08,  
6.5 subdivision 7, "net income" means the partner's share of federal adjusted gross income from  
6.6 the partnership modified by the additions provided in section 290.0131, subdivisions 8 to  
6.7 10, 16, and 17, and the subtractions provided in: (1) section 290.0132, subdivisions 9, 27,  
6.8 and 28, to the extent the amount is assignable or allocable to Minnesota under section 290.17;  
6.9 and (2) section 290.0132, subdivision 14. The subtraction allowed under section 290.0132,  
6.10 subdivision 9, is only allowed on the composite tax computation to the extent the electing  
6.11 partner would have been allowed the subtraction.

6.12 (i) In the case of a qualifying entity electing to pay the pass-through entity tax under  
6.13 section 289A.08, subdivision 7a, "net income" means the qualifying owner's share of federal  
6.14 adjusted gross income from the qualifying entity modified by the additions provided in  
6.15 section 290.0131, subdivisions 5, 8 to 10, 16, and 17, and the subtractions provided in: (1)  
6.16 section 290.0132, subdivisions 3, 9, 27, and 28, to the extent the amount is assignable or  
6.17 allocable to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14. The  
6.18 subtraction allowed under section 290.0132, subdivision 9, is only allowed on the  
6.19 pass-through entity tax computation to the extent the qualifying owners would have been  
6.20 allowed the subtraction. The income of both a resident and nonresident qualifying owner  
6.21 is allocated and assigned to this state as provided for nonresident partners and shareholders  
6.22 under sections 290.17, 290.191, and 290.20.

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

6.26 Sec. 7. Minnesota Statutes 2024, section 290.01, subdivision 19, is amended to read:

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

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

7.3 (c) In the case of a regulated investment company or a fund thereof, as defined in section  
7.4 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment  
7.5 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,  
7.6 except that:

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

7.9 (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue  
7.10 Code must be applied by allowing a deduction for capital gain dividends and exempt-interest  
7.11 dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code;  
7.12 and

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

7.16 (d) The net income of a real estate investment trust as defined and limited by section  
7.17 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust  
7.18 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

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

7.22 (f) The Internal Revenue Code of 1986, as amended through May 1, 2023, applies for  
7.23 taxable years beginning after December 31, 1996.

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

7.27 (h) In the case of a partnership electing to file a composite return under section 289A.08,  
7.28 subdivision 7, "net income" means the partner's share of federal adjusted gross income from  
7.29 the partnership modified by the additions provided in section 290.0131, subdivisions 8 to  
7.30 10, 16, ~~and 17~~, 21, and 22, and the subtractions provided in: (1) section 290.0132,  
7.31 subdivisions 9, 27, ~~and 28~~, 40, 41, and 42, to the extent the amount is assignable or allocable  
7.32 to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction

8.1 allowed under section 290.0132, subdivision 9, is only allowed on the composite tax  
8.2 computation to the extent the electing partner would have been allowed the subtraction.

8.3 (i) In the case of a qualifying entity electing to pay the pass-through entity tax under  
8.4 section 289A.08, subdivision 7a, "net income" means the qualifying owner's share of federal  
8.5 adjusted gross income from the qualifying entity modified by the additions provided in  
8.6 section 290.0131, subdivisions 5, 8 to 10, 16, ~~and 17~~, 21, and 22, and the subtractions  
8.7 provided in: (1) section 290.0132, subdivisions 3, 9, 27, ~~and 28~~, 40, 41, and 42, to the extent  
8.8 the amount is assignable or allocable to Minnesota under section 290.17; and (2) section  
8.9 290.0132, subdivision 14. The subtraction allowed under section 290.0132, subdivision 9,  
8.10 is only allowed on the pass-through entity tax computation to the extent the qualifying  
8.11 owners would have been allowed the subtraction. The income of both a resident and  
8.12 nonresident qualifying owner is allocated and assigned to this state as provided for  
8.13 nonresident partners and shareholders under sections 290.17, 290.191, and 290.20.

8.14 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
8.15 after December 31, 2024, except the changes incorporated by federal changes are effective  
8.16 retroactively at the same time the changes were effective for federal purposes.

8.17 Sec. 8. Minnesota Statutes 2024, section 290.01, subdivision 31, is amended to read:

8.18 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
8.19 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~May 1,~~  
8.20 ~~2023~~ March 1, 2026. Internal Revenue Code also includes any uncodified provision in  
8.21 federal law that relates to provisions of the Internal Revenue Code that are incorporated  
8.22 into Minnesota law.

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

8.26 Sec. 9. Minnesota Statutes 2024, section 290.0122, subdivision 4, is amended to read:

8.27 Subd. 4. **Charitable contributions.** (a) A taxpayer is allowed a deduction for charitable  
8.28 contributions. The deduction equals the amount of the charitable contribution deduction  
8.29 allowable to the taxpayer under section 170 of the Internal Revenue Code, including the  
8.30 denial of the deduction under section 408(d)(8), except that the provisions of section  
8.31 170(b)(1)(G) apply regardless of the taxable year. A charitable contribution under this  
8.32 subdivision is allowed as a deduction to the extent that the aggregate of the contributions  
8.33 exceeds 0.5 percent of the taxpayer's contribution base, as defined in section 170(b)(1)(H),

9.1 for the taxable year, and to the extent that the aggregate of cash contributions does not  
9.2 exceed the excess of 60 percent of the taxpayer's contribution base for the taxable year over  
9.3 the aggregate amount of contributions taken into account under section 170(b)(1)(A) for  
9.4 such taxable year.

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

9.9 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
9.10 after December 31, 2025, except the changes incorporated by federal changes are effective  
9.11 retroactively at the same time the changes were effective for federal purposes.

9.12 Sec. 10. Minnesota Statutes 2024, section 290.0131, subdivision 9, is amended to read:

9.13 Subd. 9. **Bonus depreciation.** (a) 80 percent of the depreciation deduction allowed under  
9.14 section 168(k), (l), (m), and (n) of the Internal Revenue Code is an addition.

9.15 (b) For the purposes of this subdivision, if the taxpayer has an activity that in the taxable  
9.16 year generates a deduction for depreciation under section 168(k), (l), (m), and (n) of the  
9.17 Internal Revenue Code and the activity generates a loss for the taxable year that the taxpayer  
9.18 is not allowed to claim for the taxable year, "the depreciation deduction allowed under  
9.19 section 168(k), (l), (m), and (n)" for the taxable year is limited to excess of the depreciation  
9.20 claimed by the activity under section 168(k), (l), (m), and (n) over the amount of the loss  
9.21 from the activity that is not allowed in the taxable year. In succeeding taxable years when  
9.22 the losses not allowed in the taxable year are allowed, the depreciation under section 168(k),  
9.23 (l), (m), and (n) is allowed.

9.24 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
9.25 after December 31, 2024, except the changes incorporated by federal changes are effective  
9.26 retroactively at the same time the changes were effective for federal purposes.

9.27 Sec. 11. Minnesota Statutes 2024, section 290.0131, is amended by adding a subdivision  
9.28 to read:

9.29 Subd. 21. **Domestic research and experimental expenditures.** (a) 80 percent of the  
9.30 amount immediately deducted and allowed under section 174A(a) of the Internal Revenue  
9.31 Code is an addition.

10.1 (b) Any amount deducted under the transitional rules in Public Law 119-21, section  
10.2 70302(f) is an addition.

10.3 (c) If a taxpayer generates a deduction under section 174A, but is not allowed to take  
10.4 the deduction federally for that taxable year, then 80 percent of the amount in the taxable  
10.5 year the deduction is allowed is an addition.

10.6 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
10.7 after December 31, 2024, except the changes incorporated by federal changes are effective  
10.8 retroactively at the same time the changes were effective for federal purposes.

10.9 Sec. 12. Minnesota Statutes 2024, section 290.0131, is amended by adding a subdivision  
10.10 to read:

10.11 Subd. 22. **Opportunity zones.** For amounts invested in or property acquired after  
10.12 December 31, 2026, the amount deferred or excluded pursuant to an election under section  
10.13 1400Z-2(a) of the Internal Revenue Code is an addition. The addition must be in the year  
10.14 the gain would have been realized on the sale or exchange absent the treatment under section  
10.15 1400Z-2(a) of the Internal Revenue Code.

10.16 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
10.17 after December 31, 2025, except the changes incorporated by federal changes are effective  
10.18 retroactively at the same time the changes were effective for federal purposes.

10.19 Sec. 13. Minnesota Statutes 2024, section 290.0132, is amended by adding a subdivision  
10.20 to read:

10.21 Subd. 40. **Delayed domestic research and experimental expenditures.** (a) In each of  
10.22 the four taxable years immediately following the taxable year in which an addition is required  
10.23 under section 290.0131, subdivision 21, paragraph (a) or (c), or 290.0133, subdivision 16,  
10.24 paragraph (a) or (c), for a shareholder of a corporation that is an S corporation, an amount  
10.25 equal to one-fourth of the addition is a subtraction.

10.26 (b) For the amounts added under section 290.0131, subdivision 21, paragraph (b), an  
10.27 amount equal to the amount that would have been deducted under section 174 of the Internal  
10.28 Revenue Code, as amended through May 1, 2023, but for the election under Public Law  
10.29 119-21, section 70302(f), is a subtraction.

10.30 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
10.31 after December 31, 2024, except the changes incorporated by federal changes are effective  
10.32 retroactively at the same time the changes were effective for federal purposes.

11.1 Sec. 14. Minnesota Statutes 2024, section 290.0132, is amended by adding a subdivision  
11.2 to read:

11.3 Subd. 41. **Opportunity zones.** (a) If a taxpayer has an addition for property under section  
11.4 290.0131, subdivision 22, the gain realized under section 1400Z-2(b) of the Internal Revenue  
11.5 Code for the same property is a subtraction. The subtraction must not exceed the amount  
11.6 added back for such property.

11.7 (b) If a taxpayer has a gain realized under section 1400Z-2(b) for property as to which  
11.8 the gain was previously realized and then adjusted under section 290.993, then the gain  
11.9 realized under section 1400Z-2(b) is a subtraction. The subtraction is limited to the amount  
11.10 previously realized under Minnesota law. The subtraction must be made in the tax period  
11.11 beginning after December 31, 2025, and before January 1, 2027.

11.12 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
11.13 after December 31, 2025, except the changes incorporated by federal changes are effective  
11.14 retroactively at the same time the changes were effective for federal purposes.

11.15 Sec. 15. Minnesota Statutes 2024, section 290.0132, is amended by adding a subdivision  
11.16 to read:

11.17 Subd. 42. **Net CFC tested income.** The amount calculated under section 290.034,  
11.18 paragraph (a), is a subtraction. The subtraction must not exceed the amount of net CFC  
11.19 tested income calculated under section 290.034 for the taxable year.

11.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
11.21 31, 2025.

11.22 Sec. 16. Minnesota Statutes 2024, section 290.0133, subdivision 11, is amended to read:

11.23 Subd. 11. **Bonus depreciation.** 80 percent of the depreciation deduction allowed under  
11.24 section ~~168(k)(1)(A) and (k)(4)(A)~~ 168(k), (l), (m), and (n) of the Internal Revenue Code  
11.25 is an addition. For purposes of this subdivision, if the taxpayer has an activity that in the  
11.26 taxable year generates a deduction for depreciation under section ~~168(k)(1)(A) and (k)(4)(A)~~  
11.27 168(k), (l), (m), and (n) and the activity generates a loss for the taxable year that the taxpayer  
11.28 is not allowed to claim for the taxable year, "the depreciation allowed under section  
11.29 ~~168(k)(1)(A) and (k)(4)(A)~~ 168(k), (l), (m), and (n)" for the taxable year is limited to excess  
11.30 of the depreciation claimed by the activity under section ~~168(k)(1)(A) and (k)(4)(A)~~ 168(k),  
11.31 (l), (m), and (n) over the amount of the loss from the activity that is not allowed in the  
11.32 taxable year. In succeeding taxable years when the losses not allowed in the taxable year

12.1 are allowed, the depreciation under section ~~168(k)(1)(A) and (k)(4)(A)~~ 168(k), (l), (m), and  
12.2 (n) is allowed.

12.3 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
12.4 after December 31, 2024, except the changes incorporated by federal changes are effective  
12.5 retroactively at the same time the changes were effective for federal purposes.

12.6 Sec. 17. Minnesota Statutes 2024, section 290.0133, is amended by adding a subdivision  
12.7 to read:

12.8 Subd. 16. **Domestic research and experimental expenditures.** (a) Eighty percent of  
12.9 the amount immediately expensed, deducted, and allowed under section 174A(a) of the  
12.10 Internal Revenue Code is an addition.

12.11 (b) Any amount deducted under the transitional rules in Public Law 119-21, section  
12.12 70302(f), is an addition.

12.13 (c) If a taxpayer generates a deduction under section 174A, but is not allowed to take  
12.14 the deduction federally for that taxable year, then 80 percent of the amount in the taxable  
12.15 year the deduction is allowed is an addition.

12.16 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
12.17 after December 31, 2024, except the changes incorporated by federal changes are effective  
12.18 retroactively at the same time the changes were effective for federal purposes.

12.19 Sec. 18. Minnesota Statutes 2024, section 290.0133, is amended by adding a subdivision  
12.20 to read:

12.21 Subd. 17. **Opportunity zones.** For amounts invested in or property acquired after  
12.22 December 31, 2026, the amount deferred or excluded pursuant to an election under section  
12.23 1400Z-2(a) of the Internal Revenue Code is an addition. The addition must be in the year  
12.24 the gain would have been realized on the sale or exchange absent the treatment under section  
12.25 1400Z-2(a) of the Internal Revenue Code.

12.26 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
12.27 after December 31, 2025, except the changes incorporated by federal changes are effective  
12.28 retroactively at the same time the changes were effective for federal purposes.

13.1 Sec. 19. Minnesota Statutes 2024, section 290.0134, is amended by adding a subdivision  
13.2 to read:

13.3 Subd. 21. **Delayed research and experimental expenditures.** (a) In each of the four  
13.4 taxable years immediately following the taxable year in which an addition is required under  
13.5 section 290.0133, subdivision 16, paragraph (a) or (c), an amount equal to one-fourth of  
13.6 the addition is a subtraction.

13.7 (b) For the amounts added under section 290.0133, subdivision 16, paragraph (b), an  
13.8 amount equal to the amount that would have been deducted under section 174 of the Internal  
13.9 Revenue Code, as amended through May 1, 2023, but for the election under Public Law  
13.10 119-21, section 70302(f), is a subtraction.

13.11 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
13.12 after December 31, 2024, except the changes incorporated by federal changes are effective  
13.13 retroactively at the same time the changes were effective for federal purposes.

13.14 Sec. 20. Minnesota Statutes 2024, section 290.0134, is amended by adding a subdivision  
13.15 to read:

13.16 Subd. 22. **Opportunity zones.** (a) If a taxpayer has an addition for property under section  
13.17 290.0133, subdivision 17, the gain realized under section 1400Z-2(b) for the same property  
13.18 is a subtraction. The subtraction must not exceed the amount added back for such property.

13.19 (b) If a taxpayer has a gain realized under section 1400Z-2(b) for property as to which  
13.20 the gain was previously realized and then adjusted under section 290.993, then the gain  
13.21 realized under section 1400Z-2(b) is a subtraction. The subtraction is limited to the amount  
13.22 previously realized under Minnesota law. The subtraction must be made in the tax period  
13.23 beginning after December 31, 2025, and before January 1, 2027.

13.24 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
13.25 after December 31, 2025, except the changes incorporated by federal changes are effective  
13.26 retroactively at the same time the changes were effective for federal purposes.

13.27 Sec. 21. Minnesota Statutes 2024, section 290.0134, is amended by adding a subdivision  
13.28 to read:

13.29 Subd. 23. **Net CFC tested income.** The amount calculated under section 290.034,  
13.30 paragraph (a), is a subtraction. The subtraction must not exceed the amount of net CFC  
13.31 tested income calculated under section 290.034 for the taxable year.

14.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
14.2 31, 2025.

14.3 Sec. 22. Minnesota Statutes 2024, section 290.033, is amended to read:

14.4 **290.033 NET INVESTMENT INCOME TAX.**

14.5 (a) For purposes of this section, "net investment income" has the meaning given in  
14.6 section 1411(c) of the Internal Revenue Code, ~~excluding the net gain attributable to the~~  
14.7 ~~disposition of property classified as class 2a under section 273.13, subdivision 23.~~ except:

14.8 (1) the net gain attributable to the disposition of property that is classified as class 2a  
14.9 under section 273.13, subdivision 23, must be excluded;

14.10 (2) for amounts invested in or property acquired after December 31, 2026, the amount  
14.11 deferred or excluded pursuant to an election under section 1400Z-2(a) of the Internal Revenue  
14.12 Code must be added to net investment income. The addition must be made in the year the  
14.13 gain would have been realized on the sale or exchange absent the treatment under section  
14.14 1400Z-2(a) of the Internal Revenue Code; and

14.15 (3) if a taxpayer has an addition under clause (2) or a gain that was deferred under section  
14.16 1400Z-2(a) of the Internal Revenue Code, and the amount was previously realized under  
14.17 section 290.993, the gain realized under section 1400Z-2(b) is a subtraction. The subtraction  
14.18 is limited to the amount previously realized under Minnesota law. The subtraction must be  
14.19 made in the tax period beginning after December 31, 2025, and before January 1, 2027.

14.20 (b) In addition to the tax computed under section 290.06, subdivision 2c, a tax is imposed  
14.21 on the net investment income of individuals, estates, and trusts in excess of \$1,000,000 at  
14.22 a rate of one percent.

14.23 (c) For an individual who is not a Minnesota resident for the entire taxable year, the tax  
14.24 under this subdivision must be calculated as if the individual is a Minnesota resident for the  
14.25 entire year, and that amount must be multiplied by a fraction in which:

14.26 (1) the numerator is net investment income allocable under section 290.17 to Minnesota;  
14.27 and

14.28 (2) the denominator is the total amount of net investment income for the taxable year.

14.29 (d) For an estate or trust, the tax on net investment income must be computed by  
14.30 multiplying the net investment income tax liability by a fraction, the numerator of which is  
14.31 the amount of the estate or trust's net investment income allocated to the state pursuant to

15.1 the provisions of sections 290.17, 290.191, and 290.20, and the denominator of which is  
15.2 the taxpayer's total net investment income.

15.3 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
15.4 after December 31, 2025, except the changes incorporated by federal changes are effective  
15.5 retroactively at the same time the changes were effective for federal purposes.

15.6 Sec. 23. **[290.034] NET CFC TESTED INCOME.**

15.7 (a) The amount of net CFC tested income for Minnesota purposes is calculated as follows:

15.8 (1) any amounts included in federal taxable income pursuant to section 951A of the  
15.9 Internal Revenue Code; minus

15.10 (2) the amount calculated under section 951A(b)(2)(A) of the Internal Revenue Code,  
15.11 as amended through May 1, 2023. The calculation excludes section 951A(b)(2)(B). Any  
15.12 internal references to the calculation refer to the Internal Revenue Code as amended through  
15.13 May 1, 2023.

15.14 (b) The result of the calculation under paragraph (a) must not be less than zero.

15.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
15.16 31, 2025.

15.17 Sec. 24. Minnesota Statutes 2025 Supplement, section 290.06, subdivision 2c, is amended  
15.18 to read:

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

15.23 (1) On the first \$38,770, 5.35 percent;

15.24 (2) On all over \$38,770, but not over \$154,020, 6.8 percent;

15.25 (3) On all over \$154,020, but not over \$269,010, 7.85 percent;

15.26 (4) On all over \$269,010, 9.85 percent.

15.27 Married individuals filing separate returns, estates, and trusts must compute their income  
15.28 tax by applying the above rates to their taxable income, except that the income brackets  
15.29 will be one-half of the above amounts after the adjustment required in subdivision 2d.

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

16.3 (1) On the first \$26,520, 5.35 percent;

16.4 (2) On all over \$26,520, but not over \$87,110, 6.8 percent;

16.5 (3) On all over \$87,110, but not over \$161,720, 7.85 percent;

16.6 (4) On all over \$161,720, 9.85 percent.

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

16.10 (1) On the first \$32,650, 5.35 percent;

16.11 (2) On all over \$32,650, but not over \$131,190, 6.8 percent;

16.12 (3) On all over \$131,190, but not over \$214,980, 7.85 percent;

16.13 (4) On all over \$214,980, 9.85 percent.

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

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

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

16.27 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, 17, 19,  
 16.28 ~~and~~ 20, 21, and 22, and 290.0137, paragraph (a); and reduced by

16.29 (ii) the Minnesota assignable portion of the subtraction for United States government  
 16.30 interest under section 290.0132, subdivision 2, the subtractions under sections 290.0132,  
 16.31 subdivisions 9, 14, 15, 18, 27, 31, ~~and~~ 32, 40, 41, and 42, and 290.0137, paragraph (c), after

17.1 applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17;  
 17.2 and

17.3 (2) the denominator is the individual's federal adjusted gross income as defined in section  
 17.4 62 of the Internal Revenue Code, increased by:

17.5 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, 17, 19,  
 17.6 ~~and~~ 20, 21, and 22, and 290.0137, paragraph (a); and reduced by

17.7 (ii) the subtractions under sections 290.0132, subdivisions 2, 9, 14, 15, 18, 27, 31, ~~and~~  
 17.8 32, 40, 41, and 42, and 290.0137, paragraph (c).

17.9 (f) If an individual who is not a Minnesota resident for the entire year is a qualifying  
 17.10 owner of a qualifying entity that elects to pay tax as provided in section 289A.08, subdivision  
 17.11 7a, paragraph (b), the individual must compute the individual's Minnesota income tax as  
 17.12 provided in paragraph (e), and also must include, to the extent attributed to the electing  
 17.13 qualifying entity:

17.14 (1) in paragraph (e), clause (1), item (i), and paragraph (e), clause (2), item (i), the  
 17.15 addition under section 290.0131, subdivision 5; and

17.16 (2) in paragraph (e), clause (1), item (ii), and paragraph (e), clause (2), item (ii), the  
 17.17 subtraction under section 290.0132, subdivision 3.

17.18 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
 17.19 after December 31, 2024, except the changes incorporated by federal changes are effective  
 17.20 retroactively at the same time the changes were effective for federal purposes.

17.21 Sec. 25. Minnesota Statutes 2025 Supplement, section 290.091, subdivision 2, is amended  
 17.22 to read:

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

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

17.27 (1) the taxpayer's federal alternative minimum taxable income as defined in section  
 17.28 55(b)(1)(D) of the Internal Revenue Code;

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

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

- 18.1 (ii) the medical expense deduction;
- 18.2 (iii) the casualty, theft, and disaster loss deduction; and
- 18.3 (iv) the impairment-related work expenses of a person with a disability;
- 18.4 (3) for depletion allowances computed under section 613A(c) of the Internal Revenue  
18.5 Code, with respect to each property (as defined in section 614 of the Internal Revenue Code),  
18.6 to the extent not included in federal alternative minimum taxable income, the excess of the  
18.7 deduction for depletion allowable under section 611 of the Internal Revenue Code for the  
18.8 taxable year over the adjusted basis of the property at the end of the taxable year (determined  
18.9 without regard to the depletion deduction for the taxable year);
- 18.10 (4) to the extent not included in federal alternative minimum taxable income, the amount  
18.11 of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue  
18.12 Code determined without regard to subparagraph (E);
- 18.13 (5) to the extent not included in federal alternative minimum taxable income, the amount  
18.14 of interest income as provided by section 290.0131, subdivision 2;
- 18.15 (6) the amount of addition required by section 290.0131, subdivisions 9, 10, ~~and 16,~~ 21,  
18.16 and 22;
- 18.17 (7) the deduction allowed under section 199A of the Internal Revenue Code, to the extent  
18.18 not included in the addition required under clause (6); and
- 18.19 (8) to the extent not included in federal alternative minimum taxable income, the amount  
18.20 of foreign-derived intangible income deducted under section 250 of the Internal Revenue  
18.21 Code;
- 18.22 less the sum of the amounts determined under the following:
- 18.23 (i) interest income as defined in section 290.0132, subdivision 2;
- 18.24 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision  
18.25 3, to the extent included in federal alternative minimum taxable income;
- 18.26 (iii) the amount of investment interest paid or accrued within the taxable year on  
18.27 indebtedness to the extent that the amount does not exceed net investment income, as defined  
18.28 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted  
18.29 in computing federal adjusted gross income;
- 18.30 (iv) amounts subtracted from federal taxable or adjusted gross income as provided by  
18.31 section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, 26 to 29, 31, and 34 to ~~39~~ 42;

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

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

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

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

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

19.11 (d) "Regular tax" means the tax that would be imposed under this chapter (without regard  
19.12 to this section, section 290.033, and section 290.032), reduced by the sum of the  
19.13 nonrefundable credits allowed under this chapter.

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

19.16 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
19.17 after December 31, 2024, except the changes incorporated by federal changes are effective  
19.18 retroactively at the same time the changes were effective for federal purposes.

19.19 Sec. 26. Minnesota Statutes 2024, section 290.0921, subdivision 3, is amended to read:

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

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

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

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

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

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

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

20.9 (7) The tax preference for charitable contributions of appreciated property under section  
20.10 57(a)(6) of the Internal Revenue Code does not apply.

20.11 (8) For purposes of calculating the adjustment for adjusted current earnings in section  
20.12 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it  
20.13 is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable  
20.14 income as defined in this subdivision, determined without regard to the adjustment for  
20.15 adjusted current earnings in section 56(g) of the Internal Revenue Code.

20.16 (9) For purposes of determining the amount of adjusted current earnings under section  
20.17 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4)  
20.18 of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up  
20.19 subtracted as provided in section 290.0134, subdivision 2, or (ii) the amount of refunds of  
20.20 income, excise, or franchise taxes subtracted as provided in section 290.0134, subdivision  
20.21 8.

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

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

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

20.29 (12) The subtraction for domestic research and experimental expenditures under section  
20.30 290.0134, subdivision 21, is allowed as a deduction in determining alternative minimum  
20.31 taxable income.

21.1 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
21.2 after December 31, 2024, except the changes incorporated by federal changes are effective  
21.3 retroactively at the same time the changes were effective for federal purposes.

21.4 Sec. 27. Minnesota Statutes 2024, section 290.21, subdivision 10, is amended to read:

21.5 Subd. 10. ~~Global intangible low-taxed~~ Net CFC tested income. ~~Any amounts~~ The  
21.6 amount included in taxable income pursuant to section ~~951A of the Internal Revenue Code,~~  
21.7 ~~are~~ 290.034 is dividend income.

21.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
21.9 31, 2025.

21.10 Sec. 28. Minnesota Statutes 2024, section 290.92, subdivision 26, is amended to read:

21.11 Subd. 26. **Extension of withholding to certain payments where identifying number**  
21.12 **not furnished or inaccurate.** (a) If, in the case of any reportable payment, (1) the payee  
21.13 fails to furnish the payee's Social Security account number to the payor, (2) the payee is  
21.14 subject to federal backup withholding on the reportable payment under section 3406 of the  
21.15 Internal Revenue Code, or (3) the commissioner notifies the payor that the Social Security  
21.16 account number furnished by the payee is incorrect, then the payor shall deduct and withhold  
21.17 from the payment a tax equal to the amount of the payment multiplied by the highest rate  
21.18 used in determining the income tax liability of an individual under section 290.06, subdivision  
21.19 2c.

21.20 (b)(1) In the case of any failure described in paragraph (a), clause (1), paragraph (a)  
21.21 shall apply to any reportable payment made by the payor during the period during which  
21.22 the Social Security account number has not been furnished.

21.23 (2) In any case where there is a notification described in paragraph (a), clause (3),  
21.24 paragraph (a) shall apply to any reportable payment made by the payor (i) after the close  
21.25 of the 30th day after the day on which the payor received the notification, and (ii) before  
21.26 the payee furnishes another Social Security account number.

21.27 (3)(i) Unless the payor elects not to have this clause apply with respect to the payee,  
21.28 paragraph (a), clause (1), shall also apply to any reportable payment made after the close  
21.29 of the period described in clause (1) or (2), as the case may be, and before the 30th day after  
21.30 the close of the period.

22.1 (ii) If the payor elects the application of this clause with respect to the payee, paragraph  
22.2 (a) shall also apply to any reportable payment made during the 30-day period described in  
22.3 clause (2).

22.4 (iii) The payor may elect a period shorter than the grace period set forth in item (i) or  
22.5 (ii), as the case may be.

22.6 (c) The provisions of section 3406 of the Internal Revenue Code shall apply and shall  
22.7 govern when withholding shall be required and the definition of terms, except the threshold  
22.8 for reportable payments under sections 6041(a) and 6041A(a) of the Internal Revenue Code  
22.9 must be \$600 instead of \$2,000. The term "reportable payment" shall include only those  
22.10 payments for personal services. No tax shall be deducted or withheld under this subdivision  
22.11 with respect to any amount for which withholding is otherwise required under this section.  
22.12 For purposes of this section, payments which are subject to withholding under this  
22.13 subdivision shall be treated as if they were wages paid by an employer to an employee and  
22.14 amounts deducted and withheld under this subdivision shall be treated as if deducted and  
22.15 withheld under subdivision 2a.

22.16 (d) Whenever the commissioner notifies a payor under this subdivision that the Social  
22.17 Security account number furnished by any payee is incorrect, the commissioner shall at the  
22.18 same time furnish a copy of the notice to the payor, and the payor shall promptly furnish  
22.19 the copy to the payee. If the commissioner notifies a payor under this subdivision that the  
22.20 Social Security account number furnished by any payee is incorrect and the payee  
22.21 subsequently furnishes another Social Security account number to the payor, the payor shall  
22.22 promptly notify the commissioner of the other Social Security account number furnished.

22.23 **EFFECTIVE DATE.** This section is effective retroactively for payments made after  
22.24 December 31, 2025.

22.25 Sec. 29. Minnesota Statutes 2024, section 290A.03, subdivision 15, is amended to read:

22.26 Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue  
22.27 Code of 1986, as amended through ~~May 1, 2023~~ March 1, 2026.

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

23.1 Sec. 30. Minnesota Statutes 2024, section 291.005, subdivision 1, is amended to read:

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

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

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

23.11 (3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986,  
23.12 as amended through ~~May 1, 2023~~ March 1, 2026.

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

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

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

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

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

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

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

24.1 three years of death, the state or country in which it was normally kept or located when the  
24.2 gift was executed;

24.3 (iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue  
24.4 Code, owned by a nonresident decedent and that is normally kept or located in this state  
24.5 because it is on loan to an organization, qualifying as exempt from taxation under section  
24.6 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is  
24.7 deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

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

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

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

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

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

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

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

24.27 (v) an entity whose ownership interest securities are traded on an exchange regulated  
24.28 by the Securities and Exchange Commission as a national securities exchange under section  
24.29 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

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

## ARTICLE 2

## INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES

Section 1. Minnesota Statutes 2024, section 41A.30, subdivision 1, is amended to read:

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

(b) "Aircraft" has the meaning given in section 296A.01, subdivision 3.

(c) "Aviation gasoline" has the meaning given in section 296A.01, subdivision 7.

(d) "Commissioner" means the commissioner of agriculture.

(e) "Jet fuel" has the meaning given in section 296A.01, subdivision 8.

(f) "Qualifying taxpayer" means a taxpayer, as defined in section 290.01, subdivision 6, that is engaged in the business of:

(1) producing sustainable aviation fuel; or

(2) blending sustainable aviation fuel with aviation gasoline or jet fuel.

(g) "Sustainable aviation fuel" means liquid fuel that:

(1) is derived from: (i) biomass, as defined in section 41A.15, subdivision 2e, that is produced in the United States, provided that the agricultural feedstocks are from planted crops and crop residue harvested from agricultural land cleared or cultivated any time prior to December 19, 2007, that is either actively managed or fallow; (ii) gaseous carbon oxides; or (iii) hydrogen that has a carbon intensity not greater than four kilograms of carbon dioxide equivalent per kilogram of hydrogen produced;

(2) is not derived from palm fatty acid distillates; and

(3) achieves at least a 50 percent life cycle greenhouse gas emissions reduction in comparison with petroleum-based aviation gasoline, aviation turbine fuel, and jet fuel as determined by a test that shows:

(i) that the fuel production pathway achieves at least a 50 percent life cycle greenhouse gas emissions reduction in comparison with petroleum-based aviation gasoline, aviation turbine fuel, and jet fuel utilizing the most recent version of Argonne National Laboratory's Greenhouse Gases, Regulated Emissions, and Energy Use in Technologies (GREET) model that accounts for reduced emissions throughout the fuel production process; or

(ii) that the fuel production pathway achieves at least a 50 percent reduction of the aggregate attributional core life cycle emissions and the positive induced land use change

26.1 values under the life cycle methodology for sustainable aviation fuels adopted by the  
26.2 International Civil Aviation Organization with the agreement of the United States.

26.3 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
26.4 after December 31, 2024, for sustainable aviation fuel sold after June 30, 2025.

26.5 Sec. 2. Minnesota Statutes 2024, section 41A.30, subdivision 2, is amended to read:

26.6 Subd. 2. **Tax credit establishment.** (a) A qualifying taxpayer may claim a tax credit  
26.7 against the tax due under chapter 290 equal to \$1.50 for each gallon of sustainable aviation  
26.8 fuel that is:

26.9 (1) produced in Minnesota or blended with aviation or gasoline or jet fuel in Minnesota,  
26.10 provided that carbon oxides sequestered as part of the production process are not used as a  
26.11 tertiary injectant in the qualified enhanced oil recovery project; and

26.12 (2) sold in Minnesota to a purchaser who certifies that the sustainable aviation fuel is  
26.13 for use as fuel in an aircraft departing from an airport in Minnesota.

26.14 (b) The credit may be claimed only after approval and certification by the commissioner  
26.15 and is limited to the amount stated on the credit certificate issued under subdivision 3. A  
26.16 qualifying taxpayer must apply to the commissioner for certification and allocation of a  
26.17 credit in a form and manner prescribed by the commissioner.

26.18 (c) A qualifying taxpayer may claim a credit for blending or producing sustainable  
26.19 aviation fuel, but not both. If sustainable aviation fuel is blended with aviation gasoline or  
26.20 jet fuel, the credit is allowed only for the portion of sustainable aviation fuel that is included  
26.21 in the blended fuel.

26.22 (d) If the amount of credit that the taxpayer is eligible to receive under this section  
26.23 exceeds the liability for tax under chapter 290, the commissioner of revenue must refund  
26.24 the excess to the taxpayer.

26.25 (e) Subject to the commissioner's certification, a qualifying taxpayer may claim a  
26.26 supplemental tax credit against the tax due under chapter 290 equal to the rate of \$0.02 per  
26.27 gallon for each additional whole percentage carbon intensity reduction beyond 50 percent,  
26.28 but capped at \$2.00 per gallon.

26.29 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
26.30 after December 31, 2024, for sustainable aviation fuel sold after June 30, 2025.

27.1 Sec. 3. Minnesota Statutes 2025 Supplement, section 41A.30, subdivision 5, is amended  
27.2 to read:

27.3 Subd. 5. **Allocation limits.** (a) Subject to additional rollover allocation as provided in  
27.4 paragraph (b), for tax credits allowed under subdivision 2, the commissioner must not issue  
27.5 credit certificates for more than ~~\$11,600,000~~ \$24,300,000 in total, allocated as follows:

27.6 (1) \$7,400,000 for fiscal year 2025; ~~and~~

27.7 (2) \$2,100,000 for ~~each of fiscal years 2026 and 2027.~~ year 2026;

27.8 (3) \$7,400,000 for fiscal year 2027;

27.9 (4) \$5,300,000 for fiscal year 2028; and

27.10 (5) \$2,100,000 for each fiscal year thereafter.

27.11 (b) Any portion of a fiscal year's credits that is not allocated by the commissioner does  
27.12 not cancel and may be carried forward to subsequent fiscal years until all credits have been  
27.13 allocated until the entire allocation has been made, except that the commissioner must not  
27.14 issue any credit certificates for fiscal years beginning after June 30, ~~2030~~ 2035, and any  
27.15 unallocated amounts cancel on that date.

27.16 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
27.17 after December 31, 2025.

27.18 Sec. 4. Minnesota Statutes 2024, section 41A.30, subdivision 7, is amended to read:

27.19 Subd. 7. **Expiration.** This section expires for taxable years beginning after December  
27.20 31, ~~2030~~ 2035.

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

27.22 Sec. 5. Minnesota Statutes 2024, section 289A.08, subdivision 7a, is amended to read:

27.23 Subd. 7a. **Pass-through entity tax.** (a) For the purposes of this subdivision, the following  
27.24 terms have the meanings given:

27.25 (1) "income" has the meaning given in section 290.01, subdivision 19, paragraph (i).  
27.26 The income of a resident qualifying owner of a qualifying entity that is a partnership or  
27.27 limited liability company taxed as a partnership under the Internal Revenue Code is not  
27.28 subject to allocation outside this state as provided for resident individuals under section  
27.29 290.17, subdivision 1, paragraph (a). The income of a nonresident qualifying owner of a  
27.30 qualifying entity and the income of a resident qualifying owner of a qualifying entity that

28.1 is an S corporation, including a qualified subchapter S subsidiary organized under section  
28.2 1361(b)(3)(B) of the Internal Revenue Code, are allocated and assigned to this state as  
28.3 provided for nonresident partners and shareholders under sections 290.17, 290.191, and  
28.4 290.20;

28.5 (2) "qualifying entity" means a partnership, limited liability company taxed as a  
28.6 partnership or S corporation, or S corporation including a qualified subchapter S subsidiary  
28.7 organized under section 1361(b)(3)(B) of the Internal Revenue Code that has at least one  
28.8 qualifying owner. Qualifying entity does not include a publicly traded partnership, as defined  
28.9 in section 7704 of the Internal Revenue Code; and

28.10 (3) "qualifying owner" means:

28.11 (i) a resident or nonresident individual or estate that is a partner, member, or shareholder  
28.12 of a qualifying entity;

28.13 (ii) a resident or nonresident trust that is a shareholder of a qualifying entity that is an  
28.14 S corporation; or

28.15 (iii) a disregarded entity that has a qualifying owner as its single owner.

28.16 (b) For taxable years beginning after December 31, 2020, a qualifying entity may elect  
28.17 to file a return and pay the pass-through entity tax imposed under paragraph (c). The election:

28.18 (1) must be made on or before the due date or extended due date of the qualifying entity's  
28.19 pass-through entity tax return;

28.20 (2) must exclude partners, members, shareholders, or owners who are not qualifying  
28.21 owners;

28.22 (3) may only be made by qualifying owners who collectively hold more than 50 percent  
28.23 of the ownership interests in the qualifying entity held by qualifying owners;

28.24 (4) is binding on all qualifying owners who have an ownership interest in the qualifying  
28.25 entity; and

28.26 (5) once made is irrevocable for the taxable year.

28.27 (c) Subject to the election in paragraph (b), a pass-through entity tax is imposed on a  
28.28 qualifying entity in an amount equal to the sum of the tax liability of each qualifying owner.

28.29 (d) The amount of a qualifying owner's tax liability under paragraph (c) is the amount  
28.30 of the qualifying owner's income multiplied by the highest tax rate for individuals under  
28.31 section 290.06, subdivision 2c. The computation of a qualifying owner's net investment

29.1 income tax liability must be computed under section 290.033. When making this  
29.2 determination:

29.3 (1) nonbusiness deductions, standard deductions, or personal exemptions are not allowed;  
29.4 and

29.5 (2) a credit or deduction is allowed only to the extent allowed to the qualifying owner.

29.6 (e) The amount of each credit and deduction used to determine a qualifying owner's tax  
29.7 liability under paragraph (d) must also be used to determine that qualifying owner's income  
29.8 tax liability under chapter 290.

29.9 (f) This subdivision does not negate the requirement that a qualifying owner pay estimated  
29.10 tax if the qualifying owner's tax liability would exceed the requirements set forth in section  
29.11 289A.25. The qualifying owner's liability to pay estimated tax on the qualifying owner's  
29.12 tax liability as determined under paragraph (d) is, however, satisfied when the qualifying  
29.13 entity pays estimated tax in the manner prescribed in section 289A.25 for composite estimated  
29.14 tax.

29.15 (g) A qualifying owner's adjusted basis in the interest in the qualifying entity, and the  
29.16 treatment of distributions, is determined as if the election to pay the pass-through entity tax  
29.17 under paragraph (b) is not made.

29.18 (h) To the extent not inconsistent with this subdivision, for purposes of this chapter, a  
29.19 pass-through entity tax return must be treated as a composite return and a qualifying entity  
29.20 filing a pass-through entity tax return must be treated as a partnership filing a composite  
29.21 return.

29.22 (i) The provisions of subdivision 17 apply to the election to pay the pass-through entity  
29.23 tax under this subdivision.

29.24 (j) If a nonresident qualifying owner of a qualifying entity making the election to file  
29.25 and pay the tax under this subdivision has no other Minnesota source income, filing of the  
29.26 pass-through entity tax return is a return for purposes of subdivision 1, provided that the  
29.27 nonresident qualifying owner must not have any Minnesota source income other than the  
29.28 income from the qualifying entity, other electing qualifying entities, and other partnerships  
29.29 electing to file a composite return under subdivision 7. If it is determined that the nonresident  
29.30 qualifying owner has other Minnesota source income, the inclusion of the income and tax  
29.31 liability for that owner under this provision will not constitute a return to satisfy the  
29.32 requirements of subdivision 1. The tax paid for the qualifying owner as part of the

30.1 pass-through entity tax return is allowed as a payment of the tax by the qualifying owner  
 30.2 on the date on which the pass-through entity tax return payment was made.

30.3 (k) Once a credit is claimed by a qualifying owner under section 290.06, subdivision  
 30.4 40, a qualifying entity cannot receive a refund for tax paid under this subdivision for any  
 30.5 amounts claimed under that section by the qualifying owners. Once a credit is claimed under  
 30.6 section 290.06, subdivision 40, any refund must be claimed in conjunction with a return  
 30.7 filed by the qualifying owner.

30.8 ~~(l) This subdivision expires at the same time and on the same terms as section~~  
 30.9 ~~164(b)(6)(B) of the Internal Revenue Code, except that the expiration of this subdivision~~  
 30.10 ~~does not affect the commissioner's authority to audit or power of examination and assessments~~  
 30.11 ~~for credits claimed under this section.~~

30.12 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2026.

30.13 Sec. 6. Minnesota Statutes 2024, section 290.01, subdivision 19, is amended to read:

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

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

30.23 (c) In the case of a regulated investment company or a fund thereof, as defined in section  
 30.24 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment  
 30.25 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,  
 30.26 except that:

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

30.29 (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue  
 30.30 Code must be applied by allowing a deduction for capital gain dividends and exempt-interest  
 30.31 dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code;  
 30.32 and

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

31.4 (d) The net income of a real estate investment trust as defined and limited by section  
31.5 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust  
31.6 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

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

31.10 (f) The Internal Revenue Code of 1986, as amended through May 1, 2023, applies for  
31.11 taxable years beginning after December 31, 1996.

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

31.15 (h) In the case of a partnership electing to file a composite return under section 289A.08,  
31.16 subdivision 7, "net income" means the partner's share of federal adjusted gross income from  
31.17 the partnership modified by the additions provided in section 290.0131, subdivisions 8 to  
31.18 10, 16, and 17, and the subtractions provided in: (1) section 290.0132, subdivisions 9, 27,  
31.19 and 28, to the extent the amount is assignable or allocable to Minnesota under section 290.17;  
31.20 and (2) section 290.0132, subdivision 14. The subtraction allowed under section 290.0132,  
31.21 subdivision 9, is only allowed on the composite tax computation to the extent the electing  
31.22 partner would have been allowed the subtraction.

31.23 (i) In the case of a qualifying entity electing to pay the pass-through entity tax under  
31.24 section 289A.08, subdivision 7a, "net income" means the qualifying owner's share of federal  
31.25 adjusted gross income from the qualifying entity modified by the additions provided in  
31.26 section 290.0131, subdivisions 5, 8 to 10, 16, and 17, and the subtractions provided in: (1)  
31.27 section 290.0132, subdivisions 3, 9, 27, and 28, to the extent the amount is assignable or  
31.28 allocable to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14. The  
31.29 subtraction allowed under section 290.0132, subdivision 9, is only allowed on the  
31.30 pass-through entity tax computation to the extent the qualifying owners would have been  
31.31 allowed the subtraction. ~~The income of both a resident and nonresident qualifying owner~~  
31.32 ~~is allocated and assigned to this state as provided for nonresident partners and shareholders~~  
31.33 ~~under sections 290.17, 290.191, and 290.20.~~

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

32.1 Sec. 7. Minnesota Statutes 2024, section 290.0131, is amended by adding a subdivision  
32.2 to read:

32.3 Subd. 21. **Dependent flexible spending accounts.** For a taxpayer who claims the credit  
32.4 under section 290.067 or for a married taxpayer filing a separate return whose spouse claims  
32.5 the credit under section 290.067, the amount of dependent care assistance that is excluded  
32.6 from gross income under section 129 of the Internal Revenue Code is an addition.

32.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
32.8 31, 2025.

32.9 Sec. 8. Minnesota Statutes 2025 Supplement, section 290.06, subdivision 23a, is amended  
32.10 to read:

32.11 Subd. 23a. **Pass-through entity tax paid to another state.** (a) A credit is allowed against  
32.12 the tax imposed on a qualifying entity under section 289A.08, subdivision 7a, for  
32.13 pass-through entity tax paid to another state. The credit under this subdivision is allowed  
32.14 as a credit for taxes paid to another state under subdivision 22, paragraph (a), and may only  
32.15 be claimed by a qualifying owner. The credit allowed under this subdivision must be claimed  
32.16 in a manner prescribed by the commissioner.

32.17 ~~(b) This subdivision expires at the same time and on the same terms as section~~  
32.18 ~~164(b)(6)(B) of the Internal Revenue Code, except that the expiration of this subdivision~~  
32.19 ~~does not affect the commissioner's authority to audit or power of examination and assessments~~  
32.20 ~~for credits claimed under this section.~~

32.21 ~~(e)~~ (b) As used in this subdivision, the following terms have the meanings given:

32.22 (1) "income" has the meaning provided in section 290.01, subdivision 19, paragraph (i);

32.23 (2) "pass-through entity tax" means an entity-level tax imposed on the income of a  
32.24 partnership, limited liability corporation, or S corporation;

32.25 (3) "qualifying entity" has the meaning provided in section 289A.08, subdivision 7a,  
32.26 paragraph (a); and

32.27 (4) "qualifying owner" has the meaning provided in section 289A.08, subdivision 7a,  
32.28 paragraph (b).

32.29 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2026.

33.1 Sec. 9. Minnesota Statutes 2024, section 290.06, subdivision 40, is amended to read:

33.2 Subd. 40. **Pass-through entity tax credit.** (a) A qualifying owner of a qualifying entity  
33.3 that elects to pay the pass-through entity tax under section 289A.08, subdivision 7a, may  
33.4 claim a credit against the tax due under this chapter equal to the amount of the owner's tax  
33.5 liability as calculated under section 289A.08, subdivision 7a, paragraph (d). The  
33.6 commissioner may disallow a credit if the tax liability of the qualifying entity has not been  
33.7 paid.

33.8 (b) If the amount of the credit the taxpayer may claim under this subdivision exceeds  
33.9 the taxpayer's tax liability under this chapter, the commissioner of revenue shall refund the  
33.10 excess to the taxpayer. The amount necessary to pay the claim for the refund provided in  
33.11 this subdivision is appropriated from the general fund to the commissioner of revenue.

33.12 (c) For purposes of this subdivision, "qualifying entity," "qualifying owner," and "tax  
33.13 liability" have the meanings given in section 289A.08, subdivision 7a, paragraphs (a) and  
33.14 (d).

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

33.16 Sec. 10. Minnesota Statutes 2024, section 290.067, is amended to read:

33.17 **290.067 DEPENDENT CARE CREDIT.**

33.18 Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the tax  
33.19 due from the taxpayer and a spouse, if any, under this chapter an amount equal to ~~the~~  
33.20 ~~dependent care credit for which the taxpayer is eligible pursuant to the provisions of section~~  
33.21 ~~21 of the Internal Revenue Code except that in determining whether the child qualified as~~  
33.22 ~~a dependent, income received as a Minnesota family investment program grant or allowance~~  
33.23 ~~to or on behalf of the child must not be taken into account in determining whether the child~~  
33.24 ~~received more than half of the child's support from the taxpayer~~ the taxpayer's eligible  
33.25 dependent care expenses, as determined under subdivisions 1a and 1b, multiplied by the  
33.26 taxpayer's credit percentage, as determined under subdivision 1c.

33.27 ~~(b) If a child who has not attained the age of six years at the close of the taxable year is~~  
33.28 ~~cared for at a licensed family day care home operated by the child's parent, the taxpayer is~~  
33.29 ~~deemed to have paid employment-related expenses. If the child is 16 months old or younger~~  
33.30 ~~at the close of the taxable year, the amount of expenses deemed to have been paid equals~~  
33.31 ~~the maximum limit for one qualifying individual under section 21(c) and (d) of the Internal~~  
33.32 ~~Revenue Code. If the child is older than 16 months of age but has not attained the age of~~  
33.33 ~~six years at the close of the taxable year, the amount of expenses deemed to have been paid~~

34.1 equals the amount the licensee would charge for the care of a child of the same age for the  
34.2 same number of hours of care.

34.3 (c) If a taxpayer:

34.4 (1) has a child who has not attained the age of one year at the close of the taxable year;  
34.5 and

34.6 (2) does not participate in a dependent care assistance program as defined in section 129  
34.7 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for  
34.8 that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i)  
34.9 the earned income of the taxpayer or (ii) the amount of the maximum limit for one qualifying  
34.10 individual under section 21(e) and (d) of the Internal Revenue Code will be deemed to be  
34.11 the employment related expense paid for that child. The earned income limitation of section  
34.12 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These deemed  
34.13 amounts apply regardless of whether any employment related expenses have been paid.

34.14 (d) If the taxpayer is not required and does not file a federal individual income tax return  
34.15 for the tax year, no credit is allowed for any amount paid to any person unless:

34.16 (1) the name, address, and taxpayer identification number of the person are included on  
34.17 the return claiming the credit; or

34.18 (2) if the person is an organization described in section 501(c)(3) of the Internal Revenue  
34.19 Code and exempt from tax under section 501(a) of the Internal Revenue Code, the name  
34.20 and address of the person are included on the return claiming the credit.

34.21 In the case of a failure to provide the information required under the preceding sentence,  
34.22 the preceding sentence does not apply if it is shown that the taxpayer exercised due diligence  
34.23 in attempting to provide the information required.

34.24 (e) (b) In the case of a nonresident or part-year resident, the credit determined under this  
34.25 section 21 of the Internal Revenue Code must be allocated based on the ratio by which the  
34.26 earned income of the claimant and the claimant's spouse from Minnesota sources bears to  
34.27 the total earned income of the claimant and the claimant's spouse using the percentage  
34.28 calculated in section 290.06, subdivision 2c, paragraph (e).

34.29 (f) For residents of Minnesota, the subtractions for military pay under section 290.0132,  
34.30 subdivisions 11 and 12, are not considered "earned income not subject to tax under this  
34.31 chapter."

35.1 ~~(g) For residents of Minnesota, the exclusion of combat pay under section 112 of the~~  
35.2 ~~Internal Revenue Code is not considered "earned income not subject to tax under this~~  
35.3 ~~chapter."~~

35.4 ~~(h) For taxpayers with federal adjusted gross income in excess of \$52,230, the credit is~~  
35.5 ~~equal to the lesser of the credit otherwise calculated under this subdivision, or the amount~~  
35.6 ~~equal to \$600 minus five percent of federal adjusted gross income in excess of \$52,230 for~~  
35.7 ~~taxpayers with one qualifying individual, or \$1,200 minus five percent of federal adjusted~~  
35.8 ~~gross income in excess of \$52,230 for taxpayers with two or more qualifying individuals,~~  
35.9 ~~but in no case is the credit less than zero.~~

35.10 (c) For the purposes of this section, the following terms have the meanings given:

35.11 (1) "employment-related expenses" has the meaning given in section 21(b)(2) of the  
35.12 Internal Revenue Code;

35.13 (2) "qualifying individual" has the meaning given in section 21(b)(1) of the Internal  
35.14 Revenue Code, except that in determining whether the child qualified as a dependent, income  
35.15 received as a Minnesota family investment program grant or allowance to or on behalf of  
35.16 the child must not be taken into account in determining whether the child received more  
35.17 than half of the child's support from the taxpayer; and

35.18 (3) "young child" means a qualifying individual who had not attained the age of five by  
35.19 December 31 of the taxable year.

35.20 Subd. 1a. **Eligible dependent care expenses.** (a) A taxpayer's eligible dependent care  
35.21 expenses equals the amount of employment-related expenses incurred during the taxable  
35.22 year, subject to the limitations in paragraph (b) and subdivision 1b.

35.23 (b) Except as provided in subdivision 1b, a taxpayer's eligible dependent care expenses  
35.24 are limited to:

35.25 (1) \$3,000 if there was one qualifying individual with respect to the taxpayer; or

35.26 (2) \$6,000 if there were two or more qualifying individuals with respect to the taxpayer.

35.27 Subd. 1b. **Eligible expenses for taxpayers with young children.** For taxable years  
35.28 beginning after December 31, 2025, and before January 1, 2034, for a taxpayer with a young  
35.29 child, the limit in subdivision 1a, paragraph (b), is increased as follows:

35.30 (1) for a taxpayer with one young child with respect to the taxpayer, the limit is increased  
35.31 by \$3,000;

36.1 (2) for a taxpayer with two or more young children with respect to the taxpayer, the limit  
36.2 is increased by \$6,000.

36.3 Subd. 1c. **Credit percentage.** (a) The credit percentage equals 50 percent, subject to  
36.4 the reductions in paragraphs (b) and (c).

36.5 (b) A taxpayer's credit percentage is reduced by one percentage point for each \$1,000,  
36.6 or fraction thereof, by which the taxpayer's adjusted gross income exceeds \$120,000.

36.7 (c) For a married taxpayer filing a separate return, the credit percentage must be calculated  
36.8 under paragraphs (a) and (b), except the adjusted gross income thresholds are one-half the  
36.9 amounts for other married filers, as adjusted for inflation under subdivision 2b.

36.10 Subd. 2b. **Inflation adjustment.** The commissioner shall annually adjust the dollar  
36.11 amount of the income threshold at which the ~~maximum~~ credit percentage begins to be  
36.12 reduced under subdivision 1c as provided in section 270C.22. The statutory year is taxable  
36.13 year ~~2019~~ 2026.

36.14 Subd. 2c. **Deemed expenses.** (a) If a child who has not attained the age of six years at  
36.15 the close of the taxable year is cared for at a licensed family day care home operated by the  
36.16 child's parent, the taxpayer is deemed to have paid employment-related expenses. The  
36.17 amount of expenses deemed to have been paid equals the amount the licensee would charge  
36.18 for the care of a child of the same age for the same number of hours of care up to the  
36.19 maximum eligible expenses allowed, as determined under subdivisions 1a and 1b.

36.20 (b) If a taxpayer, regardless of filing status:

36.21 (1) has a qualifying individual who has not attained the age of one year at the close of  
36.22 the taxable year; and

36.23 (2) used the deemed amount under paragraph (a) in lieu of the actual employment-related  
36.24 expenses paid for that child, the amount of deemed employment-related expenses equals  
36.25 the lesser of:

36.26 (i) the earned income of the taxpayer; or

36.27 (ii) the amount of the maximum limit for one qualified individual under subdivision 1a,  
36.28 as increased by subdivision 1b.

36.29 The earned income limitation of section 21(d) of the Internal Revenue Code shall not apply  
36.30 to this deemed amount. These deemed amounts apply regardless of whether any  
36.31 employment-related expenses have been paid.

37.1 Subd. 3. **Credit to be refundable.** If the amount of credit which a claimant would be  
 37.2 eligible to receive pursuant to this subdivision exceeds the claimant's tax liability under this  
 37.3 chapter, the excess amount of the credit shall be refunded to the claimant by the commissioner  
 37.4 of revenue. The amount needed to pay the refunds required by this section is appropriated  
 37.5 to the commissioner from the general fund.

37.6 Subd. 4. **Right to file claim.** The right to file a claim under this section shall be personal  
 37.7 to the claimant and shall not survive death, but such right may be exercised on behalf of a  
 37.8 claimant by the claimant's legal guardian or attorney-in-fact. When a claimant dies after  
 37.9 having filed a timely claim the amount thereof shall be disbursed to another member of the  
 37.10 household as determined by the commissioner of revenue. If the claimant was the only  
 37.11 member of a household, the claim may be paid to the claimant's personal representative,  
 37.12 but if neither is appointed and qualified within two years of the filing of the claim, the  
 37.13 amount of the claim shall escheat to the state.

37.14 Subd. 5. **Employment-related expenses.** For the purposes of determining  
 37.15 employment-related expenses, the provisions of section 21(d) of the Internal Revenue Code  
 37.16 apply.

37.17 Subd. 6. **Special rules.** For purposes of this section, the special rules of section 21(e)  
 37.18 of the Internal Revenue Code apply, except the special rule in section 21(e)(2) of the Internal  
 37.19 Revenue Code, requiring married couples to file a joint return, does not apply.

37.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 37.21 31, 2025.

37.22 Sec. 11. **REVIVAL AND REENACTMENT.**

37.23 Minnesota Statutes, sections 289A.08, subdivision 7a, and 290.06, subdivision 23a, are  
 37.24 revived and reenacted retroactively from January 1, 2026.

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

## 37.26 ARTICLE 3

### 37.27 SALES AND USE TAXES AND GROSS RECEIPTS TAXES

37.28 Section 1. **[116J.4012] COUNCIL ON ARTIFICIAL INTELLIGENCE READINESS.**

37.29 **Subdivision 1. Establishment.** The Council on Artificial Intelligence Readiness is  
 37.30 established to examine and mitigate the impacts of artificial intelligence on the state's  
 37.31 workforce and economic development landscape and to allocate money for these purposes.

38.1 Subd. 2. **Membership; appointment.** (a) The council must consist of the following 11  
 38.2 members:

38.3 (1) the commissioner of employment and economic development or the commissioner's  
 38.4 designee;

38.5 (2) the commissioner of information technology or the commissioner's designee;

38.6 (3) one member of the senate appointed by the senate majority leader;

38.7 (4) one member of the house of representatives appointed by the speaker of the house;

38.8 (5) one member appointed by the governor representing an entity with experience  
 38.9 delivering workforce development services;

38.10 (6) one member appointed by the governor representing an entity with experience in  
 38.11 economic development;

38.12 (7) one member appointed by the governor representing business or economic  
 38.13 development;

38.14 (8) one member appointed by the governor from the University of Minnesota; and

38.15 (9) three members appointed by the governor with expertise in the field of artificial  
 38.16 intelligence.

38.17 (b) Member compensation and reimbursement for expenses are governed by section  
 38.18 15.059, subdivision 3.

38.19 Subd. 3. **Chair; meetings.** (a) The commissioner of employment and economic  
 38.20 development must convene the first meeting of the council no later than January 31, 2027.  
 38.21 The commissioner of employment and economic development or the commissioner's designee  
 38.22 shall chair the council.

38.23 (b) The council must meet at least quarterly.

38.24 (c) Council meetings are subject to the Open Meeting Law under chapter 13D.

38.25 Subd. 4. **Administrative support.** The commissioner of employment and economic  
 38.26 development must provide administrative support and meeting space for the council.

38.27 Subd. 5. **Duties.** At a minimum, the council must:

38.28 (1) review current information on the adoption and expansion of artificial intelligence  
 38.29 in Minnesota;

38.30 (2) analyze the impact of artificial intelligence on Minnesota's workforce; and

39.1 (3) allocate money from the artificial intelligence readiness account for the purposes  
39.2 provided under section 116J.4013.

39.3 Subd. 6. **Use of money.** The council must consider uses of money in the account to  
39.4 engage businesses in mitigating the effects of artificial intelligence and adopting and utilizing  
39.5 artificial intelligence if practical and to de-risk the hiring of workers, and to directly support  
39.6 businesses with training needs to hire workers impacted by artificial intelligence.

39.7 Subd. 7. **Report.** Beginning February 15, 2028, and each year thereafter, the council  
39.8 must submit a report to the chairs and ranking minority members of the legislative committees  
39.9 and divisions with jurisdiction over workforce development and artificial intelligence. Each  
39.10 report must describe activities under subdivision 5; allocations from the artificial intelligence  
39.11 readiness account; and recipients, outcomes, and data resulting from the allocations.

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

39.13 Sec. 2. **[116J.4013] ARTIFICIAL INTELLIGENCE READINESS ACCOUNT.**

39.14 Subdivision 1. **Account creation.** The artificial intelligence readiness account is  
39.15 established in the special revenue fund in the state treasury. The account consists of money  
39.16 appropriated by law and any other money donated, allotted, transferred, or otherwise provided  
39.17 to the account. Earnings, including the interest, dividends, and any other earnings arising  
39.18 from assets of the account, are credited to the account. Money remaining in the account at  
39.19 the end of a fiscal year does not cancel to the general fund but remains in the account until  
39.20 expended.

39.21 Subd. 2. **Appropriation; uses.** Money in the artificial intelligence readiness account is  
39.22 appropriated to the commissioner of employment and economic development for allocation  
39.23 by the Council on Artificial Intelligence Readiness under section 116J.4012, unless otherwise  
39.24 appropriated in law or statute.

39.25 Subd. 3. **Administration.** (a) The commissioner of employment and economic  
39.26 development may retain up to three percent of revenues each fiscal year for staffing and  
39.27 administration of the Council on Artificial Intelligence Readiness under section 116J.4012  
39.28 and any grants the council awards. The amount is appropriated each fiscal year from the  
39.29 artificial intelligence readiness account to the commissioner of employment and economic  
39.30 development for this purpose.

39.31 (b) The commissioner of revenue is appropriated \$849,000 in fiscal year 2027 and  
39.32 \$1,433,000 each fiscal year thereafter from the artificial intelligence readiness account for

40.1 administration of the social media consumer data collection tax imposed under section  
40.2 295.90.

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

40.4 Sec. 3. **[295.85] HANDGUNS, FIREARMS, AND AMMUNITION.**

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

40.7 (b) "Ammunition" means shells, cartridges, and any articles consisting of a projectile,  
40.8 explosive, and container that are designed, assembled, and ready for use without further  
40.9 manufacture in handguns and firearms.

40.10 (c) "Ammunition retailer" means a retailer that sells ammunition and that is a:

40.11 (1) retailer maintaining a place of business in this state, as defined in section 297A.66,  
40.12 subdivision 1, paragraph (a);

40.13 (2) marketplace provider maintaining a place of business in this state, as defined in  
40.14 section 297A.66, subdivision 1, paragraph (a);

40.15 (3) retailer not maintaining a place of business in this state, as defined in section 297A.66,  
40.16 subdivision 1, paragraph (b); or

40.17 (4) marketplace provider not maintaining a place of business in this state, as defined in  
40.18 section 297A.66, subdivision 1, paragraph (b).

40.19 (d) "Bundled transaction" means the retail sale of two or more products when the products  
40.20 are otherwise distinct and identifiable and the products are sold for one nonitemized price.

40.21 (e) "Commissioner" means the commissioner of revenue.

40.22 (f) "Firearm" means any portable weapon, except a handgun as defined in paragraph (i),  
40.23 from which a shot, bullet, or other projectile may be discharged by an explosive.

40.24 (g) "Firearm retailer" means a retailer that sells a handgun or firearm and that is a:

40.25 (1) retailer maintaining a place of business in this state, as defined in section 297A.66,  
40.26 subdivision 1, paragraph (a);

40.27 (2) marketplace provider maintaining a place of business in this state, as defined in  
40.28 section 297A.66, subdivision 1, paragraph (a);

40.29 (3) retailer not maintaining a place of business in this state, as defined in section 297A.66,  
40.30 subdivision 1, paragraph (b); or

41.1 (4) marketplace provider not maintaining a place of business in this state, as defined in  
41.2 section 297A.66, subdivision 1, paragraph (b).

41.3 (h) "Gross receipts" means the total amount received in money or by barter or exchange  
41.4 for all handgun, firearm, and ammunition sales at retail as measured by the sales price.  
41.5 Gross receipts include but are not limited to delivery charges and packaging costs. Gross  
41.6 receipts do not include:

41.7 (1) any taxes imposed directly on the purchaser that are separately stated on the invoice,  
41.8 bill of sales, or similar document given to the purchaser; and

41.9 (2) discounts, including cash, terms, or coupons, that are not reimbursed by a third party  
41.10 and that are allowed by the seller and taken by a purchaser on a sale.

41.11 (i) "Handgun" means a pistol, revolver, or any short stock firearm that is designed to be  
41.12 held and fired by the use of a single hand.

41.13 (j) "Pistol" means a small projectile firearm that has a short one-hand stock or butt at an  
41.14 angle to the line of bore and a short barrel or barrels and is designed, made, and intended  
41.15 to be aimed and fired by the use of a single hand.

41.16 (k) "Retail sale" has the meaning given in section 297A.61, subdivision 4.

41.17 (l) "Revolver" means a small projectile firearm of the pistol type that has a breechloading  
41.18 chambered cylinder so arranged that the cocking of the hammer or movement of the trigger  
41.19 rotates it and brings the next cartridge in line with the barrel for firing.

41.20 Subd. 2. **Gross receipts tax imposed.** (a) A tax equal to ten percent of gross receipts  
41.21 from retail sales of handguns in Minnesota is imposed on any firearm retailer that sells  
41.22 firearms to purchasers. A firearm retailer may collect the tax imposed under this section  
41.23 from the purchaser. If separately stated on the receipt, invoice, bill of sale, or similar  
41.24 document given to the purchaser, the tax is excluded from the sales price for purposes of  
41.25 the tax imposed under chapter 297A.

41.26 (b) A tax equal to 11 percent of gross receipts from retail sales of firearms and  
41.27 ammunition in Minnesota is imposed on firearm retailers and ammunition retailers that sell  
41.28 these products to purchasers. A firearm retailer and ammunition retailer may collect the tax  
41.29 imposed by this section from the purchaser. If separately stated on the receipt, invoice, bill  
41.30 of sale, or similar document given to the purchaser, the tax is excluded from the sales price  
41.31 for purposes of the tax imposed under chapter 297A.

42.1 (c) If a product subject to the tax imposed under this section is included in a bundled  
42.2 transaction, the entire sales price of the bundled transaction is subject to the tax imposed  
42.3 under this section.

42.4 (d) The tax imposed under this section is in addition to any other tax imposed on the  
42.5 sale or use of handguns, firearms, or ammunition.

42.6 **Subd. 3. Use tax imposed; credit for taxes paid.** (a) A person who receives a handgun,  
42.7 firearm, or ammunition for use or storage in Minnesota, other than from a firearm retailer  
42.8 or ammunition retailer that paid the tax under subdivision 2, is subject to tax at the rate  
42.9 imposed under subdivision 2. Liability for the tax is incurred when the person has possession  
42.10 of the handgun, firearm, or ammunition in Minnesota. The tax must be remitted to the  
42.11 commissioner in the same manner prescribed for taxes imposed under chapter 297A.

42.12 (b) A person who has paid taxes to another state or any subdivision thereof measured  
42.13 by gross receipts and is subject to tax under this section on the same gross receipts is entitled  
42.14 to a credit for the tax legally due and paid to another state or subdivision thereof to the  
42.15 extent of the lesser of (1) the tax actually paid to the other state or subdivision thereof, or  
42.16 (2) the amount of tax imposed by Minnesota on the gross receipts subject to tax in the other  
42.17 state or subdivision thereof.

42.18 **Subd. 4. Exemptions.** (a) The tax imposed in this section does not apply to sales of  
42.19 handguns, firearms, or ammunition if the handguns, firearms, or ammunition are purchased:

42.20 (1) for use by peace officers, as defined in section 626.84, subdivision 1, when used in  
42.21 operation of their employment as a peace officer;

42.22 (2) for use by members of the Minnesota National Guard when used in operation of their  
42.23 position as a member of the National Guard; or

42.24 (3) by the United States and its agencies and instrumentalities.

42.25 (b) Unless otherwise specified in this section, the exemptions applicable to taxes imposed  
42.26 under chapter 297A are not applicable to the taxes imposed under this section.

42.27 **Subd. 5. Tax collection required.** A firearm retailer with nexus in Minnesota that is  
42.28 not subject to the tax under subdivision 2, is required to collect the tax imposed under  
42.29 subdivision 3 from the purchaser of the handgun, firearm, or ammunition and give the  
42.30 purchaser a receipt for the tax paid. The tax collected must be remitted to the commissioner  
42.31 in the same manner prescribed for taxes imposed under chapter 297A.

42.32 **Subd. 6. Taxes paid to another state or any subdivision thereof; credit.** A firearm  
42.33 retailer that has paid taxes to another state or any subdivision thereof measured by gross

43.1 receipts and is subject to tax under this section on the same gross receipts is entitled to a  
43.2 credit for the tax legally due and paid to another state or any subdivision thereof to the extent  
43.3 of the lesser of (1) the tax actually paid to the other state or any subdivision thereof, or (2)  
43.4 the amount of tax imposed by Minnesota on the gross receipts subject to tax in the other  
43.5 taxing state or any subdivision thereof.

43.6 Subd. 7. **Sourcing of sales.** Section 297A.668 applies to the taxes imposed by this  
43.7 section.

43.8 Subd. 8. **Administration.** Unless specifically provided otherwise, the audit, assessment,  
43.9 refund, penalty, interest, enforcement, collection remedy, appeal, and administrative  
43.10 provisions of chapters 270C and 289A that are applicable to taxes imposed under chapter  
43.11 297A apply to the tax imposed under this section.

43.12 Subd. 9. **Returns; payment of tax.** (a) A firearm retailer and ammunition retailer must  
43.13 report the tax on a return prescribed by the commissioner and must remit the tax in a form  
43.14 and manner prescribed by the commissioner. The return and the tax must be filed and paid  
43.15 using the filing cycle and due dates provided for taxes imposed under chapter 297A.

43.16 (b) Interest must be paid on an overpayment refunded or credited to the taxpayer from  
43.17 the date of payment of the tax until the date the refund is paid or credited. For purposes of  
43.18 this subdivision, the date of payment is the due date of the return or the date of actual  
43.19 payment of the tax, whichever is later.

43.20 Subd. 10. **Deposit of revenues.** The commissioner must deposit all revenues, including  
43.21 penalties and interest, derived from the tax imposed by this section in the general fund.

43.22 Subd. 11. **Personal debt.** The tax imposed by this section, and interest and penalties  
43.23 imposed with respect to it, are a personal debt of the person required to file a return from  
43.24 the time that the liability for it arises, irrespective of when the time for payment of the  
43.25 liability occurs. The debt must, in the case of the executor or administrator of the estate of  
43.26 a decedent and in the case of a fiduciary, be that of the person in the person's official or  
43.27 fiduciary capacity only, unless the person has voluntarily distributed the assets held in that  
43.28 capacity without reserving sufficient assets to pay the tax, interest, and penalties, in which  
43.29 event the person is personally liable for any deficiency.

43.30 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
43.31 September 30, 2026.

44.1      Sec. 4. **[295.86] HANDGUNS, FIREARMS, AND AMMUNITION LOCAL TAX**  
 44.2      **PROHIBITED.**

44.3      A political subdivision of this state is prohibited from imposing a tax solely on the sale  
 44.4      of handguns, firearms, or ammunition, as defined in section 295.85, subdivision 1.

44.5      **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 44.6      September 30, 2026.

44.7      Sec. 5. **[295.90] SOCIAL MEDIA CONSUMER DATA COLLECTION TAX.**

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

44.10     (b) "Collects" means collects, engages, maintains, uses, processes, or shares.

44.11     (c) "Commissioner" means the commissioner of revenue.

44.12     (d) "Consumer" means an individual who establishes an account with a social media  
 44.13     platform business or who accesses a social media platform through an account registered  
 44.14     with a social media platform business and whose consumer data is collected by the social  
 44.15     media platform business, regardless of whether the individual is charged for establishing  
 44.16     the account.

44.17     (e) "Consumer data" means any information that identifies, relates to, describes, is  
 44.18     capable of being associated with, or could reasonably be linked with a consumer, whether  
 44.19     directly submitted to the social media platform business by the consumer or derived from  
 44.20     other sources.

44.21     (f) "Minnesota consumer" means a consumer who is a resident of Minnesota.

44.22     (g) "Resident" has the meaning given in section 290.01, subdivision 7.

44.23     (h) "Social media platform" has the meaning given in section 325M.31, paragraph (j).

44.24     (i) "Social media platform business" means a for-profit entity that: (1) owns, controls,  
 44.25     or operates a social media platform; and (2) collects consumer data in support of the entity's  
 44.26     business activities.

44.27     Subd. 2. **Tax imposed.** A tax is imposed on social media platform businesses based on  
 44.28     the number of Minnesota social media platform consumers from whom a social media  
 44.29     platform business collects data within a month:

44.30	<u>Minnesota consumers</u>	<u>Tax</u>
44.31	<u>Fewer than or equal to 100,000</u>	<u>Zero;</u>

45.1	<u>Over 100,000 but not more than 500,000</u>	<u>\$0.10 per month on the number of Minnesota</u>
45.2		<u>consumers over 100,000 but not more than</u>
45.3		<u>500,000;</u>
45.4	<u>Over 500,000 but not more than 1,000,000</u>	<u>\$40,000 plus \$0.25 per month on the number</u>
45.5		<u>of Minnesota consumers over 500,000 but</u>
45.6		<u>not more than 1,000,000; and</u>
45.7	<u>Over 1,000,000</u>	<u>\$165,000 plus \$0.50 per month on the number</u>
45.8		<u>of Minnesota consumers over 1,000,000.</u>

45.9 Subd. 3. **Business entities.** Business entities that are part of a controlled group of  
 45.10 corporations as defined in section 1563(a) of the Internal Revenue Code shall be treated as  
 45.11 a single entity for purposes of meeting the definition of a social media platform business  
 45.12 under this section. The entities constituting the single taxpayer are jointly and severally  
 45.13 liable for the tax.

45.14 Subd. 4. **Counting Minnesota consumers.** (a) A Minnesota consumer must be counted  
 45.15 only once in the calculation of tax imposed under this section. Until the contrary is  
 45.16 established, it is presumed that each account is an individual consumer. The burden of  
 45.17 proving that multiple accounts are one consumer is on the social media platform business.

45.18 (b) The single member of a single member limited liability company must be treated as  
 45.19 a consumer under this section.

45.20 (c) Until the contrary is established, it is presumed that a consumer whose information  
 45.21 on record with or available to a social media platform business indicates a Minnesota home  
 45.22 address, a Minnesota mailing address, or an internet protocol address connected with a  
 45.23 Minnesota location is a Minnesota consumer for purposes of this section. The burden of  
 45.24 proving that a consumer is not a Minnesota resident is on the social media platform business.

45.25 (d) A social media platform business and the commissioner may agree on a methodology  
 45.26 for determining the number of Minnesota consumers for purposes of calculating the tax.

45.27 Subd. 5. **Credit against tax paid to another jurisdiction.** A social media platform  
 45.28 business that has paid tax under this section may claim a credit against the tax paid with  
 45.29 respect to a Minnesota consumer if another state imposes an excise tax identical to the tax  
 45.30 imposed under this section with respect to the same consumer.

45.31 Subd. 6. **Record keeping.** A social media platform business must maintain records  
 45.32 necessary to demonstrate compliance with this section or as required by the commissioner.

45.33 Subd. 7. **Administration.** Unless specifically provided otherwise, the audit, assessment,  
 45.34 refund, penalty, interest, criminal penalty, enforcement, collection remedy, appeal, and

46.1 administrative provisions of chapters 270C and 289A that are applicable to taxes imposed  
 46.2 under chapter 297A apply to the tax imposed under this section.

46.3 Subd. 8. **Returns; payment of tax.** (a) On or before the 20th of the month following  
 46.4 the month that tax liability is incurred under subdivision 2, a social media platform business  
 46.5 must report the tax on a return prescribed by the commissioner and must remit the tax in a  
 46.6 form and manner prescribed by the commissioner.

46.7 (b) A social media platform business that owes tax imposed under this section must file  
 46.8 a return in subsequent months until it reports no tax liability for 12 consecutive months.

46.9 (c) Interest must be paid on an overpayment refunded or credited to the taxpayer from  
 46.10 the date of payment of the tax until the date the refund is paid or credited. For purposes of  
 46.11 this subdivision, the date of payment is the due date of the return or the date of actual  
 46.12 payment of the tax, whichever is later.

46.13 Subd. 9. **Deposit of revenues.** The commissioner must deposit the revenues, including  
 46.14 penalties and interest, derived from the tax imposed under this section to the general fund.

46.15 Subd. 10. **Personal debt.** The tax imposed under this section, and interest and penalties  
 46.16 imposed with respect to the tax, are a personal debt of the person required to file a return  
 46.17 from the time that the liability for the tax arises, irrespective of when the time for payment  
 46.18 of the liability occurs. The debt must, in the case of the executor or administrator of the  
 46.19 estate of a decedent and in the case of a fiduciary, be that of the person in the person's official  
 46.20 or fiduciary capacity only, unless the person has voluntarily distributed the assets held in  
 46.21 that capacity without reserving sufficient assets to pay the tax, interest, and penalties, in  
 46.22 which event the person is personally liable for any deficiency.

46.23 **EFFECTIVE DATE.** This section is effective for consumer data collected after  
 46.24 December 31, 2026.

46.25 Sec. 6. Minnesota Statutes 2024, section 297A.61, subdivision 3, is amended to read:

46.26 Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited to,  
 46.27 each of the transactions listed in this subdivision. In applying the provisions of this chapter,  
 46.28 the terms "tangible personal property" and "retail sale" include the taxable services listed  
 46.29 in paragraph (g), clause (6), items (i) to (vi) and (viii), and the provision of these taxable  
 46.30 services, unless specifically provided otherwise. Services performed by an employee for  
 46.31 an employer are not taxable. Services performed by a partnership or association for another  
 46.32 partnership or association are not taxable if one of the entities owns or controls more than  
 46.33 80 percent of the voting power of the equity interest in the other entity. Services performed

47.1 between members of an affiliated group of corporations are not taxable. For purposes of  
47.2 the preceding sentence, "affiliated group of corporations" means those entities that would  
47.3 be classified as members of an affiliated group as defined under United States Code, title  
47.4 26, section 1504, disregarding the exclusions in section 1504(b).

47.5 (b) Sale and purchase include:

47.6 (1) any transfer of title or possession, or both, of tangible personal property, whether  
47.7 absolutely or conditionally, for a consideration in money or by exchange or barter; and

47.8 (2) the leasing of or the granting of a license to use or consume, for a consideration in  
47.9 money or by exchange or barter, tangible personal property, other than a manufactured  
47.10 home used for residential purposes for a continuous period of 30 days or more.

47.11 (c) Sale and purchase include the production, fabrication, printing, or processing of  
47.12 tangible personal property for a consideration for consumers who furnish either directly or  
47.13 indirectly the materials used in the production, fabrication, printing, or processing.

47.14 (d) Sale and purchase include the preparing for a consideration of food. Notwithstanding  
47.15 section 297A.67, subdivision 2, taxable food includes, but is not limited to, the following:

47.16 (1) prepared food sold by the retailer;

47.17 (2) soft drinks;

47.18 (3) candy; and

47.19 (4) dietary supplements.

47.20 (e) A sale and a purchase includes the furnishing for a consideration of electricity, gas,  
47.21 water, or steam for use or consumption within this state.

47.22 (f) A sale and a purchase includes the transfer for a consideration of prewritten computer  
47.23 software whether delivered electronically, by load and leave, or otherwise.

47.24 (g) A sale and a purchase includes the furnishing for a consideration of the following  
47.25 services:

47.26 (1) the privilege of admission to places of amusement, recreational areas, or athletic  
47.27 events, and the making available of amusement devices, tanning facilities, reducing salons,  
47.28 steam baths, health clubs, and spas or athletic facilities;

47.29 (2) lodging and related services by a hotel, rooming house, resort, campground, motel,  
47.30 or trailer camp, including furnishing the guest of the facility with access to telecommunication  
47.31 services, and the granting of any similar license to use real property in a specific facility,

48.1 other than the renting or leasing of it for a continuous period of 30 days or more under an  
48.2 enforceable written agreement that may not be terminated without prior notice and including  
48.3 accommodations intermediary services provided in connection with other services provided  
48.4 under this clause;

48.5 (3) nonresidential parking services, whether on a contractual, hourly, or other periodic  
48.6 basis, except for parking at a meter;

48.7 (4) the granting of membership in a club, association, or other organization if:

48.8 (i) the club, association, or other organization makes available for the use of its members  
48.9 sports and athletic facilities, without regard to whether a separate charge is assessed for use  
48.10 of the facilities; and

48.11 (ii) use of the sports and athletic facility is not made available to the general public on  
48.12 the same basis as it is made available to members.

48.13 Granting of membership means both onetime initiation fees and periodic membership dues.  
48.14 Sports and athletic facilities include golf courses; tennis, racquetball, handball, and squash  
48.15 courts; basketball and volleyball facilities; running tracks; exercise equipment; swimming  
48.16 pools; and other similar athletic or sports facilities;

48.17 (5) delivery of aggregate materials by a third party, excluding delivery of aggregate  
48.18 material used in road construction; and delivery of concrete block by a third party if the  
48.19 delivery would be subject to the sales tax if provided by the seller of the concrete block.  
48.20 For purposes of this clause, "road construction" means construction of:

48.21 (i) public roads;

48.22 (ii) cartways; and

48.23 (iii) private roads in townships located outside of the seven-county metropolitan area  
48.24 up to the point of the emergency response location sign; and

48.25 (6) services as provided in this clause:

48.26 (i) laundry and dry cleaning services including cleaning, pressing, repairing, altering,  
48.27 and storing clothes, linen services and supply, cleaning and blocking hats, and carpet,  
48.28 drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not  
48.29 include services provided by coin operated facilities operated by the customer;

48.30 (ii) motor vehicle washing, waxing, and cleaning services, including services provided  
48.31 by coin operated facilities operated by the customer, and rustproofing, undercoating, and  
48.32 towing of motor vehicles;

49.1 (iii) building and residential cleaning, maintenance, and disinfecting services and pest  
49.2 control and exterminating services;

49.3 (iv) detective, security, burglar, fire alarm, and armored car services; but not including  
49.4 services performed within the jurisdiction they serve by off-duty licensed peace officers as  
49.5 defined in section 626.84, subdivision 1, or services provided by a nonprofit organization  
49.6 or any organization at the direction of a county for monitoring and electronic surveillance  
49.7 of persons placed on in-home detention pursuant to court order or under the direction of the  
49.8 Minnesota Department of Corrections;

49.9 (v) pet grooming services;

49.10 (vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting  
49.11 and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor plant  
49.12 care; tree, bush, shrub, and stump removal, except when performed as part of a land clearing  
49.13 contract as defined in section 297A.68, subdivision 40; and tree trimming for public utility  
49.14 lines. Services performed under a construction contract for the installation of shrubbery,  
49.15 plants, sod, trees, bushes, and similar items are not taxable;

49.16 (vii) massages, except when provided by a licensed health care facility or professional  
49.17 or upon written referral from a licensed health care facility or professional for treatment of  
49.18 illness, injury, or disease; and

49.19 (viii) the furnishing of lodging, board, and care services for animals in kennels and other  
49.20 similar arrangements, but excluding veterinary and horse boarding services.

49.21 (h) A sale and a purchase includes the furnishing for a consideration of tangible personal  
49.22 property or taxable services by the United States or any of its agencies or instrumentalities,  
49.23 or the state of Minnesota, its agencies, instrumentalities, or political subdivisions.

49.24 (i) A sale and a purchase includes the furnishing for a consideration of  
49.25 telecommunications services, ancillary services associated with telecommunication services,  
49.26 and pay television services. Telecommunication services include, but are not limited to, the  
49.27 following services, as defined in section 297A.669: air-to-ground radiotelephone service,  
49.28 mobile telecommunication service, postpaid calling service, prepaid calling service, prepaid  
49.29 wireless calling service, and private communication services. The services in this paragraph  
49.30 are taxed to the extent allowed under federal law.

49.31 (j) A sale and a purchase includes the furnishing for a consideration of installation if the  
49.32 installation charges would be subject to the sales tax if the installation were provided by  
49.33 the seller of the item being installed.

50.1 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer to a  
 50.2 customer when (1) the vehicle is rented by the customer for a consideration, or (2) the motor  
 50.3 vehicle dealer is reimbursed pursuant to a service contract as defined in section 59B.02,  
 50.4 subdivision 11.

50.5 (l) A sale and a purchase includes furnishing for a consideration of specified digital  
 50.6 products or other digital products or granting the right for a consideration to use specified  
 50.7 digital products or other digital products on a temporary or permanent basis and regardless  
 50.8 of whether the purchaser is required to make continued payments for such right. Wherever  
 50.9 the term "tangible personal property" is used in this chapter, other than in subdivisions 10  
 50.10 and 38, the provisions also apply to specified digital products, or other digital products,  
 50.11 unless specifically provided otherwise or the context indicates otherwise.

50.12 (m) The sale of the privilege of admission under section 297A.61, subdivision 3,  
 50.13 paragraph (g), clause (1), to a place of amusement, recreational area, or athletic event  
 50.14 includes all charges included in the privilege of admission's sales price, without deduction  
 50.15 for amenities that may be provided, unless the amenities are separately stated and the  
 50.16 purchaser of the privilege of admission is entitled to add or decline the amenities, and the  
 50.17 amenities are not otherwise taxable.

50.18 (n) A sale and purchase includes the transfer for consideration of a taxable cannabis  
 50.19 product as defined in section 295.81, subdivision 1, paragraph (r).

50.20 (o) A sale and purchase includes the furnishing for a consideration of the following  
 50.21 services when purchased by a person other than a trade or business:

50.22 (1) accounting services, including but not limited to audit, bookkeeping, financial  
 50.23 statement preparation, payroll, and tax return preparation services, but excluding tax  
 50.24 preparation services used to claim the Minnesota child tax credit under section 290.0661  
 50.25 or the Minnesota working family credit under section 290.0671;

50.26 (2) banking and brokerage services, including but not limited to account maintenance  
 50.27 fees, safety deposit boxes, credit card fees, loan servicing, payment services, wealth  
 50.28 management, financial planning, retirement planning, trust management, and investment  
 50.29 management, but excluding origination fees, overdraft fees, late fees, and the management  
 50.30 of defined benefit pension funds; and

50.31 (3) legal services, including but not limited to attorney fees, paralegal and legal assistant  
 50.32 services, law clerk services, notary fees, process serving, mediation and arbitration, and  
 50.33 title search, but excluding legal aid services funded as described in section 480.242.

51.1 (p) A seller of the services listed in paragraph (o) must retain records identifying through  
 51.2 reasonable and verifiable standards whether the services were purchased by a trade or  
 51.3 business or a person other than a trade or business.

51.4 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 51.5 September 30, 2026.

51.6 Sec. 7. Minnesota Statutes 2024, section 297A.62, subdivision 1, is amended to read:

51.7 Subdivision 1. **Generally.** Except as otherwise provided in subdivision 3 or in this  
 51.8 chapter, a sales tax of ~~6.5~~ 6.425 percent is imposed on the gross receipts from retail sales  
 51.9 as defined in section 297A.61, subdivision 4, made in this state or to a destination in this  
 51.10 state by a person who is required to have or voluntarily obtains a permit under section  
 51.11 297A.83, subdivision 1.

51.12 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 51.13 September 30, 2026.

51.14 Sec. 8. Minnesota Statutes 2024, section 297F.25, subdivision 1, is amended to read:

51.15 Subdivision 1. **Imposition.** (a) A tax is imposed on distributors on the sale of cigarettes  
 51.16 by a cigarette distributor to a retailer or cigarette subjobber for resale in this state. The tax  
 51.17 is equal to ~~the combined tax rate under section 297A.62~~ 6.875 percent, multiplied by the  
 51.18 weighted average retail price and must be expressed in cents per pack rounded to the nearest  
 51.19 one-tenth of a cent. The weighted average retail price must be determined annually, with  
 51.20 new rates published by November 1, and effective for sales on or after January 1 of the  
 51.21 following year. The weighted average retail price must be established by surveying cigarette  
 51.22 retailers statewide in a manner and time determined by the commissioner. The commissioner  
 51.23 shall make an inflation adjustment in accordance with the Consumer Price Index for all  
 51.24 urban consumers inflation indicator as published in the most recent state budget forecast.  
 51.25 The commissioner shall use the inflation factor for the calendar year in which the new tax  
 51.26 rate takes effect. If the survey indicates that the average retail price of cigarettes has not  
 51.27 increased relative to the average retail price in the previous year's survey, then the  
 51.28 commissioner shall not make an inflation adjustment. The determination of the commissioner  
 51.29 pursuant to this subdivision is not a "rule" and is not subject to the Administrative Procedure  
 51.30 Act contained in chapter 14. For packs of cigarettes with other than 20 cigarettes, the tax  
 51.31 must be adjusted proportionally.

51.32 (b) Notwithstanding paragraph (a), and in lieu of a survey of cigarette retailers, the tax  
 51.33 calculation of the weighted average retail price for the sales of cigarettes from August 1,

52.1 2011, through December 31, 2011, shall be calculated by: (1) increasing the average retail  
 52.2 price per pack of 20 cigarettes from the most recent survey by the percentage change in a  
 52.3 weighted average of the presumed legal prices for cigarettes during the year after completion  
 52.4 of that survey, as reported and published by the Department of Commerce under section  
 52.5 325D.371; (2) subtracting the sales tax included in the retail price; and (3) adjusting for  
 52.6 expected inflation. The rate must be published by May 1 and is effective for sales after July  
 52.7 31. If the weighted average of the presumed legal prices indicates that the average retail  
 52.8 price of cigarettes has not increased relative to the average retail price in the most recent  
 52.9 survey, then no inflation adjustment must be made. For packs of cigarettes with other than  
 52.10 20 cigarettes, the tax must be adjusted proportionally.

52.11 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 52.12 September 30, 2026.

52.13 **ARTICLE 4**  
 52.14 **CANNABIS TAXES**

52.15 Section 1. Minnesota Statutes 2024, section 270C.726, subdivision 2, is amended to read:

52.16 Subd. 2. **Sales prohibited.** Beginning the third business day after the list is posted, no  
 52.17 cannabis cultivator, cannabis manufacturer, cannabis microbusiness, cannabis mezzobusiness,  
 52.18 medical cannabis combination business, cannabis wholesaler, lower-potency hemp edible  
 52.19 manufacturer, lower-potency hemp edible wholesaler, or industrial hemp grower as defined  
 52.20 in chapter 342 may sell or deliver any product to a taxpayer included on the posted list.

52.21 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June  
 52.22 30, 2026.

52.23 Sec. 2. Minnesota Statutes 2024, section 270C.726, subdivision 3, is amended to read:

52.24 Subd. 3. **Penalty.** A cannabis cultivator, cannabis manufacturer, cannabis microbusiness,  
 52.25 cannabis mezzobusiness, medical cannabis combination business, cannabis wholesaler,  
 52.26 lower-potency hemp edible manufacturer, lower-potency hemp edible wholesaler, or  
 52.27 industrial hemp grower as defined in chapter 342 who violates subdivision 2 is subject to  
 52.28 the penalties provided in sections 342.19 and 342.21.

52.29 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June  
 52.30 30, 2026.

53.1 Sec. 3. Minnesota Statutes 2024, section 295.81, subdivision 1, is amended to read:

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

53.4 (b) "Bundled transaction" means the retail sale of two or more products when the products  
53.5 are otherwise distinct and identifiable and the products are sold for one nonitemized price.

53.6 (c) "Cannabis flower" has the meaning given in section 342.01, subdivision 16.

53.7 (d) "Cannabis product" has the meaning given in section 342.01, subdivision 20.

53.8 (e) "Cannabis solution product" means any cartridge, bottle, or other package that contains  
53.9 a taxable cannabis product in a solution that is consumed or meant to be consumed through  
53.10 the use of a heating element, power source, electronic circuit, or other electronic, chemical,  
53.11 or mechanical means that produces vapor or aerosol. A cannabis solution product includes  
53.12 any electronic delivery system, electronic vaping device, electronic vape pen, electronic  
53.13 oral device, electronic delivery device, or similar product or device, and any batteries,  
53.14 heating elements, or other components, parts, or accessories sold with and meant to be used  
53.15 in the consumption of a solution containing a taxable cannabis product.

53.16 (f) "Cannabis mezzobusiness" means a cannabis business licensed under section 342.29.

53.17 (g) "Cannabis microbusiness" means a cannabis business licensed under section 342.28.

53.18 (h) "Cannabis retailer" means a cannabis business licensed under section 342.32.

53.19 (i) "Commissioner" means the commissioner of revenue.

53.20 (j) "Gross receipts" means the total amount received in money or by barter or exchange  
53.21 for all taxable cannabis product sales at retail as measured by the sales price. Gross receipts  
53.22 include but are not limited to delivery charges and packaging costs. Gross receipts do not  
53.23 include:

53.24 (1) any taxes imposed directly on the customer that are separately stated on the invoice,  
53.25 bill of sale, or similar document given to the purchaser; and

53.26 (2) discounts, including cash, terms, or coupons, that are not reimbursed by a third party  
53.27 and that are allowed by the seller and taken by a purchaser on a sale.

53.28 (k) "Hemp-derived consumer product" has the meaning given in section 342.01,  
53.29 subdivision 37.

53.30 (l) "Lower-potency hemp edible" has the meaning given in section 342.01, subdivision  
53.31 50.

54.1 (m) "Lower-potency hemp edible retailer" means a cannabis business licensed under  
54.2 section 342.43, subdivision 1, clause (2).

54.3 (n) "Medical cannabis flower" has the meaning given in section 342.01, subdivision 54.

54.4 (o) "Medical cannabinoid product" has the meaning given in section 342.01, subdivision  
54.5 52.

54.6 (p) "Medical cannabis paraphernalia" has the meaning given in section 342.01,  
54.7 subdivision 55.

54.8 (q) "Registry program" has the meaning given in section 342.01, subdivision 65.

54.9 ~~(q)~~ (r) "Retail sale" has the meaning given in section 297A.61, subdivision 4.

54.10 ~~(s)~~ (s) "Taxable cannabis product" means cannabis flower, cannabis product, cannabis  
54.11 solution product, hemp-derived consumer product, lower-potency hemp edible, and any  
54.12 substantially similar item. Taxable cannabis product does not include medical items purchased  
54.13 by or for a patient enrolled in the registry program or Tribal medical cannabis program,  
54.14 including medical cannabis flower, medical cannabinoid products, or medical cannabis  
54.15 paraphernalia.

54.16 ~~(s)~~ (t) "Taxable cannabis product retailer" means a retailer that sells any taxable cannabis  
54.17 product, and includes a cannabis retailer, cannabis microbusiness, cannabis mezzobusiness,  
54.18 medical cannabis combination business, and lower-potency hemp edible retailer. Taxable  
54.19 cannabis product retailer includes but is not limited to a:

54.20 (1) retailer maintaining a place of business in this state;

54.21 (2) marketplace provider maintaining a place of business in this state, as defined in  
54.22 section 297A.66, subdivision 1, paragraph (a);

54.23 (3) retailer not maintaining a place of business in this state; and

54.24 (4) marketplace provider not maintaining a place of business in this state, as defined in  
54.25 section 297A.66, subdivision 1, paragraph (b).

54.26 (u) "Tribal medical cannabis program" has the meaning given in section 342.01,  
54.27 subdivision 69d.

54.28 **EFFECTIVE DATE.** (a) For medical items purchased by or for a patient in the registry  
54.29 program, the amendment to paragraph (s) is effective the day following final enactment.

55.1 (b) For medical items purchased by or for a patient in a Tribal medical cannabis program,  
 55.2 the amendment to paragraph (s) is effective for sales and purchases made after June 30,  
 55.3 2026.

55.4 (c) The addition of paragraphs (q) and (u) is effective for sales and purchases made after  
 55.5 June 30, 2026.

55.6 Sec. 4. Minnesota Statutes 2024, section 295.81, subdivision 3, is amended to read:

55.7 Subd. 3. **Use tax imposed; credit for taxes paid.** (a) A person that receives taxable  
 55.8 cannabis products for use or storage in Minnesota, other than from a taxable cannabis product  
 55.9 retailer that paid the tax under subdivision 2, is subject to tax at the rate imposed under  
 55.10 subdivision 2. Liability for the tax is incurred when the person has possession of the taxable  
 55.11 cannabis product in Minnesota. The tax must be remitted to the commissioner in the same  
 55.12 manner prescribed for taxes imposed under chapter 297A.

55.13 (b) A person that has paid taxes to another state or any subdivision thereof ~~on the same~~  
 55.14 ~~transaction~~ measured by gross receipts and is subject to tax under this section on the same  
 55.15 gross receipts is entitled to a credit for the tax legally due and paid to another state or  
 55.16 subdivision thereof to the extent of the lesser of (1) the tax actually paid to the other state  
 55.17 or subdivision thereof, or (2) the amount of tax imposed by Minnesota on the ~~transaction~~  
 55.18 gross receipts subject to tax in the other state or subdivision thereof.

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

55.20 Sec. 5. Minnesota Statutes 2024, section 295.81, subdivision 4, is amended to read:

55.21 Subd. 4. **Exemptions.** (a) The use tax imposed under subdivision 3, paragraph (a), does  
 55.22 not apply to the possession, use, or storage of taxable cannabis products if (1) the taxable  
 55.23 cannabis products have an aggregate cost in any calendar month to the customer of \$100  
 55.24 or less, and (2) the taxable cannabis products were carried into this state by the customer.  
 55.25 If a customer carries taxable cannabis products having an aggregate cost in any calendar  
 55.26 month of more than \$100 into this state, the customer must pay the use tax imposed under  
 55.27 subdivision 3, paragraph (a), on the entire monthly cost amount.

55.28 ~~(b) The tax imposed under this section does not apply to sales of medical items purchased~~  
 55.29 ~~by or for a patient enrolled in the registry program, including medical cannabis flower,~~  
 55.30 ~~medical cannabinoid products, or medical cannabis paraphernalia.~~

55.31 ~~(e)~~ (b) Unless otherwise specified in this section, the exemptions applicable to taxes  
 55.32 imposed under chapter 297A are not applicable to the taxes imposed under this section.

56.1 ~~(d)~~ (c) The tax imposed under this section does not apply to:

56.2 (1) sales made on Tribally regulated land as defined in section 3.9228, subdivision 1,  
56.3 by a cannabis business licensed by a Minnesota Tribal government, as defined in section  
56.4 3.9228, subdivision 1, paragraph (f); or

56.5 (2) use tax owed on taxable cannabis products purchased on Tribally regulated land as  
56.6 defined in section 3.9228, subdivision 1, from a cannabis business licensed by a Minnesota  
56.7 Tribal government as defined in section 3.9228, subdivision 1, paragraph (f).

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

56.9 Sec. 6. Minnesota Statutes 2024, section 295.81, subdivision 6, is amended to read:

56.10 Subd. 6. **Taxes paid to another state or any subdivision thereof; credit.** A taxable  
56.11 cannabis product retailer that has paid taxes to another state or any subdivision thereof  
56.12 measured by gross receipts and is subject to tax under this section on the same gross receipts  
56.13 is entitled to a credit for the tax legally due and paid to another state or ~~any~~ subdivision  
56.14 thereof to the extent of the lesser of (1) the tax actually paid to the other state or ~~any~~  
56.15 subdivision thereof, or (2) the amount of tax imposed by Minnesota on the gross receipts  
56.16 subject to tax in the other taxing state or ~~any~~ subdivision thereof.

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

56.18 Sec. 7. Minnesota Statutes 2024, section 295.81, subdivision 9, is amended to read:

56.19 Subd. 9. **Returns; payment of tax.** (a) A taxable cannabis product retailer must report  
56.20 the tax on a return prescribed by the commissioner and must remit the tax in a form and  
56.21 manner prescribed by the commissioner. The return and the tax must be filed and paid using  
56.22 the filing cycle and due dates provided for taxes imposed under ~~section 289A.20, subdivision~~  
56.23 ~~4, and~~ chapter 297A.

56.24 (b) Interest must be paid on an overpayment refunded or credited to the taxpayer from  
56.25 the date of payment of the tax until the date the refund is paid or credited. For purposes of  
56.26 this subdivision, the date of payment is the due date of the return or the date of actual  
56.27 payment of the tax, whichever is later.

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

57.1

**ARTICLE 5**

57.2

**MISCELLANEOUS**

57.3

Section 1. **ADMINISTRATIVE APPROPRIATIONS.**

57.4

57.5

57.6

57.7

(a) \$91,000 in fiscal year 2027 is appropriated from the general fund to the commissioner of revenue to administer the gross receipts tax on handguns, firearms, and ammunition under Minnesota Statutes, section 295.85. The base for this appropriation is \$170,000 in fiscal year 2028 and thereafter.

57.8

57.9

57.10

57.11

(b) \$885,000 in fiscal year 2027 is appropriated from the general fund to the commissioner of revenue for purposes of auditing pass-through entities. The base for this appropriation is \$1,833,000 in fiscal year 2028 and thereafter. This appropriation is meant to supplement and not supplant existing funding.

57.12

57.13

57.14

57.15

(c) \$912,000 in fiscal year 2027 is appropriated from the general fund to the commissioner of revenue to administer this act. The base for this appropriation is \$936,000 in fiscal year 2028 and \$875,000 each fiscal year thereafter. This appropriation is meant to supplement and not supplant existing funding.