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Article 1: Income Taxes

This article includes various provisions related to income taxes, including subtractions for student loan payments made by critical access dental providers and coerced debt; a “baby bonus” under the child credit; modifications for the short line, beginning farmer, and housing credits; the political contribution refund; and establishment of a state direct free filing system.

Section Description – Article 1: Income Taxes

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| 1 | Data privacy related to electronic reporting system.
Permits the Campaign Finance and Public Disclosure Board to access data entered by campaign treasurers into the electronic reporting system provided by the board. Under current law, data in the system may not be accessed by the board for any purpose without consent. This section would permit the board to access the data for |
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Section Description – Article 1: Income Taxes

the purpose of administering the political contribution refund program. Any data accessed, used, or maintained by the board based on this authority is classified as nonpublic data or private data on individuals.

Effective January 1, 2027.

2 Refund receipt forms; penalty.

Requires the Campaign Finance and Public Disclosure Board to provide electronic receipts, rather than paper receipts, to political parties and candidates eligible to participate in the political contribution refund program. Specific detail regarding when the receipt may be issued, and what it must contain, is also provided.

At least once a week, the board is required to provide a receipt validation report to the commissioner of revenue. Specific items that must be reported are specified in this section.

A receipt validation report and a receipt validation number are private data on individuals.

Effective for contributions made on or after December 31, 2026.

3 Authority; duties. (Beginning farmer credit)

Modifies the annual set-aside expiration dates that apply to the state's beginning farmer income tax credit, from October 1 to June 1. The set-aside requires 50 percent of new credits to be allocated for sales and rentals to emerging farmers by that date, after which time credit allocations are generally available.

Effective for taxable years in 2025 and thereafter.

4 Standards of conduct.

Conforming change striking language in the tax preparer standards of conduct statute. The language stricken pertains to education credit assignments, which are repealed in section 20.

Effective for tax year 2025 and later.

5 Direct free filing of individual returns.

Subd. 1. Department of Revenue to establish free filing system. Requires DOR to establish an electronic filing system through which taxpayers can file individual income tax returns free of charge. Permits DOR to contract with software vendors for the system, but disallows the contractor selected from offering paid tax preparation services for the Minnesota individual income tax for the tax years the system is active. Requires the system to be made available on DOR's website.

Section Description – Article 1: Income Taxes

Requires DOR to coordinate the state direct file system with federal direct free filing systems.

For tax year 2026, requires the system developed to include the ability to claim the marriage penalty credit, the education credit, the child and working family credits, the dependent care credit, the student loan credit, and the renter's credit.

Subd. 2. Transfer; fiscal year 2028. Transfers \$2.397 million from the general fund to the tax filing modernization account. This is a onetime transfer.

Effective the day following final enactment.

6 Discharges of indebtedness; coerced debt.

Allows an income tax subtraction for coerced debts that are discharged.

Effective for tax year 2025 and later.

7 Student loan education assistance paid by critical access dental clinics.

Allows an income tax subtraction for student loan educational assistance payments that are made by a dentist or dental clinic that is designated as a critical access dental facility. The subtraction is limited to amounts that are included in adjusted gross income federally.

Effective for tax year 2026 and later.

8 Refund of contributions to political parties and candidates.

Provides a number of amendments to the law governing the processing of political refund contribution claims, to reflect the electronic filing system required by this bill. Among the changes, the commissioner is prohibited from issuing a refund, whether in one payment or in aggregate, to a taxpayer if the refund exceeds the maximum refund amount permitted by law. Refund claims must be submitted using the electronic filing system and must reflect a minimum \$10 claim amount.

Effective for contributions made after December 31, 2026.

9 Baby bonus.

Establishes a "baby bonus" that increases the Minnesota child credit by \$100 for each child of the taxpayer that was born during the taxable year. Specifies that the baby bonus must be disregarded when calculating the minimum credit. Requires the commissioner of revenue to establish a process through which taxpayers may receive an advance payment of the minimum credit.

Section Description – Article 1: Income Taxes

- Effective for tax year 2028 and later.
- 10 **Definitions. (Short line credit)**
Establishes a definition for “credit certificate” and “transfer credit certificate,” for the short line railroad infrastructure modernization credit.

Effective for tax year 2025 later.
- 11 **Credit certificates; written agreement required; transferability. (Short line credit)**
Requires credit recipients to apply to the commissioner of transportation for a credit certificate. Modifies the credit transferability provisions to allow transfers of any amount of the credit prior to the credit being claimed or the entire amount of the carryover. Requires a credit transfer certificate and limits transfers to one per year.

Effective for tax year 2025 and later.
- 12 **Income. (Homestead credit refund)**
Excludes coerced debts from the income measure used to calculate the homestead credit refund.

Effective for refunds based on property taxes paid in 2026 and later.
- 13 **Allocation. (Minnesota housing tax credit)**
Allows for designated contributions through the housing tax credit contribution account to count towards a matching requirement of the workforce housing development program.
- 14 **Use of funds; grant and loan program. (Minnesota housing tax credit)**
Allows use of housing tax contribution account program funds on workforce housing and on supportive services in existing supportive housing.
- 15 **Eligible recipients; definitions; restrictions; use of funds. (Minnesota housing tax credit)**
Makes workforce housing development program projects eligible for grants and loans from the Minnesota housing tax credit contribution program, even if those projects do not meet current income limitations applying to the housing tax credit contribution program. Allows certain nonprofit projects to receive funding from the account even if the account received contributions from one of the nonprofit’s volunteer board members.

Section Description – Article 1: Income Taxes

- 16 Tax filing modernization.**
Amends the tax filing modernization account established in the 2023 tax bill. Requires that funds in the account be used to develop the direct file system under section five. Strikes language allowing unused funds to be used for taxpayer assistance grants. Extends the expiration of the account until 2029.
- 17 Correction of errors; certain retirement contributions.**
Allows individuals that make IRA contributions on an annuity contract to correct the tax-year designation for the contribution, provided that the contribution is timely made under federal law and the individual notifies their annuity contract provider within three years of the tax filing deadline for the contribution's designated tax year.

Effective retroactively for contributions made in calendar year 2023 to apply to the tax year 2022 contribution limits.
- 18 Stipend payments to SEIU healthcare Minnesota and Iowa bargaining unit members.**
Establishes an income tax subtraction for stipend payments that were included in a collective bargaining agreement between the state of Minnesota and SEIU Healthcare Minnesota and Iowa.

Specifies that stipend payments must not be considered income, assets, or personal property for the purposes of determining eligibility for child care assistance, general assistance, housing support, the Minnesota Family Investment Program, other economic assistance programs, or certain health care programs.

Effective the day following final enactment.
- 20 Repealer. (Education credit assignment and political contribution refund)**
Repeals language allowing taxpayers to assign a Minnesota education credit to a lender.

Effective for assignments after December 31, 2025.

Article 2: Sales and Excise Taxes

This article includes provisions for a sales tax vendor allowance, exemptions for certain landscaping equipment, modifications on the timing of refunds for the tax on certain premium cigar sales, and administrative provisions for alcohol excise tax returns. This article also includes

modifications for June accelerated payments of cigarette and tobacco products, and alcohol excise taxes, along with provisions relating to local sales taxes.

Section Description – Article 2: Sales and Excise Taxes

- 1 Revenue department service and recovery special revenue fund.**
Transfers \$3 million in fiscal years 2028 and 2029 from the Department of Revenue service and recovery special revenue fund to the general fund. These transfers are onetime and do not continue in fiscal year 2030 and later.
- 2 Sales and use tax.**
Modifies rules governing the due dates for sales tax to clarify that the amount remitted is the “net liability” for sales tax. The “net liability” is defined as sales tax liability, minus the vendor allowance.

Effective for sales and purchases after June 30, 2025.
- 3 Materials used in providing certain taxable services.**
Excludes accessories, tools, equipment, and other detachable units (such as chainsaw chains and lawn mower blades) when used in landscaping, gardening, or lawn care services from the exemption for materials used in providing taxable services, thereby making these items taxable.

Effective for sales and purchases made after June 30, 2025.
- 4 Land clearing.**
Expands the definition of “land clearing contract” to mean a contract for the removal of trees, bushes, and shrubs, including stump and root removal, to develop a portion of a side to allow for remodeling, improvement, or expansion of an existing structure.

Effective for sales and purchases made after June 30, 2025.
- 5 Tax must be remitted.**
Amends the statute requiring sales taxes be remitted to reference the net liability after the vendor allowance.

Effective for sales and purchases after June 30, 2025.
- 6 Vendor allowance.**
Subd. 1. Definitions. Defines “eligible taxes” as sales taxes collected by a retailer, excluding the portion of sales taxes from the legacy amendment.

Defines “qualifying retailer” as a retailer with a sales tax liability in the previous fiscal year that was more than \$20,000 and not more than \$250,000.

Section Description – Article 2: Sales and Excise Taxes

Defines “reporting period” as the reporting period applicable to the retailer.

Subd. 2. Eligibility. Allows a qualifying retailer to retain a portion of sales tax collected as a vendor allowance in compensation for cost of collecting and administering the tax. Specifies that the vendor allowance applies if the tax is reported and remitted in a timely manner.

Subd. 3. Tax not eligible for allowance. Specifies that use taxes paid by the retailer are not included in the vendor allowance.

Subd. 4. Calculation of allowance; minimum amounts. The vendor allowance is set to equal a percentage of taxes depending on the vendor’s total annual sales tax liability. For sales and purchases in fiscal years 2026 and 2027, the vendor allowance is 0.254 percent of eligible taxes collected. For sales and purchases in fiscal years 2028 and later, the vendor allowance is 0.159 percent of eligible taxes.

Subd. 5. Effect on collections. Reduces the amount of sales tax revenues deposited in the state treasury or remitted to the appropriate jurisdiction proportionally based on the share of the vendor allowance attributable to each sales tax.

Effective for sales and purchases after June 30, 2025.

7 Temporary moratorium.

Extends the current moratorium on establishing new local sales and use taxes and modifying existing local sales and uses taxes until after June 30, 2026.

Effective the day following final enactment.

8 Premium cigar endorsee.

Defines “premium cigar endorsee” as a licensed tobacco products distributor that has received the proposed premium cigar endorsement.

Effective the day following final enactment.

9 License endorsement for premium cigars to be sold outside this state.

Requires a tobacco products distributor to obtain an endorsement on their license to qualify for the proposed exemption. Requires a premium cigar endorsee to file a bond for at least \$50,000 with the commissioner of revenue, to cover potential delinquent tax, fees, penalties, and interest. A separate bond and endorsement would be required for each of the distributor’s locations where exempt premium cigars are stored.

Section Description – Article 2: Sales and Excise Taxes

Effective the day following final enactment.

10 License and endorsement suspension, cancellation, nonrenewal, or revocation.

Subd. 1. Powers of commissioner. Conforming change that allows the commissioner to revoke or suspend a premium cigar endorsement.

Subd. 2. Refusal to issue or renew; revocation. Allows the commissioner to refuse to issue or renew, or revoke a premium cigar endorsement if the endorsee violates the proposed exemption conditions.

Subd. 2a. Refusal to issue or renew; revocation. Conforming change allowing the commissioner to cancel or not renew an endorsement under certain conditions applying to licensees.

Subd. 3. Notice. Conforming change applying the notice provisions for license revocations and suspensions to premium cigar endorsements.

Effective the day following final enactment.

11 Premium cigars sold outside this state.

Allows an exemption under the premium cigar tax for premium cigars brought into Minnesota by a premium cigar endorsee, provided that:

- the cigars are intended to be sold outside the state;
- the cigars are delivered to the endorsee's licensed premises, to remain until sold;
- the exempt cigars are physically segregated from all other tobacco products and cigarettes, and are not accessible to outlet consumers;
- the endorsee has complied with the bond requirements in section two;
- the endorsee maintains records on premium cigar shipments; and
- the endorsee files all forms and returns required related to exempt premium cigars.

This section also requires premium cigar endorsees to file a form with the commissioner of revenue detailing out-of-state premium cigar shipments.

Effective January 1, 2026.

12 Monthly return; tobacco products distributor.

Requires a distributor to report exempt premium cigars brought into the state. This section also requires the filing of a return for premium cigars initially designated as exempt that are later intended to be sold in state, and for premium cigars no longer qualifying for the exemption.

Section Description – Article 2: Sales and Excise Taxes

Effective January 1, 2026.

13 Accelerated tax payment.

Increases the percentage of the accelerated June cigarette and tobacco products excise tax payment from 84.5 percent of estimated liability to 90 percent.

Effective for payments due in June 2027.

14 Accelerated tax payment; penalty.

Increases the percentage of the accelerated June alcohol excise tax payment from 84.5 percent of estimated liability to 90 percent.

Effective for payments due in June 2027.

15 Quarterly annual payments and returns.

Allows a brewer that qualifies for the fermented malt beverage excise tax credit to file their excise tax return annually, without authorization from the Department of Revenue.

Effective in 2025.

16 City of Woodbury; sales and use tax exemption for construction materials.

Provides a retroactive, refundable sales tax exemption on materials and supplies used in and equipment incorporated into the construction and renovation of a water treatment facility, water tower, and associated infrastructure in the city of Woodbury. This exemption only applies to the portion of the construction that is funded by the city.

Requires that materials and supplies be purchased after January 31, 2024, and before December 1, 2028.

17 Legislative task force on local sales taxes.

Creates a legislative task force for the purpose of examining the historical use of local sales taxes in Minnesota, comparing local sales taxes to other local revenue sources, and making recommendations to the legislature on future policy changes related to local sales taxes.

The task force would include four members from the house of representatives and four members from the senate. The task force would meet at least twice per month beginning no later than August 1, 2025, and would submit a report to the legislature

Section	Description – Article 2: Sales and Excise Taxes
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	by January 31, 2026. This section appropriates \$70,000 in fiscal year 2026 for the cost of the task force.
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Article 3: Property Taxes

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

- establishing property tax reductions for certain airport property;
- establishing property tax exemptions for certain property owned by Indian Tribes;
- increasing the market value exclusion for veterans with a disability;
- clarifying how the attachments and appurtenances of electric utility cooperatives' distribution system are taxed;
- allowing abatements for land bank property; and
- modifying the senior citizens' property tax deferral program.

Section	Description – Article 3: Property Taxes
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1	Exempt property used by private entity for profit.
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	Extends the property tax exemption for hangars at airports owned by local units of government to those used for the manufacture of aircraft, provided that the airport is not owned by the Metropolitan Airports Commission or by a city with a population over 50,000. This section also provides for 12 years, a 50 percent reduction in net tax capacity for hangars (including those used for the manufacture of aircraft) and the check-in area of an airport, provided that the property is not owned by the Metropolitan Airports Commission and is located at an airport owned by a city with a population greater than 50,000 but less than 150,000.
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	Effective beginning with property taxes payable in 2026.
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2	Institutions of public charity.
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	Limits property tax exemptions for charitable rental housing so that exemptions are not available to rental housing if its use only furthers a charity's purpose by providing housing to households chosen based on their income characteristics.
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	Effective for taxes payable in 2026 and thereafter.
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3	Property used to distribute electricity to farmers.
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	Clarifies that the property tax exemption for electric distribution systems used to supply electricity to farmers does not include substations, or transmission or generation equipment.
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Section Description – Article 3: Property Taxes

- Effective for assessment year 2025 and thereafter.
- 4 **Certain property owned by an Indian Tribe.**
Provides a property tax exemption for property in Minneapolis owned by the Leech Lake Band of Ojibwe.

Effective beginning with assessment year 2026.
- 5 **Certain property owned by an Indian Tribe.**
Provides a property tax exemption for five parcels of land owned by the Grand Portage Band.

Effective beginning with assessment year 2026.
- 6 **Certain property owned by an Indian Tribe.**
Provides a property tax exemption for a property in Minneapolis owned by the Mille Lacs Band of Ojibwe.

Effective beginning with assessment year 2026.
- 7 **Class 4.**
Removes the requirement that community land trust property receiving the 4d(2) property tax classification be valued based on the normal approach to valuation, without regard to any restrictions that apply because the property is a community land trust property.

Effective beginning with assessment year 2025.
- 8 **Homestead of veteran with a disability or family caregiver.**
Increases the exclusion amounts for the disabled veterans' market value exclusion. This section would increase the exclusion veterans with a disability rating of at least 70 percent from \$150,000 to \$175,000 and increase the exclusion for veterans with a total (100 percent) and permanent disability from \$300,000 to \$350,000.

Effective beginning with assessment year 2025.
- 9 **Percentage of assessments; exceptions.**
Clarifies how the distribution systems of electric utility cooperatives are taxed.

Effective for assessment year 2025 and thereafter.

Section Description – Article 3: Property Taxes

10 Amount of tax; distribution.

Clarifies that certain distribution line property owned by utility cooperatives is exempt. Under current law, distribution lines, including their attachments and appurtenances, that are owned by a cooperative association and located outside of a city are not subject to property taxes. Instead, the cooperative associations pay a separate tax of \$10 for each 100 members of the association. This section clarifies that, except for substations and transmission or generation equipment, utility cooperatives' power distribution systems are exempt from property taxes.

Effective beginning with assessment year 2025.

11 Program qualifications.

Increases from \$96,000 to \$110,000 the household income limit for the senior citizens' property tax deferral program.

Effective for applications for deferral of taxes payable in 2026 and thereafter.

12 Excess-income certification by taxpayer.

Conforming change related to senior citizens' property tax deferral income limit modification.

Effective for applications for deferral of taxes payable in 2026 and thereafter.

13 Resumption of eligibility certification by taxpayer.

Conforming change related to senior citizens' property tax deferral income limit modification.

Effective for applications for deferral of taxes payable in 2026 and thereafter.

14 Determination by commissioner.

Conforming change related to senior citizens' property tax deferral income limit modification.

Effective for applications for deferral of taxes payable in 2026 and thereafter.

15 Land bank organization.

Defines "land bank organization" as an organization that acquires, holds, or manages vacant, blighted, foreclosed, or tax-forfeited property for future development, redevelopment, or disposal. A land bank organization must be either (1) a nonprofit organization with a governing board whose members are elected or appointed by a unit of government or an agency of a unit of government, or whose members are

Section Description – Article 3: Property Taxes

- elected or appointed officials of a unit of government, or (2) a limited liability company of which such a nonprofit is the sole member.
- 16 **Authority.**
Allows local units of government to abate property taxes on property that will be used for the development of affordable housing and on property that is held by a land bank organization for future development.
- 17 **Duration limit.**
Allows abatements granted to property described in in the previous section to be granted for a duration of up to five years.
- 18 **Repayment.**
Requires repayment, with interest, of an abatement received by a land bank organization if the land for which the abatement was granted is used for a purpose other than the purpose given by the land bank organization, prior to redevelopment. Land is subject to this provision for the same number of years that the abatement was granted.
- 19 **Exemption for land held for economic development.**
Extends a property tax exemption for property owned by the Bloomington Port Authority that is being held for economic development purposes. Under current law, property held by a political subdivision of the state for later resale for economic development purposes is eligible for a property tax exemption for up to nine years. The current law exemption for the property covered by the section is set to expire after 2025. This provision would extend the exemption through 2031.

Effective upon approval by the Bloomington City Council.
- 20 **Property tax exemption; Red Lake Nation College.**
Provides a property tax exemption for taxes paid in 2022 and a portion of taxes paid in 2021 for property in Minneapolis purchased by Red Lake Nation for the Red Lake Nation College. This section provides a state payment for taxes attributable to the exemption.

Effective the day following final enactment.
- 21 **Report on strategies to reduce property taxes.**
Requires the commissioner of revenue to submit a report to the legislature by February 1, 2026. The report must describe the advantages and disadvantages of different approaches to reduce property taxes paid by homeowners and renters.

Article 4: Property Tax Aids

This article provides local government aid penalty forgiveness for four cities and establishes a base year adjustment in the local government aid formula for the city of Baldwin.

Section	Description – Article 4: Property Tax Aids
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1	2023 aid penalty forgiveness; city of Alpha.
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	Allows the city of Alpha to receive the portion of its 2023 local government aid payment that was withheld. The city would receive the withheld aid amount of \$18,472, provided that the state auditor certifies that the city submitted its required annual financial reports for 2022.
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	Effective the day following final enactment.
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2	Base year formula aid; city of Baldwin.
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	Adjusts the calculation for 2026 local government aid (LGA) for the city of Baldwin. Under this section, it would be assumed that, for the purposes of the 2026 LGA calculation, the city received \$2.85 per capita in LGA in 2025. The city of Baldwin incorporated in 2024 and will first be eligible to receive LGA in 2026. The adjustment under this section allows the city's aid to phase in more quickly than it would otherwise, raising the city's 2026 aid from \$206 to \$20,169.
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	Effective for aids payable in 2026 only.
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3	2024 aid penalty forgiveness; city of Odin.
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	Allows the city of Odin to receive the portions of its 2024 local government aid payment and 2024 small city assistance payment that were withheld. The city would receive the withheld aid amount of \$30,909, provided that the state auditor certifies that the city submitted its required annual financial reports for 2023.
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	Effective the day following final enactment.
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4	2023 aid penalty forgiveness; city of Stewart.
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	Allows the city of Stewart to receive the portion of its 2023 local government aid payment that was withheld. The city would receive the withheld aid amount of \$87,501.50, provided that the state auditor certifies that the city submitted its required annual financial reports for 2022.
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	Effective the day following final enactment.
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5	2024 aid penalty forgiveness; city of Trosky.
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	Allows the city of Trosky to receive the portions of its 2024 local government aid payment and 2024 small city assistance payment that were withheld. The city would
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Section	Description – Article 4: Property Tax Aids
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receive the withheld aid amount of \$25,003, provided that the state auditor certifies that the city submitted its required annual financial reports for 2023.

Effective the day following final enactment.

Article 5: Tax Increment Financing

This article modifies how tax increment can be used and how tax increment financing districts can be operated outside the metropolitan areas. It also provides new special tax increment financing authority to several local governments and modifies prior special tax increment financing laws for several local governments.

Section	Description – Article 5: Tax Increment Financing
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| 1 | <p>Redevelopment district.</p> <p>Expands criteria that can warrant establishment of a redevelopment district to include vacant or underused commercial or industrial property in Minneapolis or St. Paul.</p> |
| 2 | <p>Municipality approval.</p> <p>Exempts redevelopment districts established in Minneapolis or St. Paul under the new authority in section one from the requirement that they be established only if the city finds that the expected market value of the site to be developed would exceed what the market value of the site would be without tax increment financing by at least the value of the tax increment.</p> |
| 3 | <p>Temporary use on increment authorized.</p> <p>Extends the expiration of certain temporary tax increment financing authority from 2025 to 2026. Clarifies how to treat increment transferred under that authority after the temporary authority expires.</p> |
| 4 | <p>Requirement imposed.</p> <p>Limits the applicability of income limitations on housing projects financed with housing districts to projects in the metropolitan counties.</p> |
| 5 | <p>Rental property.</p> <p>Allows proposed projects using income-averaging under the low-income housing tax credit program to qualify for tax increment financing from housing districts.</p> |

Section Description – Article 5: Tax Increment Financing

- 6 Expenditures outside district.**
Increases the percentage of increment that can be used by non-housing districts for housing purposes from ten to 15. Allows transfer of that increment to a local housing trust fund.
- 7 Five-year rule.**
Extends the five-year rule period to ten years for districts not located in the metropolitan counties.
- 8 Use of revenues for decertification.**
Conforms the six-year rule to changes in section seven by extending the six-year rule period to 11 years for districts not located in the metropolitan counties.
- 9 Increment transferred to a local housing trust fund.**
Establishes income limitations for households assisted with increment transferred to a local housing trust fund. Exempts transferred increment from TIF reporting requirements.
- 10 Original net tax capacity.**
Sets the original net tax capacity for redevelopment districts established in St. Paul or Minneapolis under the new authority established in section one to the value of the land.
- 11 City of Ramsey; tax increment financing district; special rules.**
Extends to December 31, 2025, the period of time for Ramsey to make an interfund loan agreement for a district established under prior special law.
- 12 City of Maplewood; tax increment financing district; special rules.**
Expands the area in which increment can be spent for redevelopment districts established under prior special law for the city of Maplewood. Reimposes general law requirements requiring that a certain percentage of increment from those districts be spent within the districts.
- 13 City of Maple Grove; tax increment financing district.**
Extends the five-year rule period to 13 years for districts established under prior special law for the city of Maple Grove. Allows soil deficiencies districts established under that law to collect up to 26 years of increment, up from 21 years.

Section	Description – Article 5: Tax Increment Financing
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14	City of St. Paul; Ford site redevelopment TIF district.
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	Extends the five-year rule period to 11 years for a district established under prior special law for the city of St. Paul. Provides a conforming extension of the six-year rule period.
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15	City of Brooklyn Center; TIF authority.
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	Allows the city of Brooklyn Center to establish up to two redevelopment districts before 2032 on specified parcels. Those districts would be subject to special rules that would: (1) exempt the districts from requirements that their establishment be supported by a finding of blight; and (2) exempt the districts from requirements that 90 percent of their increment be spent on blight correction.
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16	City of Brooklyn Park; TIF authority; 610/Zane area.
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	Allows the city of Brooklyn Center to establish up to two redevelopment districts before 2032 on specified parcels. Those districts would be subject to special rules that would: (1) exempt the districts from requirements that their establishment be supported by a finding of blights; and (2) exempt the districts from requirements that 90 percent of their increment be spent on blight correction.
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17	City of Brooklyn Park; TIF authority; Biotech area.
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	Allows the city of Brooklyn Center to establish up to two redevelopment districts before 2032 on specified parcels. Those districts would be subject to special rules that would: (1) exempt the districts from requirements that their establishment be supported by a finding of blight; and (2) exempt the districts from requirements that 90 percent of their increment be spent on blight correction.
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18	City of Brooklyn Park; TIF authority; Village Creek area.
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	Allows the city of Brooklyn Center to establish up to two redevelopment districts before 2032 on specified parcels. Those districts would be subject to special rules that would: (1) exempt the districts from requirements that their establishment be supported by a finding of blight; and (2) exempt the districts from requirements that 90 percent of their increment be spent on blight correction.
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19	City of Eden Prairie; tax increment financing authority; Eden Prairie Center.
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	Allows the city of Eden Prairie to establish up to two redevelopment districts before 2027 on specified parcels. Those districts would be subject to special rules that would: (1) exempt the districts from requirements that their establishment be supported by a finding of blight; and (2) exempt the districts from requirements that 90 percent of their increment be spent on blight correction.
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Section Description – Article 5: Tax Increment Financing

- 20 **City of Edina; 70th and France TIF district; five-year rule extension; duration extension.**
For a certain tax increment financing district in Edina, extends the five-year rule period to ten years, provides a conforming extension of the six-year rule period to 11 years, and extends the duration of the district from a maximum of 16 years of increment collection to a maximum of 26 years of increment collection.
- 21 **City of Edina; 72nd and France TIF district; five-year rule extension; duration extension.**
For a certain tax increment financing district in Edina, extends the five-year rule period to ten years, provides a conforming extension of the six-year rule period to 11 years, and extends the duration of the district from a maximum of 26 years of increment collection to a maximum of 31 years of increment collection.
- 22 **City of Marshall; temporary use of increment; extension.**
Extends the deadline during which the city of Marshall could use certain temporary general law TIF authority for three of its districts from December 31, 2025 (or 2026 if section three of this article were enacted) to December 31, 2027.
- 23 **City of Minnetonka; OPUS TIF district; five-year rule extension.**
For a certain tax increment financing district in the city of Minnetonka, extends the five-year rule period to ten years and provides a conforming extension of the six-year rule period to 11 years.
- 24 **City of Moorhead; tax increment financing district no. 31; five-year rule extension.**
For a certain tax increment financing district in the city of Moorhead, extends the five-year rule period to ten years and provides a conforming extension of the six-year rule period to 11 years.
- 25 **City of Oakdale; temporary use of increment; extension.**
Extends the deadline during which the city of Oakdale could use certain temporary general law TIF authority for three of its districts from December 31, 2025 (or 2026 if section three of this article were enacted) to December 31, 2027.
- 26 **City of Plymouth; tax increment financing; establishment.**
Allows the city of Plymouth to establish up to two redevelopment districts before 2032 on specified parcels. Those districts would be subject to special rules that would: (1) exempt the districts from requirements that their establishment be supported by a finding of blight; (2) exempt the districts from requirements that 90 percent of their increment be spent on blight correction; and (3) extend the five-year and six-year rules' periods to ten and 11 years, respectively.

Section	Description – Article 5: Tax Increment Financing
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27	City of St. Cloud; tax increment financing; establishment.
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Allows the city of St. Cloud to establish up to two redevelopment districts before 2032 on specified parcels. Those districts would be subject to special rules that would: (1) exempt the districts from requirements that their establishment be supported by a finding of blight; (2) exempt the districts from requirements that 90 percent of their increment be spent on blight correction; and (3) deems expenditures of increment allowed under this authority for use on public infrastructure improvement to be considered within the district for the purposes of limitations on expenditures of increment outside the district.

28	City of St. Cloud; Cooper Avenue redevelopment district; five-year rule extension.
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For a certain district in the city of St. Cloud, extends the five-year rule period to ten years. Provides a conforming extension of the six-year rule period.

Article 6: Public Finance

This article modifies provisions regarding both the financing of local government projects and the allocation of federal tax-exempt bonds.

Section	Description – Article 6: Public Finance
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1	Application of election requirement.
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Shortens the notice period before a hearing regarding issuance of county capital improvement bonds from 14 to ten days.

2	Definitions.
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Expands the definition of “debt obligations” for the purposes of building debt the state may guarantee to include certain county debts for the construction of courthouses or justice centers connected to a jail, correctional facility, or other law enforcement facility.

3	Application.
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Expands the state guarantee on payment of principal and interest of certain bonds to include refunding bonds issued to refund previously guaranteed bonds.

4	Program review.
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Shortens the notice period before a hearing regarding adoption of certain municipal housing programs and amended housing programs from 15 to ten days.

Section Description – Article 6: Public Finance

- 5 Sections that apply if federal debt limit applies.**
Modifies the applicability of the Minnesota Bond Allocation Act to certain economic development authority debt so that, instead of applying to tax-exempt obligations with a limit on their amount, they apply to tax-exempt obligations required to obtain an allocation of volume cap.
- 6 Hearing.**
Shortens the notice period before hearing a proposed municipal industrial development project from 14 to ten days.
- 7 Application for residential rental projects.**
Requires that recipients of allocations of tax-exempt bonds for residential rental projects issue any bonds by the last business day of the year in which the allocation was received.
- 8 Application for all other types of qualified bonds.**
Requires that recipients of allocations of tax-exempt bonds that are not for residential rental projects issue any bonds by the last business day of the year in which the allocation was received.
- 9 Election requirement.**
Shortens the notice period before a hearing regarding a city or town proposal to issue capital improvement bonds from 14 to ten days.
- 10 Funds; how provided.**
Expands a list of county projects for which a county cannot enter a construction contract without first levying a tax or issuing county bonds so that the list includes sheriff's offices, law enforcement centers, and courthouses or justice centers attached to a county jail.

Article 7: Miscellaneous

This article includes provisions related to the Tax Expenditure Review Commission, state agricultural society, renter's credit, sustainable forest incentive act, provider/MinnesotaCare tax, solid waste management taxes, land value taxation districts, various aids and grants, and the controlled substances tax.

Section Description – Article 7: Miscellaneous

- 1 Requirements for new or renewed tax expenditures.**

Modifies the requirement that bills creating, renewing, or continuing a tax expenditure include a purpose statement. Under current law, those bills must include a statement of purpose in the bill text; the bill proposes that the tax committee chairs of the senate and house must submit a “statement of objective” to the Tax Expenditure Review Commisison (TERC) within 60 days of the enactment of a tax expenditure.

Effective the day following final enactment.
- 2 Definitions.**

Defines “commissioner” as the commissioner of revenue.

Effective the day following final enactment.
- 3 Membership.**

Permits the commissioner of revenue to designate another individual to represent the commissioner at meetings of the TERC.

Effective the day following final enactment.
- 4 Duties.**

Conforming change to reflect the new process in the amendment for tax expenditure purpose statements.

Effective the day following final enactment.
- 5 Components of review.**

Conforming change to reflect the new process in the amendment for tax expenditure purpose statements.

Effective the day following final enactment.
- 6 Report to legislature.**

Requires the TERC report to be submitted to the legislature by February 15. Under current law the report is due December 15.

Effective the day following final enactment.
- 7 Terms; vacancies; meetings.**

Reuquires the commissioner of revenue to convene the first meeting of the commission.

Section Description – Article 7: Miscellaneous

- Effective the day following final enactment.
- 8 **Bonding authority.**
Raises the State Agricultural Society's debt limit for state fair bonds from \$30,000,000 to \$50,000,000.

Effective July 1, 2025.
- 9 **Contents.**
Conforming change to reflect the new process in the amendment for tax expenditure purpose statements.

Effective the day following final enactment.
- 10 **Penalties relating to property tax refunds and certificates of rent paid.**
Reduces the penalty for failing to provide a renter with a certificate of rent paid from \$100 to \$50. Establishes a new \$50 penalty for failing to provide DOR with a copy of the certificate of rent paid.

Effective for certificates of rent paid issued after December 31, 2025.
- 11 **Owner or managing agent to furnish rent certificate.**
Requires owners or managing agents to provide DOR with a copy of the certificate of rent paid that is furnished to the renter. Under current law, DOR has the authority to require this change, and has required it in practice.

Specifies that an owner who fails to provide a renter with a certificate of rent paid is subject to the penalty established in section ten.

Effective for certificates of rent paid issued after December 31, 2025.
- 12 **Park owner to furnish rent certificate.**
Requires manufactured home park owners or managing agents to provide DOR with a copy of the certificate of rent paid that is furnished to the renter. Under current law, DOR has the authority to require this change, and has required it in practice.

Specifies that a park owner who fails to provide a renter with a certificate of rent paid is subject to the penalty established in section ten.

Effective for certificates of rent paid issued after December 31, 2025.

Section Description – Article 7: Miscellaneous

13 Calculation of incentive payment.

Creates a four-year limitation on sustainable forest incentive act (SFIA) payments to no more than 100 percent of the property tax that would be paid on the forest land in the prior year. After SFIA payments are adjust to this limit, all SFIA payments are adjusted proportionally so that the overall payment amount equals the fiscal year threshold established by this section.

Effective the day following final enactment.

14 Credit for research.

Establishes a permanent rate of 0.5 percent for the credit for research, under the provider tax. Under current law, the rate must be adjusted based on the amount of credits claimed, but may not fall below 0.5.

Effective the day following final enactment.

15 Pharmacy refund.

Modifies the timing of when a pharmacy may apply for a refund of the legend drugs paid to a wholesale drug distributor, for drugs that the pharmacy then delivers outside this state. Under current law, a pharmacy may only apply for refunds on its annual return. This provision would allow a pharmacy to apply for and receive refunds throughout the year.

Effective January 1, 2025.

16 Deposit of revenues; account established.

Removes the 20 percent dedication of the cannabis gross receipts tax to the local government cannabis aid account. Local government cannabis aid is repealed in this article. Under this change, 100 percent of the cannabis gross receipts tax would go to the general fund.

Effective July 1, 2025. The local government cannabis aid account is eliminated January 2, 2026.

17 Residential generator.

Allows certain nonprofits that receive donations for resale to qualify for the lower solid waste tax rates applicable to residential properties.

18 Allocation of revenues.

Requires additional earmarks of revenues from solid waste taxes for SCORE grants in fiscal years 2026 and 2028.

Section Description – Article 7: Miscellaneous

19 Definitions; expiration.

Defines terms for a land-value taxation district pilot program, available in the city of Minneapolis and the city of St. Paul. Under the program, the cities would be able to establish land-value taxation districts, pursuant to the following four sections, for up to ten years, beginning with property taxes payable in 2026.

Effective beginning with property taxes payable in 2026.

20 Establishment of land-value taxation district.

Subd. 1. Ordinance. Allows the governing body of a city to establish a land-value taxation district by ordinance. The ordinance would need to describe the area included in the district, the procedure for reallocating property tax among the parcels in the district, and a plan for the evaluation of the economic effects of the district.

Subd. 2. Hearing; notice. Requires the city to hold a public hearing on an ordinance to establish a land-value taxation district. The city would need to mail a hearing notice to owners of parcels included in the district. These owners would be allowed to testify at the hearing.

Effective beginning with property taxes payable in 2026.

21 Restrictions on tax reallocation procedure.

Allows cities to reallocate property taxes within a land-value taxation district on the basis of one or more of the following tax bases:

- net tax capacity;
- referendum market value;
- a tax base which excludes the value of improvements (i.e., the tax base includes only the value of the land); or
- a tax base which excludes the value of improvements made to the property after a specified date.

Effective beginning with property taxes payable in 2026.

22 Taxation within the district.

Subd. 1. Initial taxation within district. Requires a city with a land-value taxation district to compile the total property taxes imposed on all parcels within the district for each taxing jurisdiction. This calculation uses current law tax bases and determines tax as if the parcels were not in a land-value taxation district.

Subd. 2. Final taxation within the district. Requires a city to reallocate the total property tax imposed on parcels within the land-value taxation district using the

Section Description – Article 7: Miscellaneous

method established by the ordinance. The city would need to send to the owner of each parcel within the district a new property tax statement showing the revised tax amount due on the property.

Subd. 3. Report to the commissioner of revenue. Requires cities to report to the commissioner of revenue the amount of property tax due on each parcel within a land-value taxation district and the amount of property tax each parcel would have paid if it were not in the district.

Effective beginning with property taxes payable in 2026.

23 Appeal of land value.

Allows owners of property in a land-value taxation district to appeal the valuation attributable to land separately from the valuation attributable to improvements on the land.

Effective beginning with property taxes payable in 2026.

24 Criminal act.

Removes a cross-reference to chapter 297D from the definition of “criminal act” under chapter 609. This is a technical correction necessary for the repeal of the tax on cannabis and controlled substances.

Effective August 1, 2025.

25 Appropriation; extension of availability.

Extends the availability of a grant to the city of Minneapolis that was appropriated in the 2023 tax bill. The availability is extended through fiscal year 2027.

26 Cancellation of amounts in local government cannabis aid account.

Cancels to the general fund any balance in the local government cannabis aid account.

Effective the day following final enactment.

27 Taxpayer assistance grants and tax credit outreach grants.

Increases the fiscal year 2029 base for taxpayer assistance grants and tax credit outreach grants by \$1.2 million.

28 Appropriation; Browerville Public Schools.

Appropriates \$520,000 in fiscal year 2026 to the commissioner of revenue for a grant to Browerville public schools. Requires Browerville public schools to use the grant for the costs of materials and supplies related to the construction of a new pre-K

Section Description – Article 7: Miscellaneous

through grade 12 school building and a new gymnasium. Requires the grant to be paid by July 15, 2025. Specifies that the grant is not subject to withholding of administrative costs.

29 City of Minneapolis; emerald ash borer financial assistance; appropriation.

Subd. 1. Definitions. Defines “eligible costs” as costs incurred in 2020 or later for treating or removing a tree on owner-occupied residential property that was infested with emerald ash borer.

Defines “eligible homeowner” as a homeowner who experienced eligible costs and whose income is below 200 percent of the federal poverty guideline.

Defines “eligible region” as a census block group in Minneapolis that is in an “environmental justice area.” Environmental justice area is defined in statute as a Census tract that meets one of the following three criteria: (1) is 35 percent nonwhite; (2) 35 percent of households have incomes below 200 percent of the federal poverty line; or (3) 40 percent or more of the population over age five has limited English proficiency. Census tracts in Indian Country are also defined as environmental justice areas.

Subd. 2. Eligible uses; prioritization. Requires the city of Minneapolis to use the full amount of aid provided in this section to reimburse eligible homeowners for their eligible costs.

Requires the city of Minneapolis to directly reduce the remaining balance of a homeowner’s special assessment for eligible costs. If the original balance of the special assessment is higher than the remaining balance, the city must reimburse the homeowner for the difference.

Specifies that if the amount of the appropriation is insufficient to reimburse all homeowners for a portion of their costs, the city must prioritize reimbursing a subset of homeowners for all of their costs.

Permits the city of Minneapolis to use any funds remaining on January 1, 2027, to reimburse eligible homeowners without a special assessment but who incurred eligible costs.

Permits the city of Minneapolis to use remaining funds on June 30, 2027, to offset the eligible costs of homeowners who are not in an eligible region.

Requires the city of Minneapolis to administer the grant within existing resources.

Section Description – Article 7: Miscellaneous

Subd. 3. Outreach. Requires the city of Minneapolis to conduct outreach about the availability of the funding in this section. Specifies specific community groups that must be consulted as part of outreach efforts.

Subd. 4. Reporting. Requires the city of Minneapolis to report to the commissioner of revenue on the use of funds under this section. The report must detail by neighborhood and income level the number of eligible homeowners reimbursed and the amount of money distributed.

Subd. 5. Appropriation. Appropriates \$400,000 in fiscal year 2026 to the city of Minneapolis for the aid under this section. Requires the aid to be paid on July 1, 2026. Specifies that the aid is not subject to administrative cost withholding provisions.

30 Repealer.

Paragraph (a) repeals the taxes imposed on illegal cannabis and controlled substances.

Effective August 1, 2025.

Paragraph (b) repeals the local government cannabis aid program.

Effective for aids payable in 2026 and thereafter.

Article 8: Department of Revenue: Individual Income and Corporate Franchise Taxes

This article makes a number of policy and technical changes related to individual income and corporate franchise taxes.

Section Description – Article 8: Department of Revenue: Individual Income and Corporate Franchise Taxes

1 Credit allowed. (Film production credit)

Conforming change for a provision enacted in 2023 that allows taxpayers to claim the film credit if their expenses were incurred in any consecutive 12-month period.

Effective retroactively for tax year 2023 and later.

<u>Section</u>	<u>Description – Article 8: Department of Revenue: Individual Income and Corporate Franchise Taxes</u>
2	<p>Net income. (Delayed business interest; PTE tax)</p> <p>Amends the definition of “net income” to include the delayed business interest subtraction for composite and pass-through entity (PTE) filers.</p> <p>Deletes language requiring the income of both resident and nonresident owners of pass-through business to be apportioned, for purposes of determining the PTE tax. (The legislature enacted a provision in 2023 that allows 100 percent of the income of resident owners to be allocated to this state, not apportioned.)</p> <p>Effective retroactively for tax year 2023 and later.</p>
3	<p>Social security benefits.</p> <p>Corrects internal cross-references in the Social Security subtraction.</p> <p>Effective retroactively for tax year 2023 and later.</p>
4	<p>Qualified retirement benefits.</p> <p>Clarifies that the public pension subtraction for “basic” pension plans applies to pensions earned based on service for which the member or survivor did not earn Social Security benefits.</p> <p>Effective the day following final enactment.</p>
5	<p>Delayed business interest.</p> <p>Corrects a cross-reference to the corporate disallowed business interest deduction.</p> <p>Effective retroactively for tax year 2020 and later.</p>
6	<p>Definitions. (Renter’s credit)</p> <p>Requires taxpayers to have claimed a dependent to claim the renter’s credit dependent exemption.</p> <p>Effective for tax year 2025 and later.</p>
7	<p>Residents of nursing homes, intermediate care facilities, long-term care facilities, or facilities accepting housing support payments. (Renter’s credit)</p> <p>Modifies the calculation of “gross rent” for the renter’s credit, for claimants that had a portion of their rent paid for by medical assistance.</p> <p>Effective for tax year 2025 and later.</p>

Section	Description – Article 8: Department of Revenue: Individual Income and Corporate Franchise Taxes
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| 8 | One claimant per household. (Renter's credit)
Clarifies that married taxpayers filing joint returns can use rent paid by both spouses to claim the renter's credit.

Effective for tax year 2025 and later. |
| 9 | Credit allowed; limitation; carryover. (Short line credit)
Clarifies that short line credit payments cannot exceed the product of the number of qualifying miles of railroad track and \$3,000.

Effective retroactively for tax year 2023 and later. |
| 10 | Temporary additions and subtractions; individuals, estates, and trusts.
Amends the temporary provisions of the 2023 conformity law to clarify that "net income" includes the delayed business interest addition for composite and pass-through entity filers.

Effective retroactively at the same time the provisions adopted in the 2023 conformity bill were effective for federal purposes. |

Article 9: Department of Revenue: Sales and Use Taxes

This article makes a number of policy and technical changes related to sales and use taxes.

Section	Description – Article 9: Department of Revenue: Sales and Use Taxes
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| 1 | Sustainable aviation fuels.
Limits the sustainable aviation fuels sales tax exemption to materials, supplies, and equipment purchased after June 30, 2027, and before July 1, 2034.

Effective the day following final enactment. |
| 2 | Tax collected.
Amends the sales tax refund statute to properly reference the exemption for sustainable aviation fuel facilities.

Effective the day following final enactment. |
| 3 | Deposit of revenues.
Modifies the transportation dedication of the sales taxes from the sale and purchase of motor vehicle repair and replacement parts. Requires DOR to estimate the |

Section	Description – Article 9: Department of Revenue: Sales and Use Taxes
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monthly sales taxes from motor vehicle repair and replacement parts after the February forecast. DOR would then make monthly deposits of the estimated amounts into the appropriate transportation funds.

Effective the day following final enactment.

4 Use of zip code in determining location of sale.

Specifies that a seller has exercised due diligence in attempting to identify the nine-digit zip code for a sale if it utilizes certain software, including the look-up application created by the Postal Service or software certified by the Coding Accuracy Support System. Specifies that for a sale that does not require a full street address, due diligence requires the seller to request the complete street address of the purchaser or the nine-digit zip code of the purchaser. Provides that a seller must exercise due diligence to be relieved of additional liability for sales tax due to incorrect scoring.

Effective for sales and purchases after June 30, 2025.

Article 10: Department of Revenue: Miscellaneous

This article makes a number of policy and technical changes related to various state taxes.

Section	Description – Article 10: Department of Revenue: Miscellaneous
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1 Standards of conduct.

Clarifies that a tax preparer may not take ownership or control or establish an account in the preparer's name for any department payment paid to a client, which ensures that any advance of the child tax credit (or similar payments) paid to a client receives the same protection as a tax refund.

Effective for taxable years beginning after December 31, 2024.

2 Enforcement; administrative order; penalties; cease and desist.

Lengthens the timelines for parties and the Office of Administrative Hearings to act in a contested case proceeding regarding a cease and desist order or administrative penalty issued to a tax preparer. Provides that a contested case hearing begins with the issuance of a notice and order for the hearing.

Effective for penalties assessed and orders issued after the day following final enactment.

Section Description – Article 10: Department of Revenue: Miscellaneous

3 Class 1.

Allows the value of class 1b property in excess of \$50,000 to be classified as 4d(2) community land trust property if the property meets the requirements for the 4d(2) classification.

Effective beginning with assessment year 2025 and thereafter.

4 Return by qualified heirs. (Estate tax)

For purposes of administering the recapture tax provisions for the qualified property subtractions, removes the requirement that a qualified heir file two returns with the commissioner—the qualified heir would be required to file the second return only.

Effective the day following final enactment.

5 Annual audit and certified inventory.

Clarifies that the amount of the transportation sales tax dedication from the sales tax on motor vehicle repair and replacement parts is based on an estimated amount, and is deposited on a monthly basis.

Effective the day following final enactment.

6 Film production credit.

Extends the expiration date for the film credit under the premium tax to match the expiration date for the credit under the individual income and corporate franchise taxes enacted in 2023.

Effective the day following final enactment.

7 Extension of statute of limitations.

Fixes a broken cross-reference in the 2023 tax conformity act (chapter 1).

Effective retroactively at the same time the changes in the conformity bill were effective for federal purposes.



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