

March 25, 2024

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 5002 (Gomez) / S.F. 5085 (Rest)

	Fund Impact			
	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Various effective dates.

EXPLANATION OF THE BILL

Section 1. Enforcement; administrative order; penalties; cease and desist. Amends Minn. Stat. § 270C.445, subd. 6, to lengthen the timelines for the parties and the Office of Administrative Hearings to act in a contested case proceeding regarding a cease and desist order and/or administrative penalty issued to a tax preparer. Also clarifies that a contested case proceeding is commenced by the issuance of a notice of and order for hearing. Effective for penalties assessed and orders issued after the day following final enactment.

Section 2. Return by qualified heirs. Amends Minn. Stat. § 289A.12, subd. 18, to remove the first informational estate tax return requirement. Effective the day following final enactment.

Section 3. Net income allocation pass-through entity tax. Amends Minn. Stat. § 290.01, subd. 19, to delete obsolete language regarding income allocation that was repealed and replaced in Minn. Stat. § 289A.08, subd. 7a, during the 2023 Legislative Session. Effective retroactively for taxable years beginning after December 31, 2022.

Sections 3, 4, and 11. Business interest expense limitation. Section 3 amends Minn. Stat. § 290.01, subd. 19, paras. (h) and (i) to make clear the definition of “net income” for composite filers and the pass-through entity tax includes the individual delayed business interest subtraction found in Minn. Stat. § 290.0132, subd. 31. Section 3 is effective retroactively for taxable years beginning after December 31, 2022. Section 4 amends Minn. Stat. § 290.0134, subd. 20, the corporate subtractions to federal taxable income, to correct a cross reference to the corporate additions to federal taxable income. Section 4 is effective retroactively for taxable years beginning after December 31, 2019. Section 11 amends 2023 Minn. Laws, Ch. 1, § 22, temporary additions and subtractions to make clear the definition of “income” for composite filers and the pass-through entity tax includes the individual addition for the disallowed business interest deduction in Minn. Stat. § 290.0131, subd. 19. Section 11 is effective retroactively at the same time the changes in Laws 2023, chapter 1, section 22 were effective for federal purposes.

EXPLANATION OF THE BILL (Cont.)

Sections 5, 6, and 7. Renter’s credit. Section 5 amends Minn. Stat. § 290.0693, subd. 1, to clarify the definition of “dependent” for the renter’s credit to include that the dependent needs to be claimed by the taxpayer. Section 6 amends Minn. Stat. § 290.0693, subd. 6, to clarify the ratio used to determine the renter’s credit for taxpayers who accept medical assistance housing support payments. Section 7 amends Minn. Stat. § 290.0693, subd. 8, to clarify that married couples filing joint tax returns will use the total of both spouses’ gross rent when claiming the renter’s credit. These sections are effective for taxable years beginning after December 31, 2023.

Section 8. Marketplace provider liability. Amends Minn. Stat. § 297A.66, subd. 3, by removing the subsection that addresses marketplace provider liability relief. Effective for sales and purchases made after June 30, 2024.

Section 9. Marketplace provider relief. Amends Minn. Stat. § 297A.66 by adding subdivision 3a, which outlines and clarifies the standard for marketplace providers to receive relief from liability for unpaid or incorrect sales tax. The clarified standard requires a marketplace seller to have provided the marketplace provider incorrect information that prevented the marketplace provider from being able to collect the correct amount of sales tax. Effective for sales and purchases made after June 30, 2024.

Section 10. Local affordable housing aid; administration. Amends Minn. Stat. § 477A.35, subd. 6, to align the timing of local affordable housing aid with other aid programs as follows: (1) by July 15, 2024, and each year thereafter, the commissioner of management and budget certifies to the commissioner of revenue the balances in the accounts established in section 477A. 37, subds. 2 and 3 as of the immediately preceding June 1; (2) by September 1 of each year, the commissioner of revenue certifies the amount to be paid to each recipient; (3) on October 1 of each year the commissioner of revenue pays the aid; and (4) deletes unneeded language. Effective for aids payable in 2024 and thereafter.

Section 12. Extension of Statute of Limitations. Amends 2023 Minn. Laws, Ch. 1, § 28, to correct an incomplete cross-reference. Effective retroactively at the same time the changes incorporated in Laws 2023, chapter 1, were effective for federal purposes.

REVENUE ANALYSIS DETAIL

- The bill has no revenue impact since it contains technical clarifications that do not change tax liability.

Minnesota Department of Revenue
Tax Research Division
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