

SF3597 - 0 - Time Limit to File Refund Claim Modified

Chief Author: **Ann Rest**
 Committee: **Taxes**
 Date Completed: **2/25/2026 9:02:43 AM**
 Agency: **Revenue Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2025	FY2026	FY2027	FY2028	FY2029
Total	-	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Joel Enders **Date:** 2/25/2026 9:02:43 AM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

SF3597 amends Minnesota Statutes 2024, section 289A.40, subd. 1 to extend the deadline for claiming a refund of an overpaid state tax. It also clarifies the conditions under which taxpayers can file refund claims.

Subd. 1(a) is amended to modify the period of time taxpayers have to file a claim for refund. Currently, taxpayers have until the later of 3.5 years from the due date of a return (or from the extended due date of a return if the return is filed within that extended time), or 1 year after a tax order, appeal determination, or filing of a commissioner filed return in order to file a claim for refund. The 1-year time limit requires taxpayers to pay the tax, penalty, and interest in full prior to filing the claim. The 3.5 year rule still applies when a refund claim is made within this timeframe; however, the 1 year limitation is modified to 2 years after the tax has been paid regardless of whether or not the Department of Revenue has acted on the return and if the taxpayer made the claim within 3.5 years.

Subd. 1(a) is further amended to change the limitations on the amount that can be requested in the claim for refund. It removes different treatment for returns with fraud, returns with omissions exceeding 25 percent, and sales and use tax returns.

Subd. 1(b) is added to place the following limitations on claims for refunds:

- If taxpayer files the claim within the 3.5 year period (inclusive of extensions), the refund cannot exceed the tax, penalties, and interest paid within the period immediately preceding the claim for refund.
- If the taxpayer files the claim outside the 3.5 year period, the refund cannot exceed the tax, penalties, and interest paid during the two years immediately preceding the filing of the claim.
- If no claim is filed by the taxpayer, the refund cannot exceed allowable amounts in the above two scenarios, depending on which applies.

Subd. 1(c) is added to specify that for the purposes of M.S. 289a.40 subd. 1, withholding or estimated tax payments made before the due date are considered to be paid on the last day allowed by law for the taxpayer to pay tax. This impacts the above limitations. Returns are considered filed on the due date if filed before the due date, or on the extended due date if filed before the extended due date and an extension is granted.

The new time limit and conditions are effective the day after the bill is enacted and would apply to refund claims submitted on or after that date.

Assumptions

The Department of Revenue (Revenue) assumes it will make system changes to account for the extended timeframe for claiming a refund from one year to two years from the date the tax, penalties, or interest was paid. Revenue assumes

there may be an increase in the number of calls to the call center and that updates to relevant forms, instructions, and website content will be needed.

The Income Tax and Withholding Division (ITW) assumes internal procedures will be updated to reflect changes. ITW assumes it will make updates to training with internal staff, forms and instructions, website, and other outreach content. ITW assumes additional customer service calls resulting from this bill. ITW assumes all work will be completed by existing staff.

The Corporate Franchise Tax Division (CFT) assumes it will update forms and instructions, create or update website and other outreach content, and create or update procedures and training materials. This work will be completed by existing staff. CFT assumes there will be additional claims for refund, but the associated increase in work can be completed by existing staff.

The Sales and Use Tax Division (SUT) assumes updates will be made to the website, forms, training materials, instructions, and outreach content. SUT assumes there may also be a temporary increase in call center activity. SUT assumes additional tasks will be completed by existing employees.

The Special Taxes Division assumes updates to various website pages, forms, instructions and outreach materials that reference refund information. This work will be completed by existing staff.

The Tax Operations Division (Tax Ops) assumes that future return filing will follow historical return filing trends. In 2019, the most recent data beyond the standard 3.5-year statute of limitations available, Revenue received 1,231 returns within the two years after the initial 3.5-year statute of limitations; of these, only 68 reported a refund amount. Tax Ops assumes that there will be a small but manageable initial increase in returns requesting a refund under this proposal. As a result, Tax Ops assumes it will accommodate return and refund processing related to the proposal in FY27, all of which can be completed by existing staff.

Tax Ops assumes that they will need to update financials, work items, indicators, letters, and test-related functions in GenTax (the Integrated Tax System). To facilitate the effective date, Tax Ops assumes some of this work will occur in FY26 and some in FY27; this work can be completed by existing staff.

MN.IT assumes development in the following areas in FY26: work items/tasks/indicators, financials/refunds and letters. MN.IT assumes a project manager will be assigned due to the total amount of work. All work will be completed by existing staff. MN.IT does not anticipate any ongoing support costs.

The Appeals, Legal Services, and Disclosure Division (ALSD) assumes that special taxes attorneys will review changes to forms, websites, or instructions; ITW attorneys will publish guidance; CFT attorneys will draft legal opinions and review forms and guidance; SUT attorneys will draft legal opinions; communications attorneys will review web guidance if issued. All work will be completed by existing staff.

The Communication Division assumes any assistance in forms, instructions, outreach content, and website development will be completed by existing staff.

Expenditure and/or Revenue Formula

N/A

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

N/A

References/Sources

Agency staff provided information for this fiscal note.

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