

Subject House tax bill  
Authors Gomez  
Analyst Alexandra Haigler  
Chris Kleman  
Jared Swanson  
Sean Williams  
Date May 7, 2024

## Table of Contents

Article 1: Income and Corporate Taxes .....	1
Article 2: Property Taxes and Local Government Aids .....	6
Article 3: Minerals Taxes.....	12
Article 4: Sales, Gross Receipts, and Excise Taxes .....	15
Article 5: Tax Increment Financing .....	17
Article 6: Local Sales and Use Taxes.....	23
Article 7: Special Local Taxes .....	30
Article 8: Public Finance.....	31
Article 9: Miscellaneous.....	32
Article 10: Department of Revenue Income and Corporate .....	36
Article 11: Department of Revenue Property Taxes and Local Government Aids .....	38
Article 12: Department of Revenue Miscellaneous.....	39

### Article 1: Income and Corporate Taxes

This article makes several changes related to individual income and corporate franchise taxes, including:

- establishing a minimum child credit for taxpayers electing to receive advance payments, and allowing 18 year-olds to qualify for the child credit;
- establishing an electronic system for the political contribution refund program;
- requiring the Department of Revenue (DOR) to establish a direct file system for the individual income tax;
- excluding debt forgiveness from taxation, if the debt was forgiven because it was found to be assumed under coercion;

- requiring disclosure of some corporate franchise tax return information;
- requiring a study on corporate franchise tax base erosion;
- opting out of certain federal rules regarding worker classification and withholding; and
- modifying the housing tax credit.

**Section Description – Article 1: Income and Corporate Taxes**

---

**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 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 private data.

Effective January 1, 2026.

**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 the bill.

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

Effective for contributions made on or after December 31, 2025.

**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 2024 and thereafter.

**Section Description – Article 1: Income and Corporate Taxes**

---

- 4 Disclosure of certain corporate franchise tax information.**  
Requires public disclosure of a corporate franchise tax return for corporations having over \$250,000,000 in gross domestic sales, within two to three years of the end of the corporation’s taxable year.  
  
Effective beginning in 2025.
- 5 Generally; individuals. (Child credit requirement to file a return)**  
Requires taxpayers who elected to receive an advance child credit payment to file an income tax return for the taxable year.  
  
Effective for tax year 2025 and later.
- 6 Direct free filing of individual returns.**  
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.  
  
Requires DOR to coordinate the state direct file system with federal direct free filing systems.  
  
For tax year 2025, requires the system developed include a sufficient number of tax forms that the commissioner estimates 70 percent of resident individual income tax returns could be filed using the system.  
  
Effective the day following final enactment.
- 7 Discharges of indebtedness; coerced debt.**  
Allows an income tax subtraction for coerced debts that are discharged.  
  
Effective for tax year 2024 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.

**Section Description – Article 1: Income and Corporate Taxes**

---

- 9        **Definitions. (Child credit eligible child changes)**  
Amends the definition of “qualifying child” for the Minnesota child credit to allow 18 year-olds to receive the credit for young children.  
  
Effective for tax year 2024 and later.
- 10       **Advance payment of credits. (Child credit)**  
Requires DOR to offer advance payments of the child credit—under current law the authority to offer advance payments is permissive rather than mandatory.  
  
Effective for tax year 2025 and later.
- 11       **Minimum credit. (Child credit)**  
Provides a “minimum credit” amount to taxpayers who elected to receive the advance payment and whose incomes were low enough to receive the credit in the previous taxable year. The minimum credit would equal 50 percent of the taxpayer’s credit in the previous year. If the number of the taxpayer’s qualifying children decreased from year to year, the minimum credit amount would decrease proportionally based on the percentage of the taxpayer’s qualifying children that remain.  
  
Effective for tax year 2025 and later.
- 12       **Definitions. (Qualifying older child)**  
Excludes 18 year-olds from the definition of “qualifying older child” in the working family credit. The bill adds 18 year-olds to the definition of “qualifying child” for the Minnesota child credit.  
  
Effective for tax year 2024 and later.
- 13       **Allocation. (Housing tax credit)**  
Allows any unused portion of the \$9,900,000 allocation to the Minnesota housing credit for tax year 2023 to be added to the total allocation available in tax year 2024.  
  
Effective for tax years in 2023 and thereafter.
- 14       **Nonconformity to certain worker classification rules.**  
Decouples the state from certain federal employment status decisions, for purposes of determining an employer’s obligations to collect state withholding tax from employees. Section 530 of Public Law 95-600 creates a safe harbor for employers that may not have properly classified employees, for purposes of determining the employer’s federal employment tax liability.

**Section Description – Article 1: Income and Corporate Taxes**

---

- Effective for taxable years in 2025 and thereafter.
- 15 **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 2025 and later.
- 16 **Corporate tax base erosion study.**  
Requires the Department of Revenue to produce a study on corporate tax base erosion and the options for the legislature in addressing erosion, including worldwide combined reporting. The study would cover common forms of tax avoidance, the research used to estimate the extent and impact of base erosion, the impact of global intangible low-taxed income on erosion, the production of revenue estimates in this area, the legal risks of various options to address base erosion, and the administrative issues that the state would need to address in pursuing a change in law in this area.  
Effective the day following final enactment (report is due January 1, 2025).
- 17 **Appropriation; political contribution refund electronic filing system.**  
Appropriates \$147,000 in fiscal year 2025 to the commissioner of revenue to develop the electronic political contribution refund filing system. The base is \$59,000 in fiscal years 2026 and 2027.
- 18 **Transfer; appropriation; direct filing system.**  
Appropriates \$5,000,000 to the commissioner of revenue to implement the electronic direct file system required in the bill. The appropriation is onetime, and is available until June 30, 2027. The base for the appropriation is \$2,300,000 in fiscal year 2027 and later.  
Transfers \$5,000,000 from the tax filing modernization account in the special revenue fund to the general fund on July 1, 2025.
- 19 **Appropriation; corporate franchise tax information disclosure.**  
Appropriates \$480,000 to DOR in fiscal year 2025 to administer the corporate franchise tax return disclosure. For 2026 and 2027, the base for this appropriation would be \$198,000.
- 20 **Appropriation; corporate tax base erosion study.**  
Makes a onetime appropriation of \$655,000 to DOR for the corporate tax base erosion study.

**Section Description – Article 1: Income and Corporate Taxes**

---

**21 Child tax credit account; transfer; appropriation**

Establishes an account in the special revenue fund and deposits \$32,300,000 in the account. Requires DOR to certify to Minnesota Management and Budget (MMB) in fiscal years 2026 and 2027 the total change in individual income tax liability resulting from the minimum credit and allowing 18 year-olds to be considered qualifying children for the credit. Transfers the amount certified from the account to the general fund in fiscal years 2026 and 2027.

**22 Repealer.**

Repeals the tax filing modernization account in the special revenue fund, which was established in the 2023 tax.

Effective July 2, 2025.

## **Article 2: Property Taxes and Local Government Aids**

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

- providing property tax exemptions for certain properties owned by Indian Tribes;
- increasing the valuation tiers for class 1c homestead resorts;
- establishing the advance homestead credit for seniors;
- modifying requirements for class 4d(2) community land trust property classification;
- allowing abatements for land bank property;
- modifying local homeless prevention aid; and
- providing aid penalty forgiveness to the city of Stewart.

**Section Description – Article 2: Property Taxes and Local Government Aids**

---

**1 Institutions of public charity.**

Requires charitable organizations use a property in furtherance of its charitable purpose to receive a property tax exemption, and clarifies that use of a property solely for the provision of rental housing does not constitute furtherance of its charitable mission.

Effective for taxes payable in 2025 and thereafter.

**2 Property used to distribute electricity to farmers.**

Clarifies that, except for substations and transmission or generation equipment, utility cooperatives' power distribution systems are exempt from property taxes.

**Section Description – Article 2: Property Taxes and Local Government Aids**

---

Effective for assessment year 2024 and thereafter.

**3 Certain property owned by an Indian Tribe.**

Exempts from property tax five parcels of land owned by the Grand Portage Band. The exemption does not apply if the use of the property changes.

Effective beginning with assessment year 2025.

**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 2025.

**5 Class 1.**

Increases the classification tier thresholds for class 1c homestead resorts. The tier I limit is increased from \$600,000 to \$1,100,000. The tier II limit is increased from \$1,700,000 to \$2,600,000.

Effective beginning with assessment year 2025.

**6 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 2024.

**7 Homestead of a veteran with a disability or family caregiver.**

Increases the homestead market value exclusion for veterans with a disability. The exclusion amount for veterans with a disability rating of at least 70 percent is increased from \$150,000 to \$200,000. The exclusion amount for veterans with a 100 percent total and permanent disability is increased from \$300,000 to \$400,000.

Effective beginning with assessment year 2024.

**8 Advance homestead credit for seniors.**

Establishes the advance homestead credit for seniors. Properties owned by an “eligible senior claimant” are eligible for the credit. The credit would be applied to the first half (May) property tax payment and would be equal to 50 percent of the homestead credit refund the property owner received in the previous year, except that the credit cannot reduce the first half payment below \$0. The commissioner of

**Section Description – Article 2: Property Taxes and Local Government Aids**

---

revenue would reimburse local taxing jurisdictions for the credit in the same manner that other property tax credits are reimbursed.

Effective beginning with property taxes payable in 2026.

**9 Payment; school districts.**

Adds the advance homestead credit for seniors to the list of property tax credits for which school districts are reimbursed.

Effective beginning July 1, 2026.

**10 Computation of net property taxes.**

Adds the advance homestead credit for seniors to the computation of property taxes.

Effective beginning with property taxes payable in 2026.

**11 Percentage of assessments; exceptions.**

Clarifies that, except for substations and transmission or generation equipment, utility cooperatives' power distribution systems are exempt from property taxes.

Effective for assessment year 2024 and thereafter.

**12 Amount of tax; distribution.**

Clarifies that, except for substations and transmission or generation equipment, utility cooperatives' power distribution systems are exempt from property taxes.

Effective for assessment year 2024 and thereafter.

**13 Notice of proposed property taxes.**

Adds the advance homestead credit for seniors to the proposed property tax statement that is sent out in the fall.

Effective beginning with property taxes payable in 2026.

**14 Contents of tax statements.**

Adds the advance homestead credit for seniors to the property tax statement.

Effective beginning with property taxes payable in 2026.

**15 Generally; individuals.**

Establishes a filing requirement for taxpayers who receive an advance senior homestead credit refund.



**Section Description – Article 2: Property Taxes and Local Government Aids**

---

Effective for credits applied to property taxes payable in 2026 and later.

**16 Property taxes payable.**

Specifies that the amount of property taxes payable used to calculate the homestead credit refund is not reduced by the amount of any advance payments of the refund.

Effective beginning with property taxes payable in 2026.

**17 Eligible senior claimant.**

Defines “eligible senior claimant” as a claimant who is 65 or older. In the case of a married claimant filing a joint claim, one spouse must be 62 and the other must be 65 to qualify as an eligible senior claimant.

Effective for advance payment elections in 2025 and refunds based on property taxes payable in 2026.

**18 Homestead credit refund.**

Defines “homestead credit refund” as the refund under section 290A.04, subdivision 2.

Effective for advance payment elections in 2025 and refunds based on property taxes payable in 2026.

**19 Advance credit of homestead credit refund.**

Requires DOR to establish a program through which eligible senior claimants could opt to receive an “advance payment” of their property tax refund in the form of a property tax credit. The advance payment would equal 50 percent of the senior claimant’s homestead credit refund in the previous year.

**Subd. 1. Advanced payment election established.** Requires DOR to establish a program to elect to receive advance credits of the homestead credit refund.

**Subd. 2. Election for senior claimants to receive advance payments.** Allows eligible senior claimants to elect to receive an advance homestead credit refund on their application for the homestead credit refund. The advance credit is paid as a property tax credit, as described in section 1 above. As part of the application, the claimant must attest that they intend to continue occupying the same homestead in the following year. A claimant must apply by August 15 to receive the credit in the following year.

**Subd. 3. Reconciliation.** Requires property tax refund claimants to repay any excess credits if their advance payments exceed the property tax refund amount for which they are eligible. Requires claimants receiving an advance payment to

**Section Description – Article 2: Property Taxes and Local Government Aids**

---

file a property tax refund return in any year for which they receive an advance payment. If a claimant does not file a return by August 15 of the property taxes payable year, DOR may assess penalties and interest.

Effective for advance payment elections in 2025 and refunds based on property taxes payable in 2026.

**20 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, an agency of a unit of government, or whose members are elected or appointed officials of a unit of government, or (2) a limited liability company of which such a nonprofit is the sole member.

Effective the day following final enactment.

**21 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.

Effective the day following final enactment.

**22 Duration limit.**

Allows abatements granted for the development of affordable housing and to land bank property to be granted for a duration of up to five years.

Effective for abatement resolutions approved after the day following final enactment.

**23 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.

Effective the day following final enactment.

**Section Description – Article 2: Property Taxes and Local Government Aids**

---

- 24     **Use of proceeds.**  
Prohibits recipients of local homeless prevention aid from using the aid to cover the costs of removing individuals from an encampment or for clearing an encampment.  
  
Effective beginning with aids payable in 2024.
- 25     **Payments.**  
Requires the commissioner of revenue to recertify the 2024 local homeless prevention aid by July 15, 2024.  
  
Effective beginning with aids payable in 2024.
- 26     **Appropriation.**  
Provides a onetime increase of \$5,000,000 to local homeless prevention aid in 2024.  
  
Effective beginning with aids payable in 2024.
- 27     **Report.**  
Expires the biannual report for local homeless prevention aid following the report submitted which includes aid paid in 2028.  
  
Effective beginning with aids payable in 2024.
- 28     **2023 aid penalty forgiveness; city of Stewart.**  
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, by June 1, the state auditor certifies that the city submitted its required financial statements for 2022.  
  
Effective the day following final enactment.
- 29     **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. The bill provides a state payment for taxes attributable to the exemption.  
  
Effective the day following final enactment.
- 30     **Appropriation; administration of advance homestead credit for seniors.**  
Provides an appropriation of \$158,000 in fiscal year 2025 to the commissioner of revenue to administer the advance homestead credit for seniors.

**Section Description – Article 2: Property Taxes and Local Government Aids**

---

Effective July 1, 2024.

**31 Repealer.**

Repeals the expiration of local homeless prevention aid. Under current law, the aid is set to expire after 2028.

## **Article 3: Minerals Taxes**

This article makes several changes related to minerals taxation and the Iron Range, including:

- increasing the maximums for the taconite homestead credit;
- changing the property tax statement for commercial-industrial property;
- modifying the distribution of the taconite production tax;
- renaming the Iron Range school consolidation and cooperatively operated school account to the Iron Range school and community development account;
- providing transfers from the Douglas J. Johson economic protection trust fund and taconite economic development fund; and
- authorizing the issuance of bonds by the commissioner Iron Range resources and rehabilitation.

**Section Description – Article 3: Minerals Taxes**

---

**1 Definitions.**

Conforming change related to the renaming of the Iron Range school consolidation and cooperatively operated school account to the Iron Range school and community development account.

Effective the day following final enactment.

**2 Reduction amount.**

Increases the maximum taconite homestead credit to \$515. Under current law, the credit is available to homesteads within the taconite relief area and is funded by taconite production tax revenues. For certain areas within the taconite relief area, the credit is equal to 66 percent of the tax due, up to a maximum amount of \$315.10. For other areas within the taconite relief area, the credit is equal to 57 percent of the tax due, up to a maximum amount of \$289.80. This bill would increase both maximum amounts to \$515.

Effective beginning with property taxes payable in 2025.

**Section Description – Article 3: Minerals Taxes**

---

**3 Notice of proposed taxes; property subject to chapter 276A.**

Changes the proposed property tax statement for commercial-industrial property within the boundaries of the Iron Range fiscal disparities program. The tax amount for each jurisdiction shown on the statement would be equal to the property's net tax capacity multiplied by the jurisdiction's rate. This would be the amount paid to each jurisdiction, absent of the fiscal disparities program. An additional line shown as the "fiscal disparities adjustment" will be equal to the total tax applied to the property minus the sum of the tax amounts shown for each jurisdiction. This value represents the impact of the fiscal disparities program on the overall tax paid by the property. For some properties, this value will be positive, for others it will be negative.

Effective beginning with proposed notices for property taxes payable in 2025.

**4 Contents of tax statements; property subject to chapter 276A.**

Changes the property tax statement for commercial-industrial property within the boundaries of the Iron Range fiscal disparities program in the same manner that the proposed property tax statement is changed in the previous section.

Effective beginning with proposed notices for property taxes payable in 2025.

**5 School fund allocation.**

Conforming change related to the renaming of the Iron Range school consolidation and cooperatively operated school account to the Iron Range school and community development account.

Effective the day following final enactment.

**6 Certification of values; payment.**

Conforming change related to the renaming of the Iron Range school consolidation and cooperatively operated school account to the Iron Range school and community development account.

Effective the day following final enactment.

**7 Within taconite assistance area.**

Clarifies that the redirection of ten percent of the gross proceeds tax to Aurora, Babbit, Ely, Hoyt Lakes, Biwabik, and Embarrass Township for the first five years that distributions of the tax are made only applies to distribution of taxes paid by a mining operation located within the taconite assistance area, as it was defined prior to the changes to that definition that were enacted in 2023.

**Section Description – Article 3: Minerals Taxes**

---

- Effective beginning with the 2025 distribution.
- 8     **Occupation taxes to be apportioned.**  
Conforming change related to the renaming of the Iron Range school consolidation and cooperatively operated school account to the Iron Range school and community development account.  
  
Effective the day following final enactment.
- 9     **Iron Range school and community development account.**  
Renames the Iron Range school consolidation and cooperatively operated school account to the Iron Range school and community development account.  
  
Effective the day following final enactment.
- 10    **Range Association of Municipalities and Schools.**  
Increases the taconite production tax distribution to the Range Association of Municipalities and Schools (RAMS) to 0.5 cents per taxable ton.  
  
Effective beginning with the 2024 distribution.
- 11    **Transfer.**  
Increases the annual transfer of the taconite production tax distribution from the Douglas J. Johnson economic protection trust fund to the Iron Range consolidation and cooperatively operated school account. Under current law, \$3,500,000 is transferred annually. Under the bill, \$6,250,000 would be transferred in 2024, \$6,500,000 would be transferred in 2025-2029, \$5,500,000 would be transferred in 2030-2034, \$5,000,000 would be transferred in 2035 and 2036, and \$3,500,000 would be transferred annually beginning in 2037.  
  
Effective beginning with the 2024 distribution.
- 12    **Distribution of taconite municipal aid account.**  
Increases from \$15,000 to \$25,000 the amount of the taconite production tax distribution to the taconite municipal aid account that is annually distributed to Breitung Township.  
  
Effective beginning with the 2024 distribution.

**Section Description – Article 3: Minerals Taxes**

---

**13 Use of money.**

Clarifies that the Douglas J. Johnson economic protection trust fund may be used to fund reserve accounts to secure payments of bonds authorized to be repaid from the Iron Range consolidation and cooperatively operated school account.

Effective the day following final enactment.

**14 Iron Range resources and rehabilitation commissioner; bonds authorized in 2024.**

Requires the commissioner of Iron Range resources and rehabilitation to issue up to \$49,000,000 in bonds in 2024 to fund grants for a variety of projects. The bond payments would be made from taconite production tax distributions to the Iron Range consolidation and cooperatively operated school account.

Effective the day following final enactment and applies beginning with the 2024 distribution.

**15 Iron Range resources and rehabilitation commissioner; bonds authorized in 2025.**

Requires the commissioner of Iron Range resources and rehabilitation to issue up to \$31,000,000 in bonds in 2025 to fund grants for a variety of projects. The bond payments would be made from taconite production tax distributions to the Iron Range consolidation and cooperatively operated school account.

Effective the day following final enactment and applies beginning with the 2025 distribution.

**16 Transfer 2024 distribution only; taconite economic development fund.**

Provides a onetime transfer of \$300,000 from the 2024 distribution to the taconite economic development fund to the city of Chisholm for the Senator David Tomassoni Bridge of Peace.

Effective the day following final enactment.

## **Article 4: Sales, Gross Receipts, and Excise Taxes**

This article makes several changes related to sales tax and other special taxes, including:

- establishing a gross receipts tax on the operation of amusement devices;
- repealing the tax imposed on illegal cannabis and other controlled substances;
- providing a sales tax exemption for construction materials purchased by the city of Woodbury.

**Section Description – Article 4: Sales, Gross Receipts, and Excise Taxes**

---

**1 Credit for research. (Provider tax)**

Establishes a permanent 0.5 percent credit rate for the provider tax research credit. Under current law, the rate is 2.5 percent, but may be reduced to a statutory minimum of 0.5 percent, to the extent the total amount of credits in a year exceeds \$2,500,000.

Effective the day following final enactment.

**2 Amusement device gross receipts tax.**

Establishes a gross receipts tax equal to 6.875 percent on the service of making available for play any amusement device. Specifies that the portion of the tax equal to 6.5 percent be deposited in the general fund and the remaining portion be deposited pursuant to the legacy constitutional amendment requirements.

Defines an “amusement device” to be any electronic or mechanical machine or device that operates to provide entertainment or amusement including bowling alleys, fortune telling machines, cranes, foosball tables, pool tables, video games, pinball machines, batting cages, photo booths, etc.

Effective October 1, 2024.

**3 Sale and purchase.**

Removes “amusement devices” from the sales tax base for taxable services.

Effective October 1, 2024.

**4 Coin-operated entertainment and amusement devices.**

Updates a cross-reference to the gross receipts tax established by section 2, to clarify that the purchase of coin-operated amusement devices by a retailer making available the devices for play is exempt from sales tax.

Effective October 1, 2024.

**5 Jukebox music.**

Updates a cross-reference to the gross receipts tax established by section 2 to clarify that the purchase of music for play in jukeboxes by a retailer making available the jukebox for play is exempt from sales tax.

Effective October 1, 2024.



**Section Description – Article 4: Sales, Gross Receipts, and Excise Taxes**

---

- 6      **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 under section 8.  
  
Effective August 1, 2024.
- 7      **City of Woodbury; sales 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 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 July 1, 2025.
- 8      **Repealer.**  
Repeals the taxes imposed on illegal cannabis and controlled substances.  
  
Effective August 1, 2024.

## **Article 5: Tax Increment Financing**

This article amends existing special tax increment financing laws for the cities of Ramsey, St. Paul, and Maple Grove.

This article provides new special tax increment financing authority to the cities of Brooklyn Center, Brooklyn Park, Eden Prairie, Edina, Minnetonka, Moorhead, Plymouth, and St. Cloud.

**Section Description – Article 5: Tax Increment Financing**

---

- 1      **City of Ramsey; tax increment financing district; special rules.**  
Provides an extension of the requirement that the city passes a resolution detailing any interfund loan transfers until December 31, 2024.  
  
Effective upon local approval and compliance with filing requirements for special laws.

**Section Description – Article 5: Tax Increment Financing**

---

**2 City of Maple Grove; tax increment financing district.**

Amends an existing special law relating to a tax increment financing district in the city of Maple Grove by making the following modifications:

- extends the five-year rule by an additional five years to 13 years total; and
- extends the duration of the district by an additional five years to 25 years total.

**Effective date:** The extension of the five-year rule is effective upon local approval and compliance with filing requirements for special laws.

The extension of the duration of the district is effective upon local approval by the city of Maple Grove, Hennepin County, and Independent School District No. 279, and compliance with filing requirements for special laws.

**3 City of St. Paul; Ford Site Redevelopment TIF District.**

Extends the five-year rule to ten years and provides a corresponding extension of the six-year rule for a tax increment financing district in the city of St. Paul.

Effective upon local approval and compliance with filing requirements for special laws.

**4 City of Brooklyn Center; tax increment financing authority.**

Authorizes special rules for the city of Brooklyn Center to create redevelopment tax increment financing districts within the city.

**Subd. 1. Establishment.** Authorizes the city to establish one or more redevelopment districts within an area of the city designated the “Opportunity Site.”

**Subd. 2. Special rules.** Allows the following special rules to apply to any district established under subdivision 1:

- exemption from the required blight findings for establishing a redevelopment district; and
- deems that any increment spent on development meets the requirement that at least 90 percent of increment be spent on correction of blight conditions.

**Subd. 3. Expiration.** Authorizes the city to establish districts under these special rules until December 31, 2030.

Effective upon local approval and compliance with filing requirements for special laws.

**Section Description – Article 5: Tax Increment Financing**

---

**5 City of Brooklyn Park; tax increment financing authority; Village Creek area.**

**Subd. 1. Establishment.** Authorizes the city to establish one or more redevelopment districts within the city limited to specified parcels once the current TIF District No. 20 expires.

**Subd. 2. Special rules.** Allows the following special rules to apply to any district established under subdivision 1:

- exemption from the required blight findings for establishing a redevelopment district;
- deems that any increment spent on development meets the requirement that at least 90 percent of increment be spent on correction of blight conditions; and
- extension of the five-year rule to ten years and corresponding extension of the six-year rule.

**Subd. 3. Expiration.** Authorizes the city to establish one or more redevelopment districts subject to the special rules of this section by the end of 2030.

Effective upon local approval and compliance with filing requirements for special laws.

**6 City of Brooklyn Park; tax increment financing authority; 610/Zane area.**

**Subd. 1. Establishment.** Authorizes the city or its economic development authority to establish one or more redevelopment districts within the city limited to specified parcels.

**Subd. 2. Special rules.** Allows the following special rules to apply to any district established under subdivision 1:

- exemption from the required blight findings for establishing a redevelopment district;
- deems that any increment spent on development meets the requirement that at least 90 percent of increment be spent on correction of blight conditions; and
- extension the five-year rule to ten years and corresponding extension of the six-year rule.

**Subd. 3. Expiration.** Authorizes the city to establish districts under these special rules until December 31, 2030.

Effective upon local approval and compliance with filing requirements for special laws.

**Section Description – Article 5: Tax Increment Financing**

---

**7 City of Brooklyn Park, tax increment financing authority; BioTech area.**

**Subd. 1. Establishment.** Authorizes the city or its economic development authority to establish one or more redevelopment districts within the city limited to specified parcels.

**Subd. 2. Special rules.** Allows the following special rules to apply to any district established under subdivision 1:

- exemption from the required blight findings for establishing a redevelopment district;
- deems that any increment spent on development meets the requirement that at least 90 percent of increment be spent on correction of blight conditions; and
- extension the five-year rule to ten years and corresponding extension of the six-year rule.

**Subd. 3. Expiration.** Authorizes the city to establish districts under these special rules until December 31, 2030.

Effective upon local approval and compliance with filing requirements for special laws.

**8 City of Eden Prairie; tax increment financing authority.**

Authorizes special rules for the city of Eden Prairie to create redevelopment tax increment financing districts within the city containing parcels that comprise the Eden Prairie Center mall with adjacent rights-of-way.

**Subd. 1. Establishment.** Authorizes the city to establish one or more redevelopment districts within the city limited to the parcels containing Eden Prairie Center and adjacent rights-of-way.

**Subd. 2. Special rules.** Allows the following special rules to apply to any district established under subdivision 1:

- exemption from the required blight findings for establishing a redevelopment district; and
- deems that any increment spent on development meets the requirement that at least 90 percent of increment be spent on correction of blight conditions.

**Subd. 3. Expiration.** Authorizes the city to establish districts under these special rules until December 31, 2025.

**Section Description – Article 5: Tax Increment Financing**

---

- Effective upon local approval and compliance with filing requirements for special laws.
- 9 **City of Edina; 72<sup>nd</sup> & France 2 TIF district; five-year rule extension; duration extension.**  
Extends the five-year rule to ten years and provides a corresponding extension of the six-year rule. Extends the duration of the district by five years.  
  
The extensions of the five-year rule and six-year rule are effective upon local approval and compliance with filing requirements for special laws.  
  
The extension of the duration of the district is effective upon local approval by the city of Edina, Hennepin County, and Independent School District No. 273, and compliance with filing requirements for special laws.
- 10 **City of Edina; 70<sup>th</sup> & France TIF district; five-year rule extension; duration extension.**  
Extends the five-year rule to ten years and provides a corresponding extension of the six-year rule. Extends the duration of the district by ten years.  
  
**Effective date:** The extensions of the five-year rule and six-year rule are effective upon local approval and compliance with filing requirements for special laws.  
  
The extension of the duration of the district is effective upon local approval by the city of Edina, Hennepin County, and Independent School District No. 273, and compliance with filing requirements for special laws.
- 11 **City of Minnetonka; Opus TIF district; five-year rule extension.**  
Extends the five-year rule to ten years and provides a corresponding extension of the six-year rule for the Opus tax increment financing district in the city of Minnetonka that was established in 2021.  
  
Effective upon local approval and compliance with filing requirements for special laws.
- 12 **City of Moorhead; Tax Increment Financing District No. 31; five-year rule extension.**  
Extends the five-year rule to ten years and provides a corresponding extension of the six-year rule.  
  
Effective upon local approval and compliance with filing requirements for special laws.

**Section Description – Article 5: Tax Increment Financing**

---

**13 City of Plymouth; tax increment financing authority.**

Authorizes special rules for the city of Plymouth to create redevelopment tax increment financing districts within the city.

**Subd. 1. Establishment.** Authorizes the city to establish one or more redevelopment districts within the city.

**Subd. 2. Special rules.** Allows the following special rules to apply to any district established under subdivision 1:

- exemption from the required blight findings for establishing a redevelopment district;
- deems that any increment spent on development meets the requirement that at least 90 percent of increment be spent on correction of blight conditions; and
- extension of the five-year rule to ten years and provides a corresponding extension of the six-year rule.

**Subd. 3. Expiration.** Authorizes the city to establish districts under these special rules until December 31, 2030.

Effective upon local approval and compliance with filing requirements for special laws.

**14 City of St. Cloud; tax increment financing authority.**

Authorizes special rules for the city of St. Cloud to create redevelopment tax increment financing districts within the city.

**Subd. 1. Establishment.** Authorizes the city or its economic development authority to establish one or more redevelopment districts within the city limited to specified parcels that span both Stearns and Benton Counties.

**Subd. 2. Special rules.** Allows the following special rules to apply to any district established under subdivision 1:

- exempts from the required blight findings for establishing a redevelopment district;
- deems that any increment spent on development meets the requirement that at least 90 percent of increment be spent on correction of blight conditions; and
- deems any increment spent outside of the district on adjacent public infrastructure to be an in-district expenditure to satisfy pooling requirements.

**Section Description – Article 5: Tax Increment Financing**

---

**Subd. 3. Expiration.** Authorizes the city to establish districts under these special rules until December 31, 2030.

Effective upon local approval and compliance with filing requirements for special laws.

## **Article 6: Local Sales and Use Taxes**

This article makes several changes related to the authorization and implementation of local sales and use taxes including:

- Providing cities and counties authority to impose local sales taxes to fund certain projects subject to approval from the state auditor;
- Establishing local sales tax equalization distribution payments; and
- Providing oversight of the local sales tax approval process and subsequent auditing by the state auditor.

**Section Description – Article 6: Local Sales and Use Taxes**

---

**1 Authorization.**

Modifies the current section of law that governs local sales taxes to include the local sales tax authorized under section 4. Clarifies that the provisions of section 297A.99 apply to any local tax that was imposed and enacted prior to July 1, 2024.

Effective the day following final enactment.

**2 Scope.**

Clarifies that a local sales tax imposed under special law is subject to the provisions in section 297A.99. Requires that a political subdivision that amends, modifies, or otherwise changes a tax it is currently imposing will be subject to the provisions of the new local sales tax authorization under section 4.

Effective the day following final enactment.

**3 Legislative authority required before voter approval; requirements for adoption, termination, and use.**

Requires that, beginning on January 1, 2025, any political subdivision that has a local sales tax subject to section 297A.99 comply with the reporting requirements established under section 5. The requested information must be sent to the state auditor.

**Section Description – Article 6: Local Sales and Use Taxes**

---

Requires a political subdivision imposing a local tax under special law to comply with the filing requirements under section 645.021. Requires a tax authorized by special law and approved by the voters be imposed within 15 months of voter approval.

Requires that once a tax imposed under special law or by city charter expires, the political subdivision is subject to the tax rate limitation of one percent that is required under 297A.9901, subdivision 5 if the political subdivision decides to impose a new tax.

Requires that if a political subdivision cancels a project after it has been approved by voters, the political subdivision must notify the commissioner and the commissioner must proportionately decrease the maximum amount of revenue the political subdivision may collect as well as the duration of the imposition of the tax. If revenue has already been collected for a cancelled project, the political subdivision must return the funds to the commissioner for deposit into the local sales tax equalization distribution account created under section 4. If bonds have been issued for a canceled project, the political subdivision must use other sources of revenue to pay off the debt.

Effective the day following final enactment.

**4 Local sales taxes; local authorization allowed.**

**Subd. 1. Definitions.** This subdivision provides the relevant definitions for the local sales tax authorizations. It contains a definition of “specified capital project” that may be funded using a local sales tax. A “specified capital project” means a correctional facility, district court, law enforcement center, convention center, library, park, sports complex, or trail. It must serve a regional population, provide economic development benefits and opportunities, or draw nonresident individuals to the region.

This subdivision also defines “political subdivision” as a county or statutory or home rule charter city located in Minnesota.

**Subd. 2. Local authorization allowed.** Provides that a political subdivision may impose, extend, or modify a local sales tax to finance a specified capital project by meeting the requirements of this section, receiving approval of DOR, and receiving voter approval.

**Subd. 3. Use of proceeds.** Requires the proceeds of a tax imposed under this section to be used only to fund the cost of construction or rehabilitation of specified capital projects approved by the voters. Prohibits a political subdivision from comingling funds derived from a tax imposed under this section with funds derived from other local taxes.



**Section Description – Article 6: Local Sales and Use Taxes**

---

**Subd. 4. Sports complexes and convention centers; additional requirements.**

Provides additional requirements on taxes imposed to fund sports complexes or convention centers. Requires that the political subdivision demonstrate that there is no similar facility in the surrounding region of 15 miles for a nonmetro political subdivision or within eight miles for a metro political subdivision.

Also requires that entry fees into the facility be charged the same to residents of the political subdivision and nonresidents.

Requires the political subdivision to submit documentation that it meets these requirements to DOR.

**Subd. 5. Criminal justice facilities; additional requirements.** Provides additional requirements on taxes imposed to fund correctional facilities, law enforcement centers, and district courts.

To fund a correctional facility, a political subdivision must provide to DOR official documentation of the age of the facility, and an analysis from the Department of Corrections proving a description of the needed improvements, or if the facility is a joint project between counties, a joint powers agreement demonstrating the facility will serve public safety functions of the region.

To fund a district court, a political subdivision must provide to DOR documentation of the age of the facility as well as a description of the needed improvements.

To fund a law enforcement center, a political subdivision must provide to DOR resolutions from surrounding counties, cities, or townships affirming the facility meets the needs of the surrounding community.

**Subd. 6. Parks and trails; additional requirements.** Provides additional requirements on taxes imposed to fund parks and trail projects to demonstrate the park or trail serves a regional population and purpose. Allows DOR to consult examples and guidance provided in the DNR's Parks and Trails Legacy Plan.

Requires the political subdivision to submit documentation that it meets these requirements to DOR.

**Subd. 7. Tax rate and duration.** Restricts the maximum tax rate that can be imposed by a political subdivision to a combined rate of one percent. This includes taxes imposed under this section, as well as any imposed under special law. For counties, this limit includes county transportation taxes.

The maximum number of years a tax may be imposed is 30 years.

**Section Description – Article 6: Local Sales and Use Taxes**

---

**Subd. 8. Bonds; authorization.** Allows a political subdivision imposing a tax under this section to issue bonds to pay the cost of a specified capital project approved by the voters. The amount of bonds is limited to the cost of the project, plus associated financing costs.

A separate election to issue the bonds is not required.

**Subd. 9. Public hearing required.** Requires a political subdivision seeking to impose a tax to hold a public hearing prior to adopting a resolution approving the tax. The hearing must be open to residents and nonresidents with equal time given to proponents and opponents to express their opinions. Notice of the hearing must be placed on the political subdivision's website at least 14 days prior to the hearing. Requires the notice to contain the proposed tax rate, a description of each project, the amount of tax to be collected, and the estimated amount of time needed to raise the required revenue.

Requires the minutes of the hearing be sent to DOR for approval of the tax.

**Subd.10. Resolution required.** Requires that after the public hearing, the governing body of the political subdivision adopt a resolution indicating its approval of the tax. Requires the resolution be submitted to DOR for approval of the tax.

**Subd. 11. Community support required.** Requires the political subdivision to provide DOR with letters or resolutions from the governing bodies of the surrounding jurisdictions indicating their support of the tax and acknowledgement that the projects to be funded by the tax serve a local or regional need.

**Subd. 12. Voter approval required.** Requires that a tax approved by DOR must be presented to the voters for approval during a general or special election occurring on the first Tuesday after the first Monday in November. The tax may only be on the ballot at a special election if it's not the only item on the ballot.

Requires that the ballot question contains certain information and prohibits the ballot language from indicating that a "no" vote may result in an increase in property taxes. Requires the political subdivision to send sample ballot language to DOR for approval.

**Subd. 13. Legislative approval required.** Provides that if a political subdivision seeks to impose a tax that does not meet the requirements of this section, or if DOR does not approve a tax, then the political subdivision must receive legislative approval to impose the tax. Requires the political subdivision to provide the legislature with its adopted resolution, a description of why the

**Section Description – Article 6: Local Sales and Use Taxes**

---

request does not meet the requirements of this section, and letters or resolutions from the governing bodies of each local government that abuts the political subdivision indicating their support for the tax.

Provides that a tax approved by the legislature is subject to the requirements of section 297A.99, as well as the collection and retention provisions of this section.

**Subd. 14. Filing requirements.** Requires the governing bodies of a political subdivision imposing a tax under this section or special law to file a certificate of approval with the secretary of state. Requires the tax be imposed within 15 months of receiving voter approval.

**Subd. 15. Administration; termination.** Requires that a political subdivision notify the commissioner of revenue at least 60 days prior to the anticipated date in which sufficient revenues are raised. Prohibits a political subdivision from imposing a new tax for at least one year after a current tax expires.

Requires that if a political subdivision cancels a project after it has been approved by voters, the political subdivision must notify the commissioner and the commissioner must proportionately decrease the maximum amount of revenue the political subdivision may collect as well as the duration of the imposition of the tax. If revenue has already been collected for a cancelled project, the political subdivision must return the funds to the commissioner for deposit into the local sales tax equalization distribution account created under section 4 of this article.

**Subd. 16. Collection and retention.** Requires the commissioner to quarterly remit the proceeds of a tax it collects back to the political subdivision. Requires the commissioner to deduct from the proceeds:

- one percent for the Department of Revenue's administrative costs, including the cost of maintaining a zip code database;
- one percent for the state auditor's administrative costs; and
- the political subdivision's contribution share of the local sales tax equalization distribution as specified in subdivision 17.

Requires the commissioner to deposit the withheld funds in the appropriate accounts.

**Subd. 17. Contribution share.** Specifies a political subdivision's contribution share of the local sales tax equalization distribution. The percentages are as follows:

- 15 percent for a tax authorized under this section;

**Section Description – Article 6: Local Sales and Use Taxes**

---

- 15 percent for a tax imposed prior to July 1, 2024, that is amended, extended, or modified; or
- 20 percent for a new tax that is authorized by special law after July 1, 2024.

**Subd. 18. Enforcement.** Requires the commissioner to expire the tax of a political subdivision that is not in compliance with the reporting requirements of section 5 or is improperly using the proceeds of the tax. The commissioner will receive notification from the state auditor of such political subdivision. Any revenue collected must be deposited into the local sales tax equalization distribution account.

**Subd. 19. Accounts established; transfer.** Establishes the local sales tax equalization distribution account and the state auditor service and recovery account in the special revenue fund.

Requires funds in the state auditor service and recovery account to be transferred to the general fund each October 1 and requires funds in the local sales tax equalization distribution account to be used in accordance with section 6 of this article.

**Subd. 20. Other provisions apply.** Requires other provisions of law apply to the taxes imposed under this section including the administrative and functional provisions of section 297A.99, the prevailing wage requirements of chapter 177, and the bond requirements of section 475.53.

Effective the day following final enactment.

**5 Local sales taxes; oversight.**

**Subd. 1. Filing requirement.** Requires that a political subdivision seeking to impose a tax file the necessary documentation as required by section 4 of this article with the commissioner of revenue by October 31.

DOR must verify that the political subdivision's proposal meets the statutory requirements by January 10. If DOR denies the political subdivision's request, the political subdivision may seek legislative approval in accordance with section 297A.99.

**Subd. 2. Annual financial reporting.** Requires a political subdivision imposing a tax under section 297A.9901 or by special law to submit information regarding the use of tax revenue to the state auditor by January 31 of each budget year. The state auditor will determine the form and manner of the reporting

**Section Description – Article 6: Local Sales and Use Taxes**

---

document. Allows the state auditor to examine records to verify the information provided.

**Subd. 3. Enforcement.** Provides that if a political subdivision does not file the requested annual reports or if the state auditor finds that the political subdivision is misusing the tax proceeds, then the state auditor must notify the political subdivision which has 60 days to come into compliance or provide a response to the state auditor. If the political subdivision does not take corrective measures, then the state auditor must notify DOR. The state auditor must notify the legislative committees with jurisdiction over local taxes of any responses provided by a political subdivision.

**Subd. 4. Report.** Requires the state auditor to send a report to the legislative committees with jurisdiction over local sales taxes summarizing the information provided by political subdivisions.

Effective the day following final enactment.

**6 Local sales tax equalization distributions.**

**Subd. 1. Definitions.** Provides the relevant definitions for the local sales tax equalization distributions. Importantly, this subdivision defines a “qualified recipient” as a political subdivision that imposed a local sales tax in the previous calendar year that contributes to the account, or did not impose a local sales tax in the previous calendar year.

**Subd. 2. Local sales tax revenue sharing required.** Requires a political subdivision imposing a tax to contribute a percentage of the annual proceeds of the tax. Requires the commissioner to annually calculate each qualified recipient’s distribution share.

**Subd. 3. Contribution share.** States that each political subdivision’s contribution share is the percentage of its tax withheld by the commissioner as determined by section 4, subdivision 17 of this article.

**Subd. 4. Certification.** Requires the commissioner to annually calculate and certify by January 31, each political subdivision’s contribution share and each qualified recipient’s distribution share based on local sales tax collected in the prior calendar year.

**Subd. 5. Settlement.** Requires the commissioner to pay each qualified recipient by March 15 of each year.

**Section Description – Article 6: Local Sales and Use Taxes**

---

**Subd. 6. Future contributions and payments.** Provides that a political subdivision that has imposed a tax prior to July 1, 2024, can become a qualified recipient by:

- modifying, increasing, or extending its current local tax;
- imposing a new local tax under section 297A.9901, or by special law; or
- expiring its current local tax.

**Subd. 7. Appropriation.** Annually appropriates the funds in the local sales tax equalization distribution account to the commissioner to make payments under this section.

**7 Office of the State Auditor; appropriation.**

Appropriates \$387,000 in FY 2025 from the general fund to the state auditor to implement section 5 of this article. Also provides a \$343,000 appropriation in FY 2026, and \$360,000 in FY 2027.

**8 Repealer.**

Repeals the temporary moratorium that prohibits new local sales taxes or modifications to existing local sales taxes until July 1, 2025.

Effective the day following final enactment.

## **Article 7: Special Local Taxes**

This article provides modifications to the general law governing local lodging taxes and modifies the food and beverage and lodging tax imposed in the city of Minneapolis.

**Section Description – Article 7: Special Local Taxes**

---

**1 Authorization.**

States that local lodging taxes apply to the whole price of lodging charged to the customer, including services provided by accommodation intermediaries. “Accommodation intermediaries” are entities that facilitate the sale of lodging and charge a room charge to a customer.

Effective July 1, 2024.

**Section Description – Article 7: Special Local Taxes**

---

**2 Collection.**

Allows a local government that collects its own lodging tax to choose to limit the required filing and remittance of the tax by accommodation intermediaries to once per year.

Requires that the local government provide the intermediaries with geographic and zip code information needed to correctly assess the tax.

Effective July 1, 2024.

**3 City of Minneapolis; liquor, lodging, and restaurant taxes.**

Lowers the rate of the food and beverage tax imposed in restaurants and bars in the downtown taxing area from three percent to 2.5 percent.

Effective October 1, 2024.

**4 City of Minneapolis; downtown taxing area.**

Extends the northern boundaries of the downtown taxing area to include a portion of Plymouth Avenue North and a larger portion of the North Loop.

Effective October 1, 2024.

## **Article 8: Public Finance**

This article modifies various provisions relating to local government debt financing, including for school districts, county courthouse projects, economic development authorities, certain residential rental projects, and other projects subject to an annual volume cap.

**Section Description – Article 8: Public Finance**

---

**1 Review and comment.**

Modifies the school district projects that are exempt from mandatory review and comment by the commissioner of education. Projects that require expenditures of \$500,000 or \$2,000,000 or less are also currently exempted from the review and comment requirement.

**2 Publication.**

Extends the maximum time period for a school board to post summaries of the commissioner of education's positive or unfavorable reviews and comments on certain projects, from 60 days before a bond referendum or solicitation of bids to 88 days. Provides that where no bond referendum is required, the public notice and

**Section Description – Article 8: Public Finance**

---

- meeting requirements regarding the commissioner’s review and comment do not apply.
- 3     **Lease purchase; installment buys.**  
Provides an exception to the mandatory review and comment requirements for certain school districts when they enter into installment contracts or lease purchase agreements, that matches the existing dollar limits described in section 1.
- 4     **Definitions.**  
Modifies the definition of “debt obligation” for purposes of providing state guarantees of certain obligations to include bonds and notes used by counties to fund the construction of court houses or justice centers, provided that they are connected to a jail, correctional, or other law enforcement facility.
- 5     **Sections that apply if federal limit applies.**  
Clarifies that the Minnesota Bond Allocation Act applies to private activity bonds issued by economic development authorities that are required under federal law to obtain an allocation of volume cap.
- 6     **Application for residential rental projects.**  
For residential rental project allocations from the unified pool, modifies the time period in which an issuer must permanently issue obligations from on or before 180 days of the allocation, to on or before the earlier of 180 days of the allocation or the last business day in December.
- 7     **Application for all other types of qualified bonds.**  
For all other allocations of qualified bonds other than residential rental bonds described in section 6, modifies the time period in which an issuer must permanently issue obligations from on or before 120 days of the allocation, to on or before the earlier of 120 days of the allocation or the last business day in December.

## **Article 9: Miscellaneous**

This article makes changes affecting miscellaneous taxes and tax policy, including:

- providing funding for taxpayer assistance and tax credit outreach grants;
- providing grants to the Anoka County Soil and Water Conservation District, Browerville Public Schools, and the city of South St. Paul;
- increasing the share of the solid waste tax devoted to county waste reduction and recycling programs;



- establishing an aid program for cities to provide financial assistance to homeowners who experienced cost related to emerald ash borer infestations; and
- allowing the creation of land-value tax districts.

**Section Description – Article 9: Miscellaneous**

---

**1 Taxpayer assistance grants; tax credit outreach grants.**

Defines “eligible credit” as a credit, refund, or other tax preference targeting low-income taxpayers.

Defines “tax outreach organization” as a nonprofit organization or federally recognized Indian Tribe with experience serving demographic groups or geographic regions that have historically had low rates of participation in eligible credits.

Defines “taxpayer assistance organization” as accounting and tax preparation services provided by volunteers to low-income, elderly, and disadvantaged Minnesota residents.

Defines “volunteer taxpayer assistance organization” as an organization eligible for Volunteer Income Tax Assistance (VITA) matching grants under federal law.

Requires DOR to regularly make grants to taxpayer assistance organizations and tax outreach organizations.

Effective the day following final enactment.

**2 Allocation of revenues.**

For fiscal year 2025 only, increases by \$1.821 million the share of solid waste management tax proceeds that are credited to the environmental fund. These funds are deposited in the resource management account and spent on certain county waste reduction and recycling programs.

**3 Lawful purpose.**

Creates a new lawful purpose expenditure for certain veterans organizations. Allows a qualifying veterans organization to use up to 50 percent of gross profits from charitable gambling from the previous fiscal year for the repair, improvement, or maintenance of their real property. Allows unused allowances to carry forward for one fiscal year, so long as the organization identifies a planned project for which the carried forward funds will be used.

Prohibits any funds to be used for new construction or building replacement.

Effective the day following final enactment.

**Section Description – Article 9: Miscellaneous**

---

**4 Definitions. (Land-value district)**

Defines terms for sections that allow cities to establish land-value taxation districts.

Effective beginning with taxes payable in 2025.

**5 Establishment of a 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 taxes payable in 2025.

**6 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 improvement (i.e., the value of the land only); or
- a tax base which excludes the value of improvements made to the property after a specified date.

Effective beginning with taxes payable in 2025.

**7 Taxation within district.**

**Subd. 1. Initial taxation within the district.** Requires a city with a land-value taxation district to compute 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 method established by the ordinance in the previous section. The city would

**Section Description – Article 9: Miscellaneous**

---

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 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 taxes payable in 2025.

**8 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 taxes payable in 2025.

**9 Aid to cities for emerald ash borer financial assistance.**

**Subd. 1. Definitions.** Defines “eligible costs” as costs incurred in 2020 or later for removing a tree that is infested by emerald ash borer and was required by state law or municipal ordinance to be removed.

Defines “eligible homeowner” as a homeowner who experienced eligible costs related to a tree on the homeowner’s residential homestead property.

Defines “eligible local government” as a statutory or home rule charter city, a town of at least 10,000, or a Tribal government.

**Subd. 2. Aid program established; payment.** Required DOR to distribute aid to eligible local governments. Requires aid payments to be certified by January 31, 2024, and paid by February 15, 2024.

**Subd. 3. Amount of aid.** Requires DOR to establish a process to allocate aid payments through a merit-based competitive grant program. The program must prioritize aid distributions based on the rate of emerald ash borer infestation on residential properties, the ability of residents to pay for tree removal and treatment, and population. Requires DOR to consult with the Department of Agriculture and the Department of Natural Resources.

**Subd. 4. Eligible uses.** Allows eligible local governments receiving aid to use the funds to reimburse homeowners with incomes below 200 percent of the federal poverty guideline for tree removal or treatment.

**Section Description – Article 9: Miscellaneous**

---

**Subd. 5. Appropriation.** Appropriates \$1,000,000 in fiscal year 2025 for aid payments.

- 10 **Appropriation; Anoka County Soil and Water Conservation District; grant.**  
Provides a grant of \$50,000 in fiscal year 2025 to the Anoka County Soil and Water Conservation District.

Effective the day following final enactment.

- 11 **Appropriation; Browerville Public Schools.**  
Appropriates \$580,000 in fiscal year 2025 to Browerville Public Schools as a grant to be used for the cost of materials and supplies used in and equipment incorporated into renovations to a school building and related new construction. The grant must be paid by July 15, 2024, and is not subject to the administrative cost retention provisions of section 16B.98, subdivision 14.

- 12 **Appropriation; city of South St. Paul; grant.**  
Provides a grant of \$100,000 in fiscal year 2024 to the city of South St. Paul for planning and development costs within the city.

Effective the day following final enactment.

- 13 **Appropriation; tax credit outreach grants; taxpayer assistance grants.**  
Appropriates \$1,000,000 in fiscal year 2025 to DOR for tax credit outreach grants. The base for the appropriation is \$1,277,000 in fiscal year 2026 and \$1,289,000 in fiscal year 2027.

Appropriates \$750,000 in fiscal year 2025 to DOR for taxpayer assistance grants.

## **Article 10: Department of Revenue Income and Corporate**

This article is DOR's policy and technical bill for income and corporate franchise taxes.

**Section Description – Article 10: Department of Revenue Income and Corporate**

---

- 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.

**Section Description – Article 10: Department of Revenue Income and Corporate**

---

- 2      **Net income. (Delayed business interest; PTE tax)**  
Amends the definition of “net income” to include the delayed business interest subtraction for composite and pass-through entity (PTE) filers.  
  
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.)  
  
Effective retroactively for tax year 2023 and later.
- 3      **Qualified retirement benefits.**  
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.  
  
Effective the day following final enactment.
- 4      **Delayed business interest.**  
Corrects a cross-reference to the corporate disallowed business interest deduction.  
  
Effective retroactively for tax year 2020 and later.
- 5      **Definitions. (Renter’s credit)**  
Requires taxpayers to have claimed a dependent to claim the renter’s credit dependent exemption.  
  
Effective retroactively for tax year 2024 and later.
- 6      **Residents of nursing homes, intermediate care facilities, long-term care facilities, or facilities accepting housing support payments. (Renter’s credit)**  
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.  
  
Effective retroactively for tax year 2024 and later.
- 7      **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 retroactively for tax year 2024 and later.

**Section Description – Article 10: Department of Revenue Income and Corporate**

---

**8 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.

**9 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 11: Department of Revenue Property Taxes and Local Government Aids**

This article is DOR’s policy and technical bill for property taxes and local government aids.

**Section Description – Article 11: Department of Revenue Property Taxes and Local Government Aids**

---

**1 Class 1. (Blind/disabled homestead property)**

Allows the value of class 1b property (blind/disabled homestead property) in excess of \$50,000 to be classified as 4d(2) community land trust property.

Effective for assessment year 2025 and later.

**2 Procedure, conditions. (Abatements)**

Allows property owners applying for a reduction or abatement of property taxes to file using an individual taxpayer identification number (ITIN).

Effective retroactively for abatement applications filed in 2023 and later.

**3 Administration. (Local affordable housing aid)**

Aligns the timing of local affordable housing aid with other aid programs.

Effective with aids payable in 2024.

## Article 12: Department of Revenue Miscellaneous

This article is DOR's policy and technical bill for miscellaneous taxes.

### Section Description – Article 12: Department of Revenue Miscellaneous

---

- 1 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.
- 2 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.
- 3 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.
- 4 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.



**MN HOUSE  
RESEARCH**

*Minnesota House Research Department provides nonpartisan legislative, legal, and information services to the Minnesota House of Representatives. This document can be made available in alternative formats.*

[www.house.mn.gov/hrd](http://www.house.mn.gov/hrd) | 651-296-6753 | 155 State Office Building | St. Paul, MN 55155