

**Policy and Technical Bill**

March 5, 2024

	<b>Yes</b>	<b>No</b>
DOR Administrative Costs/Savings		X

Department of Revenue  
 Analysis of S.F. 4091 (Rest) / H.F. 4302 (Gomez)

	<b>Fund Impact</b>			
	<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

**EXPLANATION OF THE BILL**

A summary of the bill prepared by the Appeals and Legal Services Division of the Department of Revenue is attached.

**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  
<https://www.revenue.state.mn.us/revenue-analyses>

# 2024 DEPARTMENT OF REVENUE POLICY/TECHNICAL BILL SUMMARY



Appeals, Legal Services, and Disclosure Division  
600 N. Robert St.  
St. Paul, MN 55146-2220

SF4091/HF4302

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## ARTICLE 1: INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES

**Section 1. Film Production Credit.** Amends Minn. Stat. § 116U.27, subd. 2, to allow a taxpayer with expenses incurred in any consecutive 12-month period to be eligible for the film production credit. Effective retroactively for taxable years beginning after December 31, 2022.

**Sections 2, 5, and 10. Business interest expense limitation.** Section 2 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 2 is effective retroactively for taxable years beginning after December 31, 2022. Section 5 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 5 is effective retroactively for taxable years beginning after December 31, 2019. Section 10 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 10 is effective retroactively at the same time the changes in Laws 2023, chapter 1, section 22 were effective for federal purposes.

**Section 2. 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.

**Section 3. Social Security subtraction correction.** Amends Minn. Stat. § 290.0132, subd. 26, paras. (f), (g), and (h) to correct a reference to paragraph (c) that should be to paragraph (e). Also amends paragraph (j) to clarify that the threshold amounts in the simplified subtraction are adjusted for inflation under Minn. Stat. § 270C.22. Effective retroactively for taxable years beginning after December 31, 2022.

**Section 4. Qualified retirement benefits.** Amends Minn. Stat. § 290.0132, subd. 34, to clarify “qualified public pension income” is the income of plan members who did not earn credits toward Social Security benefits for the same work that is the source of the pension income. Effective the day following final enactment.

**Sections 6, 7, and 8. Renter’s credit.** Section 6 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 7 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 8 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.

**Sections 9. Credit allowed; limitation; carryover.** Amends Minn. Stat. § 290.0695, subd. 2, to make clear that the short line railroad infrastructure modernization credit does not exceed the product of multiplying the qualifying number of miles of railroad track by \$3,000. This section is effective retroactively for taxable years beginning after December 31, 2022.

## **ARTICLE 2: SALES AND USE TAXES**

**Section 1. 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 2. 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.

## **ARTICLE 3: PROPERTY TAX AND LOCAL GOVERNMENT AIDS**

**Section 1. Add 4d(2) to 1b classification.** Amends Minn. Stat. § 273.13, subd. 22, to allow the value of class 1b property in excess of \$50,000 to be classified as 4d(2) community land trust property under Minn. Stat. § 273.13, subd. 25(e)(2). Effective for assessment year 2025 and thereafter.

**Section 2. Individual taxpayer identification numbers.** Amends Minn. Stat. § 375.192, subd. 2, to allow a property owner applying for a reduction or abatement of property taxes to provide either a social security number or an individual taxpayer identification number. This amendment also classifies the individual taxpayer identification numbers as private data on individuals as defined by section 13.02, subd. 2, and includes individual taxpayer identification numbers in related reporting. Effective retroactively for abatement applications filed in 2023 and thereafter.

**Section 3. 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.

#### **ARTICLE 4: MISCELLANEOUS**

**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. Repeal of annual cash count requirement.** Amends Minn. Stat. § 297E.06, subd. 4, to repeal the requirement that an organization licensed under chapter 349 (Lawful Gambling) perform and file an annual cash count report at the end of its fiscal year. The cash count report is not useful to the Department for compliance purposes. Effective July 1, 2024.

**Section 4. Film production credit.** Amends Minn. Stat. § 297I.20, subd. 4(b), to extend the expiration date of the ability of insurers to use film production credits to offset insurance premium tax. This offset opportunity will now expire January 1, 2031, for taxable years beginning after and premiums received after December 31, 2030. This extension aligns the offset opportunity expiration with the expiration of the underlying film production credit program, which was extended through 2030 via 2023 Minn. Laws, Ch. 64, Art. 1. § 33. Effective the day following final enactment.

**Section 5. 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.