

Chapter 128

2026 Regular Session

Subject 2026 Tax Act

Bill H.F. 2438

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Overview

This is the 2026 tax act.

Article 1: Federal Conformity

This article adopts most of the federal income tax changes included in Public Law 119-21, also known as the One Big Beautiful Bill Act (OBBBA). The act adopts most changes in OBBBA, but the act differs from OBBBA as follows:

- It limits the charitable contribution deductions to individuals to contributions in excess of one percent of the contribution base (the limit under OBBBA is .5 percent).
- It does not allow tax-free distributions from section 529 plans to be used for postsecondary credentialing expenses.
- It does not adopt the federal exclusion for employer student loan payments, and freezes the state exclusion from gross income for other educational assistance payments at \$5,250 (OBBBA indexed this limit for inflation).
- It retains the pre-OBBBA inflation indexing on the exclusion from gross income for transportation fringe benefits. OBBBA added one extra year of inflation to that calculation.
- It does not adopt OBBBA's provision giving hazard duty pay for individuals performing services in the Sinai peninsula, Kenya, Mali, Burkina Faso, and Chad.
- It does not adopt a federal provision allowing financial institutions a 25 percent exclusion from gross income on interest earned from loans secured by rural and agricultural property.
- It does not adopt provisions allowing business meal deductions for meals provided on fishing vessels, fish processing facilities, oil and gas platforms, and food and beverages that are sold in a bona fide transaction.

- For C corporations only, it decouples from federal rules allowing immediate expensing of research and experimental expenditures—the act conforms to that provision for pass-through businesses.
- It decouples the state dependent care credit from the federal dependent care credit, and does not adopt the expansion of that credit in OBBBA.
- It does not adopt the “look-through” rule for determining subpart F and net CFC tested income.

Section Description - Article 1: Federal Conformity

1 Internal Revenue Code.

Updates the Internal Revenue Code reference for chapter 289A (Tax Administration and Compliance).

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

2 Net income.

Updates the Internal Revenue Code reference in the definition of “net income.” Updates the definitions of “net income” for the pass-through entity tax and for composite returns. Modifies the composite return and pass-through entity tax income calculation to account for nonconformity additions and subtractions in this article.

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

3 Internal Revenue Code.

Updates the Internal Revenue Code reference for chapter 290 (income and corporate franchise taxes).

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

4 Charitable contributions.

Modifies the itemized deduction for charitable contributions. Limits the deductions to charitable contributions in excess of one percent of the “contribution base,” which for most taxpayers is adjusted gross income.

Effective beginning in tax year 2026.

5 529 plan addition.

Requires an individual income tax addition for distributions from a 529 plan used to pay for postsecondary credentialing expenses.

Section Description - Article 1: Federal Conformity

Effective at the same time the change in federal law allowing distributions for postsecondary credentialing expenses was effective for federal purposes.

6 Disallowed educational assistance payments.

Requires an individual income tax addition for employer student loan payments, as well as other forms of educational assistance in excess of \$5,250. Under federal law, the first \$5,250 in educational assistance payments are excluded from gross income, but this limit is indexed for inflation. This section effectively freezes the Minnesota limit at \$5,250.

Effective beginning in tax year 2026.

7 Qualified transportation fringe.

Requires an individual income tax addition for transportation fringe benefits in excess of the limit in effect prior to the passage of Public Law 119-21. Public Law 119-21 added one additional year of inflation to the inflation adjustment on the qualified transportation fringe gross income exclusion. Under the addition, Minnesota taxpayers with transportation fringe in excess of the old law limits would be required to add back the difference between the old law and the new law limits.

Effective beginning in tax year 2026.

8 Services performed in the Sinai Peninsula and other areas.

Requires an individual income tax addition for any income that is nontaxable federally because it is for services provided in a qualified hazard duty area. Federal law defines a qualified hazard duty area as the Sinai Peninsula, Kenya, Mali, Burkina Faso, and Chad.

Effective beginning in tax year 2026.

9 Opportunity Zone capital gain income.

Requires an individual income tax addition to offset the federal tax benefits for capital gains in an Opportunity Zone. This addition has two parts:

- 1) The amount of capital gain deferred when the taxpayer made an investment in an Opportunity Zone.
- 2) For investments in an Opportunity Zone that were realized in the taxable year, the amount by which the taxpayer's basis in the investment was increased.

Effective beginning in tax year 2027.

Section Description - Article 1: Federal Conformity

10 Interest on loans secured by rural or agricultural property.

Requires an individual income tax addition for interest income that was excluded from gross income under section 139L of the Internal Revenue Code. That provision of federal law provides an exclusion from gross income for 25 percent of the interest income earned by qualified lenders on loans secured by rural or agricultural real estate.

Effective retroactively at the same time the corresponding provision of federal law was effective.

11 Business meals provided on fishing boats or at fish processing facilities; expenses for bona fide transactions.

Requires an individual income tax addition for certain business meal expense deductions. Federal law ordinarily limits business meal deductions to 50 percent of meal expenses. OBBBA extended a provision allowing a deduction for 100 percent of the cost of providing meals to the crews of certain fishing vessels, on certain oil and gas rigs, and in certain fishing vessels. The law also allowed taxpayers to deduct the full cost of food and beverages that are sold in a bona fide transaction. The addition in this section opts the state out of those two provisions of federal law.

Effective beginning in tax year 2026.

12 Previously taxed capital gains income.

Allows an individual income tax subtraction for deferred capital gains that were deferred under federal law and previously subject to Minnesota income taxes. Because this act decouples from the federal deferral of the capital gain, this subtraction avoids double taxing the gain by allowing a state subtraction at the time the gain is recognized federally. The subtraction is not allowed for the portion of the Minnesota addition covering the increase in basis on investments in an Opportunity Zone.

Effective beginning in tax year 2027.

13 Net CFC tested income.

Provides a subtraction for individuals including net CFC tested income in their taxable income as provided in section 22. The subtraction is similar to the amount allowed under prior law for qualified business asset investment (QBAI).

Effective beginning in tax year 2026.

Section Description - Article 1: Federal Conformity

14 Research and experimental expenditures amortization.

Provides additions for corporations for research and experimental expenditures that are now expensed federally. These expenditures will continue to be amortized over a five-year period.

Effective beginning in tax year 2022.

15 Opportunity Zone capital gain income.

Requires a corporate franchise tax addition to offset the federal tax benefits for capital gains in an Opportunity Zone. This addition has two parts:

- 1) The amount of capital gain deferred when the taxpayer made an investment in an Opportunity Zone.
- 2) For investments in an Opportunity Zone that were realized in the taxable year, the amount by which the taxpayer's basis in the investment was increased.

Effective beginning in tax year 2027.

16 Interest on loans secured by rural or agricultural property.

Requires a corporate franchise tax addition for interest income that was excluded from gross income under section 139L of the Internal Revenue Code. That provision of federal law provides an exclusion from gross income for 25 percent of the interest income earned by qualified lenders on loans secured by rural or agricultural real estate.

Effective retroactively at the same time the corresponding provision of federal law was effective.

17 Business meals provided on fishing boats or at fish processing facilities; expenses for bona fide transactions.

Requires a corporate franchise tax addition for certain business meal expense deductions. Federal law ordinarily limits business meal deductions to 50 percent of meal expenses. OBBBA extended a provision allowing a deduction for 100 percent of the cost of providing meals to the crews of certain fishing vessels, on certain oil and gas rigs, and in certain fishing vessels. The law also allowed taxpayers to deduct the full cost of food and beverages that are sold in a bona fide transaction. The addition in this section opts the state out of those two provisions of federal law.

Effective beginning in tax year 2026.

Section Description - Article 1: Federal Conformity

- 18 Research and experimental expenditures amortization.**
Provides a ratable subtraction over four years for the 80 percent addition for research and experimental expenditures required in section 14. Also requires a subtraction for unamortized amounts deducted federally over an accelerated timeframe and added back under section 14, so that the deduction for these expenditures retains the prior five-year deduction period.

Effective beginning in tax year 2023.
- 19 Previously taxed capital gains income.**
Allows a corporate franchise tax subtraction for deferred capital gains that were deferred under federal law and previously subject to Minnesota income taxes. Because this act decouples from the federal deferral of the capital gain, this subtraction avoids double taxing the gain by allowing a state subtraction at the time the gain is recognized federally. The subtraction is not allowed for the portion of the Minnesota addition covering the increase in basis on investments in an Opportunity Zone.

Effective beginning in tax year 2027.
- 20 Net CFC tested income.**
Provides a subtraction for corporations including net CFC tested income in their taxable income. The subtraction is similar to the amount allowed under prior law for qualified business asset investment (QBAI).

Effective beginning in tax year 2026.
- 21 Net investment income tax.**
Decouples the state from the federal tax preference for Opportunity Zones for the purposes of the state's net investment income tax (NIIT). This section operationalizes this by requiring taxpayers to include the additions and subtractions described previously in this article for gains in an Opportunity Zone.

Effective beginning in tax year 2027.
- 22 Net CFC tested income.**
Establishes the amount of net CFC tested income for purposes of determining the limit to the subtractions allowed by sections 13 and 20, and the amount of the dividend received deduction modified in section 29. The amount is equal to the amount of net CFC tested income included federally, minus a modified amount for QBAI included under prior federal law.

Section Description - Article 1: Federal Conformity

- Effective beginning in tax year 2026.
- 23 **Adjustment for net CFC tested income and subpart F income.**
Eliminates the look-thru rule in Minnesota and requires an adjustment for net CFC tested income and subpart F income accordingly.

Effective beginning in tax year 2026.
- 24 **Schedule of rates for individuals, estates, and trusts.**
Modifies the individual income tax nonresidency percentage calculation to account for the nonconformity additions and subtractions that appear earlier in this article.

Effective retroactively at the same time the changes incorporated by federal law were effective for federal purposes.
- 25 **Section 529 recapture.**
Adds postsecondary credentialing expenses to the section 529 credit and subtraction recapture. The article decouples the state from the provision of OBBBA allowing taxpayers to use distributions from 529 plans to pay for postsecondary credentialing expenses. This change is needed to recapture deductions and subtractions from taxpayers who took a distribution for postsecondary credentialing expenses.

Effective retroactively at the same time the provision of federal law allowing postsecondary credentialing expenses became effective.
- 26 **Dependent care credit.**
Decouples Minnesota’s dependent care credit from the federal dependent care credit, and writes into state law the version of the dependent care credit that was allowed federally prior to OBBBA.

 Subd. 1. Amount of credit. Establishes a state dependent care credit equal to the taxpayer’s eligible dependent care expenses, multiplied by the taxpayer’s credit percentage. Specifies that the credit is phased out by five percent of adjusted gross income in excess of \$65,610. Defines “employment-related expenses” and “qualifying individual,” by reference to federal law.

 Subd. 1a. Eligible dependent care expenses. Specifies that a taxpayer’s eligible dependent care expenses are equal to the amount of employment-related expenses, but are limited to \$3,000 for taxpayers with one dependent (“qualifying individual”) and \$6,000 to taxpayers with two dependents. These limits are reduced by the amount of dependent care assistance (including dependent flexible spending accounts) the taxpayer excluded from gross income.

Section Description - Article 1: Federal Conformity

Subd. 1b. Credit percentage. Specifies that the credit percentage is 35 percent. The percentage is reduced by \$2,000, or a fraction of \$2,000, by which the taxpayer's income exceeds \$15,000. The credit percentage cannot be reduced below 20 percent—taxpayers with incomes above \$43,000 have a credit percentage of 20 percent.

Subd. 2b. Inflation adjustment. Adjusts for inflation \$65,610 phaseout threshold in subdivision 1.

Subd. 2c. Deemed expenses. Recodifies existing language in subdivision 1 that “deems” taxpayers to have child care related expenses if they operate a licensed family day care or if they had a child younger than one year old.

Subd. 7. Special rules. Adopts rules in the federal dependent care credit governing the treatments of married taxpayers.

Effective beginning in tax year 2026.

27 Definitions (individual alternative minimum tax).

Modifies the income definition used to calculate the individual alternative minimum tax. Requires taxpayers to take the additions and subtractions described earlier in this article when calculating the AMT.

Effective retroactively at the same time the changes incorporated by reference to federal law are effective for federal purposes.

28 Controlled foreign corporations.

Conforming change to modify the amount of subpart F income qualifying for the dividend received deduction due to the elimination of the look-thru rule in Minnesota under section 23.

Effective beginning in tax year 2026.

29 Net CFC tested income.

Conforming change to modify the amount of net CFC tested income qualifying for the dividend received deduction due to the QBAI subtraction in sections 13 and 20 and the elimination of the look-thru rule in Minnesota under section 23.

Effective beginning in tax year 2026.

30 Internal Revenue Code.

Updates the Internal Revenue Code reference for chapter 290A (property tax refunds).

Section Description - Article 1: Federal Conformity

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

31 Scope.

Updates the Internal Revenue Code reference for chapter 291 (estate tax).

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

Article 2: Individual Income and Corporate Franchise Taxes

This article makes changes to the sustainable aviation fuel and beginning farmer income tax credits, and the pass-through entity tax. In addition, the article provides for a direct free file program and a one-time subtraction for the nursing facility workforce wage supplement program.

Section Description - Article 2: Individual Income and Corporate Franchise Taxes

1 Definitions.

Modifies the definition of “biomass” for sustainable aviation fuel (SAF) for purposes of the SAF income tax credit to prohibit certain agricultural feedstocks, and allows for gaseous carbon oxides and hydrogen.

Effective retroactively beginning in tax year 2025, for SAF sold July 1, 2025.

2 Tax credit establishment.

Restricts the use of gaseous carbon oxides sequestered in SAF production as tertiary injectant in qualified enhanced oil recovery projects. Allows a supplemental tax credit of 2 cents per gallon, up to \$2.00 per gallon total, for SAF projects meeting certain carbon intensity reductions.

Effective retroactively beginning in tax year 2025, for SAF sold July 1, 2025.

3 Allocation limits.

Increases and expands the amount of money allocated to the SAF credit from \$11.6 million from fiscal years 2025 through 2027 to \$36.9 million from fiscal years 2025 through 2035.

Effective retroactively beginning in tax year 2026.

Section Description - Article 2: Individual Income and Corporate Franchise Taxes

- 4 **Expiration.**
Extends the expiration of the SAF credit through 2035.

Effective the day following final enactment.
- 5 **Tax credit for owners of agricultural assets.**
Conforming change for the tax year 2026 allocation limit suspension in section 7.

Effective for tax year 2026 only.
- 6 **Authority duties.**
Conforming change for the tax year 2026 allocation limit suspension in section 7.

Effective for tax year 2026 only.
- 7 **Temporary removal of allocation limitation.**
Uncaps the \$4 million beginning farmer credit allocation for tax year 2026.

Effective for tax year 2026 only.
- 8 **Report to legislature.**
Conforming change for the tax year 2026 allocation limit suspension in section 7.

Effective for tax year 2026 only.
- 9 **Pass-through entity tax.**
Extends the expiration of the pass-through entity tax (PTET) for tax years 2026 and 2027.

Effective retroactively in tax year 2026.
- 10 **Direct free filing of returns.**
Requires the Department of Revenue (DOR) to establish an electronic system through which taxpayers can directly file their returns for free. Software vendors currently providing paid tax preparation services to Minnesota taxpayers are not eligible to participate in the system. DOR must make the system available on its website and must not limit access based on income.

DOR must make efforts to coordinate the system with federal free filing systems.

The system must allow taxpayers to file and claim six individual income tax credits.

Section Description - Article 2: Individual Income and Corporate Franchise Taxes

- Permits DOR to establish a system through which taxpayers may file a federal return for free.
- Effective the day following final enactment.
- 11 **Net income.**
Technical and conforming change to the PTET definition of net income to reflect the previously enacted change allowing the assignment of resident pass-through owner income to Minnesota for purposes of determining the PTET tax base.
- Effective the day following final enactment.
- 12 **Pass-through entity tax paid to another state.**
Conforming change to the PTET credit for taxes paid to other states for the expiration extension in section 9.
- Effective retroactively for tax year 2026.
- 13 **Pass-through entity tax credit.**
Allows the commissioner of revenue to disallow the individual income tax credit for the PTET if the tax liability of the pass-through entity has not been paid.
- Effective the day following final enactment.
- 14 **Tax filing modernization account.**
Requires DOR to use funds in the tax filing modernization account to pay for the direct free file system established in the act. Extends the expiration of the account to June 30, 2029.
- 15 **Income tax subtraction; nursing facility workforce wage supplement program.**
Establishes a temporary individual income tax subtraction for one-time payments to nursing facility workers, which are established in the 2026 human services act. The section also excludes the payments from being considered “income” for the purposes of the homestead credit refund program (homeowner property tax refund).
- Effective for tax year 2026 only.
- 16 **Pass-through entity tax; 2026 estimated payments.**
Provides that no addition to tax penalty for PTET estimated payments is imposed due to the retroactive revival of the PTET.
- Effective for tax year 2026 only.

Section Description - Article 2: Individual Income and Corporate Franchise Taxes

17 Revival and reenactment.

Revives and reenacts the expired PTET.

Effective the day following final enactment.

18 Appropriation; direct free filing system.

Appropriates \$2.3 million in fiscal year 2027 for the direct free filing system established in the act. Sets the base for that appropriation at \$3.5 million in fiscal years 2028 and 2029.

Article 3: Sales and Use Tax

This article provides the following changes to sales and use taxes:

- creates a new exemption for the sale of the privilege of admission to certain events sponsored by the PGA; and
- allows businesses within a tourism improvement district to collect a service charge from purchasers, exclusive of sales tax.

Section Description - Article 3: Sales and Use Tax

1 Championship golf tournaments; sales tax exemption.

Provides a sales tax exemption for the sale of admission to a world championship golf tournament sponsored by the Professional Golfer's Association of America, and to related events sponsored by the Professional Golfer's Association of America. The exemption expires July 1, 2030.

Effective for sales and purchases made after June 30, 2026.

2 Service charges; relationship to services.

Allows businesses in a tourism improvement district to collect the district service charge from purchasers as long as it is separately stated on the invoice, bill of sale, or similar document. This allows the service charge to be excluded from the calculation of sales price of tangible personal property or services sold by a business in the district that is subject to sales tax.

Effective retroactively for sales and purchases made after June 30, 2025.

Article 4: Property Tax Aids and Credits

This article makes various changes related to property taxes and state aids to local governments, including:

- establishing seasonal tax base replacement aid;
- modifying a property tax exemption for a property in Duluth owned by the Fond du Lac Band of Lake Superior Chippewa;
- establishing a property tax exemption for a property in Cloquet owned by the Fond du Lac Band of Lake Superior Chippewa;
- allowing the new city of Northern to be eligible for local government aid in 2027;
- increasing the tier thresholds for class 1c homestead resort property; and
- providing a onetime increase in the homestead credit refund.

Section	Description – Article 4: Property Tax Aids and Credits
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1	General education aid.
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Conforming change related to section 2.

This section is effective for revenue in fiscal year 2028 and later.

2	Seasonal tax base replacement aid.
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Establishes a new school district aid that reduces a portion of voter-approved operating referendum levies in school districts with class 4c(12) seasonal recreational property.

This section is effective for taxes payable in 2027 and later.

3	Certain property owned by an Indian Tribe.
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Modifies a property tax exemption for a medical clinic in Duluth owned by the Fond du Lac Band of Lake Superior Chippewa by extending the expiration of the exemption from 2028 to 2038 and adding clinic's parking lot to the exemption.

This section is effective beginning with assessment year 2027.

4	Certain property owned by an Indian Tribe.
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Establishes a property tax exemption for a property in Cloquet that is owned by the Fond du Lac Band of Lake Superior Chippewa and used to store medical equipment and materials.

This section is effective beginning with taxes payable in 2027.

Section Description – Article 4: Property Tax Aids and Credits

5 Class 1.

Increases the tier thresholds for class 1c homestead resort properties. The threshold for the first tier would be increased from \$600,000 to \$1,500,000 and the threshold for the second tier would be increased from \$2,300,000 to \$4,500,000.

This section is effective beginning with assessment year 2026.

6 Change in membership; procedures.

Applies a referendum-by-petition requirement when there is any change in the size of a local Public Utilities Commission.

This section is effective the day following final enactment.

7 Lake City.

Modifies the Lake City Port Authority powers by removing authority to issue debt or bonds and to exercise the power of eminent domain. The port authority may request the city of Lake City to levy a tax on its behalf, but the city may grant or deny the request.

This section is effective the day following final enactment.

8 Terms of members.

Changes the term length for a Red Wing Port Authority appointee from three years to six years.

This section is effective the day after the city of Red Wing and its chief clerical officer comply with the requirements for special laws.

9 Expiration.

Extends the expiration of Local Homeless Prevention Aid from 2028 to 2032.

10 City of Lake City; validation of prior act.

Authorizes the city of Lake City to file local approval with the secretary of state for a 2021 special law, which authorized the city to establish a port authority, by January 1, 2027. Validates actions taken by the city to date pursuant to the special law.

This section is effective the day following final enactment.

11 Onetime increase in homestead credit refund.

Increases the homestead credit refund for refunds based on taxes payable in 2026 by 14.88 percent.

Section Description – Article 4: Property Tax Aids and Credits

This section is effective only for refunds based on property taxes payable in 2026.

12 Onetime school district seasonal tax base replacement aid.

Creates a onetime aid payment to school districts in fiscal year 2027, using the same formula as the permanent aid under section 2. Aid under this section must not exceed \$2,542,000.

13 Aid calculation.

Adjusts the calculation for 2027 local government aid (LGA) for Northern Township, which plans to incorporate as a city in November 2026, making Northern eligible for LGA in 2027, rather than 2028.

Article 5: Minerals Taxes

This article establishes an alternative distribution of the proceeds of the taconite production tax from Mesabi Metallics. Proceeds from the company's production tax would be used to increase payments to various school districts and municipalities. These increases would be covered by reductions in distributions to other funds.

Section Description – Article 5: Minerals Taxes

1 Appropriation.

Guarantees, for two years, the increases of distributions in this act to the taconite municipal aid account, taconite school fund, school building maintenance fund, and taconite railroad account. This section states that, in the first two years that Mesabi Metallics is subject to the production tax, any shortfall in distributions to these accounts would be covered by the Douglas J. Johnson economic protection trust fund.

2 Taconite economic development fund.

Prohibits Mesabi Metallics from receiving distributions from the taconite economic development fund. Under current law, each producer is eligible for distributions from this fund, equal to the amount of tax the producer paid into the fund, provided that certain conditions are met.

3 City or town where quarried or produced.

Requires the distribution of Mesabi Metallics' production tax to the taconite cities and town fund and to the mining effects fund to each be equal to one cent per taxable ton of the total tonnage produced by all mines in 2023. Additionally, the section makes unorganized townships eligible for distributions from the mining effects fund and requires counties to use distributions to unorganized townships for

Section Description – Article 5: Minerals Taxes

infrastructure improvement projects within the unorganized township that receives the distribution.

4 Cities; towns.

Requires the distribution of Mesabi Metallics' production tax to the taconite municipal aid account to be equal to two cents per taxable ton of the total tonnage produced by all mines in 2023. This section also increases from \$50,000 to \$70,000 the maximum amount a township may receive annually from the township fund.

5 School districts.

Makes the following changes to the distribution of production taxes to the taconite school fund and the school building maintenance fund:

- requires the distribution of Mesabi Metallics' production tax to the taconite referendum fund to be equal to 4.57 cents per taxable ton of the total tonnage produced by all mines in 2023;
- creates annual distributions from the taconite referendum fund of \$100,000 each to Chisholm School District and Ely School District;
- requires the distribution of Mesabi Metallics' production tax to the school building maintenance fund to be equal to eight cents per taxable ton, plus \$300,000, plus an amount equal to four cents per taxable ton of the total tonnage produced by all mines in 2023; and
- allocates Mesabi Metallics' annual distribution to the school building maintenance fund as follows:
 - \$150,000 each to Grand Rapids School District and Ely School District;
 - eight cents per taxable ton of Mesabi Metallics' annual production to Greenway School District and Nashwauk-Keewatin School District; and
 - an amount equal to four cents per taxable of the total tonnage produced by all mines in 2023 distributed to all school districts that received a distribution from the school building maintenance fund in 2024.

6 Iron Range school and community development account.

Requires an additional 20 cents per taxable ton of Mesabi Metallics' production tax to be distributed to the Iron Range school and community development account to be used for projects within the Greenway School District that are approved by referendum and the commissioner of Iron Range Resources and rehabilitation. This additional distribution would be made through 2050. If no eligible projects are approved within five years of the start of this additional distribution or if the amount available exceeds the amount necessary for these projects, then the funds must be

Section Description – Article 5: Minerals Taxes

- used for other eligible expenditures allowed from this account. This section also clarifies that expenditures from this account can be used for community development purposes.
- 7 **Range Association of Municipalities and Schools.**
Exempts Mesabi Metallics’ from the 0.5 cents per taxable ton distribution to the fund for the Range Association of Municipalities and Schools.
- 8 **Taconite economic development fund.**
Exempts Mesabi Metallics from the 25.1 cents per taxable ton distribution to the taconite economic development fund. This section also excludes production from Magiron at Plant 4 in Grand Rapids and Mesabi Metallics’ production from the calculation of the minimum amount of total production used to determine if distributions from this fund are made.
- 9 **Taconite environmental fund.**
Clarifies that distributions to this fund are based on taxable tons. This is a technical correction.
- 10 **Insufficient proceeds.**
Establishes that if production tax proceeds from Mesabi Metallics are insufficient to cover required distributions of the proceeds, then the following distributions of Mesabi Metallics’ proceeds would be reduced:
- those that are based on the tonnage produced by all mines in 2023;
 - the distributions to Ely School District and Grand Rapids School District from the school building and maintenance fund; and
 - the distributions to Ely School District and Chisholm School District from the taconite referendum fund.
- 11 **Remainder.**
Increases distributions to school districts from the taconite railroad account from 62 percent to 75 percent of the amount paid in 1977.
- 12 **Distribution of taconite municipal aid.**
Provides that the cities of Orr and Winton must annually receive \$25,000 from the taconite municipal aid account and that the cities of Cook and Two Harbors must annually receive \$75,000 from the taconite municipal aid account.
- 13 **Effective date; revisor notification.**
Creates effective dates for sections 1-8 and 10-12, all of which would be effective once Mesabi Metallics starts production. This section would require the

Section Description – Article 5: Minerals Taxes

commissioner of revenue to notify the revisor of statutes once the company has started to mine.

Article 6: Tax Increment Financing

This article makes a general law change to tax increment financing (TIF) requested by the Office of the State Auditor and provides or modifies special tax increment financing authority for several cities.

Section Description - Article 6: Tax Increment Financing

- 1 Excess increments.**
Clarifies the conditions under which authorities must either: (1) return increment in excess of tax increment financing costs approved in a tax increment financing plan; or (2) modify their tax increment financing plans.
- 2 City of Mountain Lake; TIF District No. 1-8; five-year rule extension.**
Extends a five- and six-year rule extension provided by prior special law by an additional three-year period, for a cumulative 8-year extension.
- 3 City of Wayzata; TIF District No. 6; expenditures allowed.**
Modifies prior special law authority given to Wayzata to allow it to use tax increment on some of its parks while having that spending count as being spent on development debt for the purposes of certain TIF restrictions.
- 4 Expiration.**
Provides a two-year extension (to 2028) for Eden Prairie to establish a tax increment financing plan under prior special legislation.
- 5 City of Chaska; TIF District No. 23.**
Allows a Chaska redevelopment district to last ten years longer than the generally applicable limit, collecting up to 36 years of tax increment.
- 6 City of Columbia Heights; Alatus TIF district; five-year rule extension; six-year rule extension; duration extension.**
Extends the five- and six-year rules, as well as the maximum duration limits, for the Alatus TIF district by five years.

Section Description - Article 6: Tax Increment Financing

7 City of Hopkins; TIF Districts 1-6 (325 Blake); five-year rule extension; six-year rule extension.

Extends the five- and six-year rule periods for one Hopkins TIF district by five years.

Article 7: Public Finance

This article modifies state limits on how its political subdivisions can undertake debt.

Section Description - Article 7: Public Finance

1 Bonds.

Shortens the notice period prior to issuing county transportation bonds from 14 days to 10 days, consistent with the notice periods applicable to other local government bonds.

2 Detail; maturity.

Removes a requirement that port authority bonds mature serially.

Article 8: Miscellaneous

Among other changes, this article establishes a tax on amounts obtained by fraud, modifies rules governing claims for a refund, extends the sunset on the Hennepin and Ramsey County mortgage and deed tax, appropriates funds for a study on nuclear energy, and modifies appropriations made in the housing finance act (Laws 2026, chapter 100).

Section Description - Article 8: Miscellaneous

1 Exchange of criminal investigative data between Department of Revenue and Financial Crimes and Fraud Section.

Allows information sharing between the Financial Crimes and Fraud Section (FCFS) of the Bureau of Criminal Apprehension and the Department of Revenue, in part to support the administration of the tax on fraud in section 6.

Effective the day following final enactment.

Section Description - Article 8: Miscellaneous

- 2 Disclosure to legislative auditor and state auditor; inspector general.**
Provides for information sharing between the Office of the Inspector General and commissioner of revenue, in part to support the administration of the tax on fraud established in section 6.

Effective January 1, 2027.
- 3 Liability imposed.**
Imposes personal liability for failure to pay the fraud tax established in section 6.

Effective for convictions of fraud beginning in 2026.
- 4 Time limit; generally.**
Modifies the conditions under which taxpayers can file a claim for a refund. Under current law, if taxpayers overpaid tax for a given year, they may file a claim for a refund of the overpayment within certain timeframes prescribed in law. The date by which a refund must be filed under current law is the later of the following:
- Three and a half years from the date the return was due, including any extension granted.
 - One year from the date of an order assessing tax or an order determining an appeal.
 - One year from the date of a return filed by the commissioner, upon payment of tax penalties and interest shown on the commissioner-filed return.
- This section strikes the second and third conditions in the list above, and instead allows a claim for a refund within two years from the date that tax penalties or interest was paid.

Effective the day following final enactment, for claims filed on or after that date.
- 5 Penalty for failure to file, false or fraudulent return, evasion.**
For amounts obtained by fraud as determined by the commissioner of revenue, and for which a conviction has not been made, allows the commissioner to impose a penalty equal to 100 percent of the amount attributable to fraud.

Effective for determinations of fraud beginning in 2026.
- 6 Tax on amounts obtained through fraud.**
Establishes a new tax on amounts obtained through fraud.

Section Description - Article 8: Miscellaneous

Subd. 1. Definitions. Defines terms for purposes of the new tax. “First-tier rate” refers to the lowest individual income tax rates. “Public program” and “fraud” are defined with reference to those terms in the data practices chapter. “Program fraud amount” means money obtained by fraud by an individual or organization convicted of public program fraud.

Subd. 2. Tax imposed. Imposes a tax of 100 percent on program fraud amounts.

Subd. 3. Data sharing. Allows the commissioner of revenue to share information with FCFS related to administering the tax.

Subd. 4. Agency certification. Requires a defrauded state agency to certify conviction information to the commissioner of revenue.

Subd. 5. Deposit of money. Requires the revenue collected from the tax to be deposited in a newly created tax relief account for use in reducing the first-tier rate for a taxable year. After two consecutive rate reductions, money in the tax relief account must be deposited in the general fund.

Effective for convictions of fraud in 2026.

7 Data sharing authorized.

Allows the FCFS to share investigative data with the commissioner of revenue for purposes of the fraud tax established in section 6.

Effective the day following final enactment.

8 Expiration.

Extends Ramsey County’s authority to impose a mortgage registry and deed tax from the end of 2028 to the end of 2036.

9 Expiration.

Extends Hennepin County’s authority to impose a mortgage registry and deed tax from the end of 2028 to the end of 2036.

10 Minnesota Housing Finance Agency.

Makes conforming changes to the repealer in section 17.

11 Nuclear energy study.

Appropriates \$500,000 to the Department of Commerce for a contract with the Great Plains Institute for a study on nuclear energy. Requires a legislative report on the study, to be submitted by February 1, 2027.

Section Description - Article 8: Miscellaneous

- 12 **Cancellations.**
Cancels \$15,000,000 of a fiscal year 2024 appropriation to the Minnesota forward fund account.
- 13 **Transfer.**
Transfers \$15,000,000 from the Minnesota forward fund account to the general fund in fiscal year 2027.
- 14 **Transfer.**
Transfers \$75,000,000 from the driver and vehicle services operating account to the general fund in fiscal year 2027.
- 15 **Return of unused tax-forfeited settlement appropriation; cancellation.**
Returns up to \$40,000,000 in the possession of a claims administrator handling settlement of claims against the state to the general fund.
- 16 **Appropriation.**
Appropriates \$38,000,000 in fiscal year 2026 from the general fund to the Minnesota Housing Finance Agency for the family homeless assistance and prevention program. Provides exception to certain grants management and procurement requirements. Requires that the appropriation be spent by the end of 2026.
- 17 **Repealer.**
Repeals a section from the Minnesota Housing Finance Agency supplemental budget act that: (1) provided for an open appropriation of the amount unneeded by the claims administrator whose appropriation is modified in section 15; and (2) appropriated that amount for the purposes of the rental assistance program receiving an appropriation under section 16.

Article 9: Department of Revenue; Individual Income and Corporate Franchise Taxes

This article allows nonresident partners in a partnership with Minnesota income tax liability to file composite returns under some conditions.

Description - Article 9: Department of Revenue; Individual Income and Corporate Franchise Taxes

- 1 Composite income tax returns for nonresident partners, shareholders, and beneficiaries.**
Allows nonresident partners to opt to file composite returns if they incur an accelerated gain under an installment sale, unless they defer the gain, in which case a nonresident partner would need to file an individual income tax return.
- 2 Net income.**
Modifies the definition of net income to reference: (1) the addition of accelerated gains in the tax year in which the gain was recognized; and (2) the exclusion of accelerated gains in tax years after the accelerated gain was recognized.
- 3 Accelerated recognition of certain installment sale gains.**
Clarifies that the exclusion of previously taxed accelerated gains applies both to composite Minnesota tax returns and to individual income tax returns.

Article 10: Department of Revenue; Property Taxes

This article removes and repeals obsolete property tax programs.

Section Description - Article 10: Department of Revenue; Property Taxes

- 1 Market value definition.**
Removes statutory reference to special property tax programs previously applicable to properties that suffered flood damage in 1997 and 2002.
- 2 Additional taxes.**
Strikes from the Green Acres program language that was applicable to properties withdrawing from the program before 2010.
- 3 Repealer.**
Repeals various expired and obsolete provisions.

Article 11: Department of Revenue; Miscellaneous; Economic Development

This article removes reference to the JOBZ program from state law and makes certain other miscellaneous changes.

Section	Description - Article 11: Department of Revenue; Miscellaneous; Economic Development
1	Definitions. Removes references to the expired JOBZ program.
2	Definitions. Removes references to the expired JOBZ program.
3	Use of data. Removes references to the expired JOBZ program.
4	Administration of enterprise and job opportunity programs. Removes reference to the expired JOBZ program.
5	Disclosure to legislative auditor. Removes reference to the expired JOBZ program.
6	Venue. Allows a single county to prosecute a person who committed multiple tax crimes in more than one county.
7	Taxable income. Removes reference to the expired JOBZ program.
8	Alternative minimum taxable income. Removes reference to the expired JOBZ program.
9	Exemptions. Removes reference to the expired JOBZ program.
10	Definitions. Removes reference to the expired JOBZ program.
11	Volunteer ambulance services. Corrects a cross-referencing error related to volunteer ambulance services' exemption from gross revenues and gross receipts taxes.
12	Tax collected. Removes reference to the expired JOBZ program.

Section	Description - Article 11: Department of Revenue; Miscellaneous; Economic Development
13	Refund; eligible persons. Removes reference to the expired JOBZ program.
14	Application. Removes reference to the expired JOBZ program.
15	Deposit of revenues. Requires the commissioner of revenue to update the amount of sales taxes on motor vehicle repair and replacement parts that must be deposited for any law changes by July 15 in the year the changes are made.
16	Exemptions. Removes reference to the expired JOBZ program.
17	Definitions. Expands the list of entities that can request federal tax information to include the Office of the Legislative Auditor.
18	Repealer. Repeals the expired JOBZ program and references to the expired JOBZ program.



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