

FORTY-FIRST DAY

St. Paul, Minnesota, Thursday, April 25, 2019

The Senate met at 11:00 a.m. and was called to order by the President.

CALL OF THE SENATE

Senator Gazelka imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

Prayer was offered by the Chaplain, Bishop Patricia Lull.

The members of the Senate gave the pledge of allegiance to the flag of the United States of America.

The roll was called, and the following Senators answered to their names:

Abeler	Draheim	Howe	Little	Senjem
Anderson, B.	Dziedzic	Ingebrigtsen	Marty	Simonson
Anderson, P.	Eaton	Isaacson	Mathews	Sparks
Bakk	Eichorn	Jasinski	Miller	Tomassoni
Benson	Eken	Jensen	Newman	Torres Ray
Bigham	Franzen	Johnson	Newton	Utke
Carlson	Frentz	Kent	Osmek	Weber
Chamberlain	Gazelka	Kiffmeyer	Pappas	Westrom
Champion	Goggin	Klein	Pratt	Wiger
Clausen	Hall	Koran	Rarick	Wiklund
Cohen	Hawj	Laine	Relph	
Cwodzinski	Hayden	Lang	Rest	
Dahms	Hoffman	Latz	Rosenn	
Dibble	Housley	Limmer	Ruud	

The President declared a quorum present.

The reading of the Journal was dispensed with and the Journal, as printed and corrected, was approved.

REPORTS OF COMMITTEES

Senator Gazelka moved that the Committee Reports at the Desk be now adopted. The motion prevailed.

Senator Gazelka, from the Committee on Rules and Administration, to which was referred

H.F. No. 2400 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS

H.F. No.	S.F. No.
2400	7

CONSENT CALENDAR

H.F. No.	S.F. No.
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CALENDAR

H.F. No.	S.F. No.
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Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 2400 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 2400, the second engrossment; and insert the language after the enacting clause of S.F. No. 7, the second engrossment; further, delete the title of H.F. No. 2400, the second engrossment; and insert the title of S.F. No. 7, the second engrossment.

And when so amended H.F. No. 2400 will be identical to S.F. No. 7, and further recommends that H.F. No. 2400 be given its second reading and substituted for S.F. No. 7, and that the Senate File be indefinitely postponed.

Pursuant to Rule 45, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

Senator Gazelka, from the Committee on Rules and Administration, to which was referred

H.F. No. 2208 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS

H.F. No.	S.F. No.
2208	2611

CONSENT CALENDAR

H.F. No.	S.F. No.
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CALENDAR

H.F. No.	S.F. No.
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Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 2208 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 2208, the third engrossment; and insert the language after the enacting clause of S.F. No. 2611, the second engrossment; further, delete the title of H.F. No. 2208, the third engrossment; and insert the title of S.F. No. 2611, the second engrossment.

And when so amended H.F. No. 2208 will be identical to S.F. No. 2611, and further recommends that H.F. No. 2208 be given its second reading and substituted for S.F. No. 2611, and that the Senate File be indefinitely postponed.

Pursuant to Rule 45, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

SECOND READING OF HOUSE BILLS

H.F. Nos. 2400 and 2208 were read the second time.

INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bills were read the first time.

Senators Draheim, Tomassoni, Hoffman, Eken, and Koran introduced--

S.F. No. 2845: A bill for an act relating to state government; requirements for state information technology security; amending Minnesota Statutes 2018, section 16E.03, by adding subdivisions.

Referred to the Committee on State Government Finance and Policy and Elections.

Senators Draheim, Eken, Goggin, Koran, and Mathews introduced--

S.F. No. 2846: A bill for an act relating to broadband; modifying the border-to-border broadband development grant program; amending Minnesota Statutes 2018, section 116J.395, subdivision 5.

Referred to the Committee on Agriculture, Rural Development, and Housing Policy.

Senators Johnson, Kent, Dziedzic, Mathews, and Cohen introduced--

S.F. No. 2847: A resolution calling for an end to the cold genocide and forced organ harvesting from Falun Gong practitioners in China.

Referred to the Committee on Judiciary and Public Safety Finance and Policy.

Senators Hayden, Pratt, Torres Ray, Dibble, and Franzen introduced--

S.F. No. 2848: A resolution calling for an end to the cold genocide and forced organ harvesting from Falun Gong practitioners in China.

Referred to the Committee on Judiciary and Public Safety Finance and Policy.

Senator Sparks introduced--

S.F. No. 2849: A bill for an act relating to capital investment; appropriating money for the expansion of the Hormel Institute facility in the city of Austin; authorizing the sale and issuance of state bonds.

Referred to the Committee on Capital Investment.

Senators Newman, Latz, Relph, Torres Ray, and Koran introduced--

S.F. No. 2850: A bill for an act relating to occupational licensing; to provide a prerecognition petition for offenders seeking state occupational licensing; proposing coding for new law in Minnesota Statutes, chapter 214.

Referred to the Committee on State Government Finance and Policy and Elections.

RECESS

Senator Gazelka moved that the Senate do now recess subject to the call of the President. The motion prevailed.

After a brief recess, the President called the Senate to order.

CALL OF THE SENATE

Senator Gazelka imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

MOTIONS AND RESOLUTIONS

Pursuant to Rule 26, Senator Gazelka, Chair of the Committee on Rules and Administration, designated S.F. No. 2227 a Special Order to be heard immediately.

SPECIAL ORDER

S.F. No. 2227: A bill for an act relating to the operation of state government; appropriating money for the legislature, governor's office, state auditor, attorney general, secretary of state, certain agencies, boards, councils, and retirement funds; changing provisions in state government operations; establishing commissions and task forces; repealing state aid to PERA General for MERF; establishing observances for veterans and allies; requiring reports; amending Minnesota Statutes 2018, sections 3.855, subdivision 2, by adding a subdivision; 3.97, subdivision 3a; 3.971, subdivision 9; 6.481, subdivisions 1, 3; 13.599, by adding a subdivision; 15A.083, subdivision 6a; 16A.103, subdivision 1a; 16A.11, subdivision 3; 16E.01, subdivision 1a; 16E.016; 16E.03, subdivisions 1, 2, by adding subdivisions; 16E.035; 16E.0466, subdivision 1; 16E.05, subdivision 3; 16E.14, subdivision 3; 16E.18, subdivision 6; 43A.15, subdivision 14; 43A.191, subdivisions 2, 3; 179A.20, by adding a subdivision; 196.05, subdivision 1; 240.01, by adding a subdivision; 240.02, subdivisions 2, 6; 240.08, subdivision 5; 240.10; 240.12; 240.13, subdivision 5; 240.131, subdivision 7; 240.135; 240.16, subdivisions 1, 2; 240.18, subdivisions 2, 3; 240.22; 240.27; 240A.09; 326A.01, subdivision 2; 326A.04, subdivisions 4, 5; 326A.08, subdivisions 4, 5, by adding a subdivision; 326A.10; 349.12, subdivision 2; 349.17, subdivision 6; 349.181, subdivision 5; 349.19, subdivisions 1, 2; 353.27, subdivision 3c; 645.071; Laws 2016, chapter 189, article 13, section 64; Laws 2018, chapter 100, section 1; proposing coding for new law in Minnesota Statutes, chapters 3; 5; 10; 14; 15; 16A; 16E; 326A; repealing Minnesota Statutes 2018, sections 3.9735; 353.505.

Senator Lang moved to amend S.F. No. 2227 as follows:

Page 8, line 10, delete "23,267,000" and insert "23,009,000" and delete "23,126,000" and insert "22,868,000"

Page 14, line 33, delete "3,124,000" and insert "3,382,000" and delete "3,124,000" and insert "3,382,000"

Page 14, after line 33, insert:

"\$258,000 each year is for reintegration activities. If the amount for fiscal year 2020 is insufficient, the amount for 2021 is available in fiscal year 2020. Any unencumbered balance does not cancel at the end of the first year and is available for the second year."

Correct the subdivision and section totals and the appropriations by fund

The motion prevailed. So the amendment was adopted.

Senator Howe moved to amend S.F. No. 2227 as follows:

Page 8, line 10, delete "23,267,000" and insert "22,267,000" and delete "23,126,000" and insert "22,626,000"

Page 15, line 1, delete "10,114,000" and insert "11,114,000" and delete "10,614,000" and insert "11,114,000"

Page 15, delete lines 12 and 13

Correct the subdivision and section totals and the appropriations by fund

The motion prevailed. So the amendment was adopted.

Senator Cohen moved to amend S.F. No. 2227 as follows:

Page 2, line 15, delete "17,675,000" and insert "13,675,000" and delete "18,255,000" and insert "14,255,000"

Correct the subdivision and section totals and the appropriations by fund

Senator Cohen moved to amend the Cohen amendment to S.F. No. 2227 as follows:

Page 1, after line 3, insert:

"Page 10, line 23, delete "18,497,000" and insert "22,497,000" and delete "18,497,000" and insert "22,497,000""

The motion prevailed. So the amendment to the amendment was adopted.

CALL OF THE SENATE

Senator Hall imposed a call of the Senate for the balance of the proceedings on the first Cohen amendment to S.F. No. 2227. The Sergeant at Arms was instructed to bring in the absent members.

The question recurred on the adoption of the first Cohen amendment, as amended.

The roll was called, and there were yeas 32 and nays 34, as follows:

Those who voted in the affirmative were:

Bakk	Dibble	Hayden	Little	Tomassoni
Bigham	Dziedzic	Hoffman	Marty	Torres Ray
Carlson	Eaton	Isaacson	Newton	Wiger
Champion	Eken	Kent	Pappas	Wiklund
Clausen	Franzen	Klein	Rest	
Cohen	Frentz	Laine	Simonson	
Cwodzinski	Hawj	Latz	Sparks	

Those who voted in the negative were:

Abeler	Eichorn	Jasinski	Mathews	Rosen
Anderson, B.	Gazelka	Jensen	Miller	Ruud
Anderson, P.	Goggin	Johnson	Newman	Senjem
Benson	Hall	Kiffmeyer	Osmek	Utke
Chamberlain	Housley	Koran	Pratt	Weber
Dahms	Howe	Lang	Rarick	Westrom
Draheim	Ingebriksen	Limmer	Relph	

The motion did not prevail. So the first Cohen amendment, as amended, was not adopted.

Senator Bakk moved to amend S.F. No. 2227 as follows:

Page 20, delete section 1

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 33 and nays 33, as follows:

Those who voted in the affirmative were:

Abeler	Cwodzinski	Hawj	Latz	Sparks
Bakk	Dibble	Hayden	Little	Tomassoni
Bigham	Dziedzic	Hoffman	Marty	Torres Ray
Carlson	Eaton	Isaacson	Newton	Wiger
Champion	Eken	Kent	Pappas	Wiklund
Clausen	Franzen	Klein	Rest	
Cohen	Frentz	Laine	Simonson	

Those who voted in the negative were:

Anderson, B.	Gazelka	Jensen	Miller	Ruud
Anderson, P.	Goggin	Johnson	Newman	Senjem
Benson	Hall	Kiffmeyer	Osmek	Utke
Chamberlain	Housley	Koran	Pratt	Weber
Dahms	Howe	Lang	Rarick	Westrom
Draheim	Ingebriksen	Limmer	Relph	
Eichorn	Jasinski	Mathews	Rosen	

The motion did not prevail. So the amendment was not adopted.

Senator Kent moved to amend S.F. No. 2227 as follows:

Page 39, delete section 25

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

CALL OF THE SENATE

Senator Latz imposed a call of the Senate for the balance of the proceedings on S.F. No. 2227. The Sergeant at Arms was instructed to bring in the absent members.

The question was taken on the adoption of the Kent amendment.

The roll was called, and there were yeas 32 and nays 34, as follows:

Those who voted in the affirmative were:

Bakk	Dibble	Hayden	Little	Tomassoni
Bigham	Dziedzic	Hoffman	Marty	Torres Ray
Carlson	Eaton	Isaacson	Newton	Wiger
Champion	Eken	Kent	Pappas	Wiklund
Clausen	Franzen	Klein	Rest	
Cohen	Frentz	Laine	Simonson	
Cwodzinski	Hawj	Latz	Sparks	

Those who voted in the negative were:

Abeler	Eichorn	Jasinski	Mathews	Rosen
Anderson, B.	Gazelka	Jensen	Miller	Ruud
Anderson, P.	Goggin	Johnson	Newman	Senjem
Benson	Hall	Kiffmeyer	Osmek	Utke
Chamberlain	Housley	Koran	Pratt	Weber
Dahms	Howe	Lang	Rarick	Westrom
Draheim	Ingebrigtsen	Limmer	Relph	

The motion did not prevail. So the amendment was not adopted.

Senator Laine moved to amend S.F. No. 2227 as follows:

Page 2, line 15, delete "17,675,000" and insert "16,075,000"

Correct the subdivision and section totals and the appropriations by fund

Senator Laine moved to amend the Laine amendment to S.F. No. 2227 as follows:

Page 1, after line 2, insert:

"Page 6, line 12, delete the first "8,781,000" and insert "10,381,000"

Page 6, after line 15, insert:

"\$1,600,000 the first year is for the state demographic center to implement an outreach and engagement plan for the 2020 census in Minnesota. This is a onetime appropriation."

The question was taken on the adoption of the Laine amendment to the Laine amendment.

The roll was called, and there were yeas 32 and nays 34, as follows:

Those who voted in the affirmative were:

Bakk	Dibble	Hayden	Little	Tomassoni
Bigham	Dziedzic	Hoffman	Marty	Torres Ray
Carlson	Eaton	Isaacson	Newton	Wiger
Champion	Eken	Kent	Pappas	Wiklund
Clausen	Franzen	Klein	Rest	
Cohen	Frentz	Laine	Simonson	
Cwodzinski	Hawj	Latz	Sparks	

Those who voted in the negative were:

Abeler	Eichorn	Jasinski	Mathews	Rosen
Anderson, B.	Gazelka	Jensen	Miller	Ruud
Anderson, P.	Goggin	Johnson	Newman	Senjem
Benson	Hall	Kiffmeyer	Osmek	Utke
Chamberlain	Housley	Koran	Pratt	Weber
Dahms	Howe	Lang	Rarick	Westrom
Draheim	Ingebrigtsen	Limmer	Relph	

The motion did not prevail. So the amendment to the amendment was not adopted.

Senator Laine withdrew her first amendment.

Senator Pratt moved to amend S.F. No. 2227 as follows:

Page 31, after line 9, insert:

"Sec. 16. Minnesota Statutes 2018, section 43A.01, is amended by adding a subdivision to read:

Subd. 4. **Hiring practices.** The commissioner and all appointing authorities must ensure that all hiring for management positions in agencies is done through a fair and open process where all qualified candidates are given full consideration. Under no circumstances may:

(1) job requirements be altered to fit a particular candidate prior to the posting of a position; or

(2) internal documents identify a particular candidate as the future holder of a position prior to their official hiring."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Hawj moved to amend S.F. No. 2227 as follows:

Page 79, after line 19, insert:

"Sec. 3. **[10.5805] HMONG SPECIAL GUERRILLA UNITS MEMORIAL DAY; STATEMENT OF PURPOSE.**

(a) May 14 of each year is designated as Hmong Special Guerilla Units Memorial Day in honor of Southeast Asians, Americans, and their allies who served, suffered, sacrificed, or died in the Secret War in Laos during the Vietnam War in the years 1961 to 1975 in support of the armed forces of the United States, and in recognition of the significance of May 14, 1975, the last day that the overall American-trained Hmong command structure over the Special Guerrilla Units in Laos was operational. At least 35,000 Hmong Special Guerrilla soldiers lost their lives protecting trapped, lost, or captured American soldiers and pilots in Laos and Vietnam. One-half of the Hmong population in Laos perished as a result of the American Secret War in Laos. Ethnic Hmong men, women, and children in Laos faced persecution and forced reeducation in seminar camps after their American support ended. Despite the tremendous cost and sacrifices in the war, the Hmong remain proud to stand by the values of freedom and justice that America symbolizes. Those who survived escaped to western countries to start a new life. Each year, the governor shall issue a proclamation honoring the observance.

(b) Schools are encouraged to read a passage about Hmong history or this statute to students in honor of this day on May 14 or, if May 14 falls on a Saturday or Sunday, on the Friday preceding May 14. Businesses may close in honor of this day and an employee may request the day off without pay with two weeks' notice to the employer in observance of this day.

(c) The governor shall order the American flag and Minnesota flag flown on the grounds of the Capitol area and other state property to be flown at half-staff on May 14. Local governments, private businesses, and public and private schools are encouraged to fly American and Minnesota flags at half-staff on May 14."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Senator Anderson, B. moved to amend the Hawj amendment to S.F. No. 2227 as follows:

Page 1, line 3, delete "HMONG SPECIAL GUERRILLA UNITS MEMORIAL DAY;" and insert "VIETNAM WAR ALLIED VETERANS DAY;"

Page 1, delete line 4

Page 1, lines 5, 9, 21, 25, and 27, delete "May 14" and insert "June 30"

Page 1, line 18, after the period, insert "Also honored on this day are veterans of the armed forces of the Republic of Vietnam who fought alongside the United States and other allied forces to resist the communist invasion of their country. At the end of the conflict tens of thousands of Vietnamese were killed, captured, tortured, or imprisoned; the veterans of the Army of the Khmer Republic and the indigenous peoples under the guidance of officers of the Central Intelligence Agency who, allied with the forces of the Republic of Vietnam, fought the Cambodian and Vietnamese communists and the North Vietnamese in Cambodia. The end of the conflict in Cambodia led to the Cambodian genocide that killed many of the family members of those Cambodian veterans who were able to emigrate successfully to the United States and become naturalized citizens; the Kampuchea Krom and Montagnards who were recruited, trained, and fought secretly alongside American military and Central Intelligence Agency personnel providing intelligence, interdicting enemy supplies, and defending Southeast Asia from communist aggression. Many were captured

and killed after the war and those who survived spent years in inhumane "reeducation" camps; veterans of the Royal Lao Armed Forces and Lao Special Guerrilla Units who defended key locations in Laos and flew tens of thousands of air combat missions, collected intelligence on communist military activities, and participated in the rescue of downed American airmen. Tens of thousands died in combat, while others were imprisoned or tortured in communist prison camps at the end of hostilities; veterans of the Thai Army and Thai Volunteers who fought communist aggression in Laos. Thai Army units joined United States and other allied units in conventional combat against the communist invaders of the Republic of Vietnam. The Thai Volunteer Special Guerrilla units directed by the Central Intelligence Agency reinforced Lao and Hmong Special Guerrilla Units; veterans of Australian or New Zealand Army, Navy, and Air Force units attached to United States combat units or as Special Air Service (SAS) commandos; the South Korean veterans of the Republic of Korea Army, Navy, Marines, and Air Force who served in the Republic of Vietnam; the Filipino veterans of the Philippine Civic Action Group-Vietnam; and the thousands of Canadians who volunteered to join the armed forces of the United States."

Page 1, line 19, delete "Hmong history" and insert "the history of the Vietnam War, including the role played by allies of the United States,"

Page 1, line 20, delete "May 14" and insert "June 30" and delete "May 14" and insert "June 30"

Senator Little questioned whether the Anderson, B. amendment to the amendment was germane.

The President ruled that the amendment to the amendment was germane.

Senator Anderson, B. withdrew his amendment to the Hawj amendment.

Senator Mathews moved to amend the Hawj amendment to S.F. No. 2227 as follows:

Page 1, line 5, delete "(a)"

Page 1, delete lines 19 to 27

The motion prevailed. So the amendment to the amendment was adopted.

The question recurred on the adoption of the Hawj amendment, as amended. The motion prevailed. So the amendment, as amended, was adopted.

Senator Abeler moved to amend S.F. No. 2227 as follows:

Page 82, after line 10, insert:

"Sec. 7. USS MINNEAPOLIS-ST. PAUL ACCOUNT.

Subdivision 1. **Account established.** The USS Minneapolis-St. Paul account is established in the special revenue fund. Money in the account is appropriated to the commissioner of military affairs for the commissioning and preservation of the USS Minneapolis-St. Paul.

Subd. 2. **Gifts and grants.** The commissioner of military affairs may solicit gifts, grants, or donations of any kind from any private or public source for the commissioning and preservation of

the USS Minneapolis-St. Paul. All gifts, grants, or donations received by the commissioner shall be deposited in the USS Minneapolis-St. Paul account under subdivision 1."

The motion prevailed. So the amendment was adopted.

Senator Koran moved to amend S.F. No. 2227 as follows:

Page 39, line 13, after the period, insert "This section does not apply to any law enforcement positions that involve the investigation, enforcement, or prosecution of a crime or any position in a correctional facility."

The motion prevailed. So the amendment was adopted.

Senator Koran moved to amend S.F. No. 2227 as follows:

Page 39, line 23, delete everything after the period and insert "This section does not apply to any law enforcement positions that involve the investigation, enforcement, or prosecution of a crime or any position in a correctional facility."

Page 39, delete line 24

The motion prevailed. So the amendment was adopted.

Senator Kiffmeyer moved to amend S.F. No. 2227 as follows:

Page 19, after line 33, insert:

"Sec. 39. APPROPRIATION; REDUCTION FOR UNFILLED POSITIONS.

The commissioner of management and budget must reduce general fund appropriations to agencies for agency operations for the biennium ending June 30, 2021, by \$468,000 as required under article 2, section 26. Reductions made in 2021 must be reflected as reductions in agency base budgets for fiscal years 2022 and 2023. For purposes of this section, "agency" has the meaning given in Minnesota Statutes, section 16A.011, subdivision 2, and does not include the Minnesota State Colleges and Universities. The commissioner of management and budget must report to the chairs and ranking minority members of the senate Finance Committee and the house of representatives Ways and Means Committee regarding the amount of reductions made to each agency's appropriation and base budget under this section."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Carlson moved to amend S.F. No. 2227 as follows:

Page 19, after line 33, insert:

"Sec. 39. HELP AMERICA VOTE ACT TRANSFERS AND APPROPRIATIONS; SECRETARY OF STATE.

\$6,595,610 is appropriated in fiscal year 2019 from the HAVA account established in Minnesota Statutes, section 5.30, to the secretary of state for the purposes of improving the administration and security of elections as authorized by federal law, including but not limited to any of the following activities:

(1) modernizing, securing, and updating the statewide voter registration system and for cybersecurity upgrades as authorized by federal law;

(2) improving accessibility;

(3) preparing training materials and training local election officials;

(4) implementing security improvements for election systems; and

(5) funding other activities to improve the security of elections.

This is a onetime appropriation.

EFFECTIVE DATE. This section is effective the day following final enactment."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Pursuant to Rule 7.4, Senator Rosen questioned whether the Carlson amendment was in order. The President ruled the amendment was out of order.

Senator Carlson appealed the decision of the President.

The question was taken on "Shall the decision of the President be the judgment of the Senate?"

The roll was called, and there were yeas 35 and nays 30, as follows:

Those who voted in the affirmative were:

Abeler	Draheim	Ingebrigtsen	Limmer	Relph
Anderson, B.	Eichorn	Jasinski	Mathews	Rosen
Anderson, P.	Gazelka	Jensen	Miller	Ruud
Benson	Goggin	Johnson	Newman	Senjem
Chamberlain	Hall	Kiffmeyer	Osmek	Utke
Cohen	Housley	Koran	Pratt	Weber
Dahms	Howe	Lang	Rarick	Westrom

Those who voted in the negative were:

Bakk	Dibble	Hayden	Latz	Simonson
Bigham	Dziedzic	Hoffman	Little	Sparks
Carlson	Eaton	Isaacson	Marty	Tomassoni
Champion	Eken	Kent	Newton	Torres Ray
Clausen	Frentz	Klein	Pappas	Wiger
Cwodzinski	Hawj	Laine	Rest	Wiklund

So the decision of the President was sustained.

S.F. No. 2227 was read the third time, as amended, and placed on its final passage.

The question was taken on the passage of the bill, as amended.

The roll was called, and there were yeas 37 and nays 28, as follows:

Those who voted in the affirmative were:

Abeler	Eichorn	Jasinski	Miller	Senjem
Anderson, B.	Gazelka	Jensen	Newman	Tomassoni
Anderson, P.	Goggin	Johnson	Osmek	Utke
Benson	Hall	Kiffmeyer	Pratt	Weber
Carlson	Hawj	Koran	Rarick	Westrom
Chamberlain	Housley	Lang	Relph	
Dahms	Howe	Limmer	Rosen	
Draheim	Ingebrigtsen	Mathews	Ruud	

Those who voted in the negative were:

Bakk	Dibble	Hoffman	Little	Sparks
Bigham	Dziedzic	Isaacson	Marty	Torres Ray
Champion	Eaton	Kent	Newton	Wiger
Clausen	Eken	Klein	Pappas	Wiklund
Cohen	Frentz	Laine	Rest	
Cwodzinski	Hayden	Latz	Simonson	

So the bill, as amended, was passed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Orders of Business of Reports of Committees and Second Reading of Senate Bills.

REPORTS OF COMMITTEES

Senator Gazelka moved that the Committee Reports at the Desk be now adopted, with the exception of the report on S.F. No. 2841. The motion prevailed.

Senator Chamberlain from the Committee on Taxes, to which was referred

S.F. No. 5: A bill for an act relating to taxation; providing for conformity and nonconformity to certain federal provisions; modifying certain individual income tax and other miscellaneous provisions; amending Minnesota Statutes 2018, sections 289A.02, subdivision 7; 289A.08, subdivisions 1, 7; 289A.12, subdivision 14; 289A.35; 290.01, subdivisions 19, 22, 29a, 31, by adding subdivisions; 290.0131, subdivisions 1, 3, 10, 12, 13, by adding subdivisions; 290.0132, subdivisions 1, 7, 20, 21, 26, by adding subdivisions; 290.0133, subdivision 12, by adding a subdivision; 290.0134, by adding subdivisions; 290.06, subdivisions 2c, 2d; 290.0672, subdivisions 1, 2; 290.0681, subdivisions 1, 2, 3, 4; 290.0802, subdivision 2; 290.091, subdivision 2; 290.095, subdivision 4; 290.17, subdivision 2; 290.21, subdivision 4; 290.34, by adding a subdivision; 290.92, subdivision 1; 290A.03, subdivisions 3, 12, 15; 290A.04, subdivisions 2, 2a, 4; 291.005, subdivision 1; 297A.68, subdivision 25; 297B.03; 462D.06, subdivisions 1, 2; 469.316, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 290; repealing Minnesota Statutes 2018, sections 290.0131, subdivisions 7, 11; 290.0133, subdivisions 13, 14; 290.10, subdivision 2.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

FEDERAL CONFORMITY

Section 1. Minnesota Statutes 2018, section 270A.03, subdivision 5, is amended to read:

Subd. 5. **Debt; debtor.** (a) "Debt" means a legal obligation of a natural person to pay a fixed and certain amount of money, which equals or exceeds \$25 and which is due and payable to a claimant agency. The term includes criminal fines imposed under section 609.10 or 609.125, fines imposed for petty misdemeanors as defined in section 609.02, subdivision 4a, and restitution. A debt may arise under a contractual or statutory obligation, a court order, or other legal obligation, but need not have been reduced to judgment.

A debt includes any legal obligation of a current recipient of assistance which is based on overpayment of an assistance grant where that payment is based on a client waiver or an administrative or judicial finding of an intentional program violation; or where the debt is owed to a program wherein the debtor is not a client at the time notification is provided to initiate recovery under this chapter and the debtor is not a current recipient of food support, transitional child care, or transitional medical assistance.

(b) A debt does not include any legal obligation to pay a claimant agency for medical care, including hospitalization if the income of the debtor at the time when the medical care was rendered does not exceed the following amount:

- (1) for an unmarried debtor, an income of \$12,560 or less;
- (2) for a debtor with one dependent, an income of \$16,080 or less;
- (3) for a debtor with two dependents, an income of \$19,020 or less;
- (4) for a debtor with three dependents, an income of \$21,580 or less;
- (5) for a debtor with four dependents, an income of \$22,760 or less; and
- (6) for a debtor with five or more dependents, an income of \$23,730 or less.

For purposes of this paragraph, "debtor" means the individual whose income, together with the income of the individual's spouse, other than a separated spouse, brings the individual within the income provisions of this paragraph. For purposes of this paragraph, a spouse, other than a separated spouse, shall be considered a dependent.

(c) ~~The commissioner shall annually adjust the income amounts in paragraph (b) by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2014" shall be substituted for the word "1992." For 2016, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2014, to the 12 months ending on August 31, 2015, and in each subsequent year, from the 12 months ending on August 31, 2014, to the 12 months ending on August 31 of the year preceding the taxable~~

~~year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14. The income amount as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount as provided in section 270C.22. The statutory year is taxable year 2019.~~

(d) Debt also includes an agreement to pay a MinnesotaCare premium, regardless of the dollar amount of the premium authorized under section 256L.15, subdivision 1a.

EFFECTIVE DATE. This section is effective for adjustments beginning with taxable years beginning after December 31, 2019.

Sec. 2. [270C.22] COST OF LIVING ADJUSTMENT.

Subdivision 1. **Adjustment; definition; period; rounding.** (a) The commissioner shall annually make a cost of living adjustment to the dollar amounts noted in sections that reference this section. The commissioner shall adjust the amounts based on the index as provided in this section. For purposes of this section, "index" means the Chained Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics. The values of the index used to determine the adjustments under this section are the latest published values when the Bureau of Labor Statistics publishes the initial value of the index for August of the year preceding the year to which the adjustment applies.

(b) For the purposes of this section, "statutory year" means the year preceding the first year for which dollar amounts are to be adjusted for inflation under sections that reference this section. For adjustments under chapter 290A, "statutory year" means the year in which refunds are payable preceding the first year for which amounts in chapter 290A are indexed under this section.

(c) To determine the dollar amounts for taxable year 2020, the commissioner shall determine the percentage change in the index for the 12-month period ending on August 31, 2019, and increase each of the unrounded dollar amounts in the sections referencing this section by that percentage change. For each subsequent taxable year, the commissioner shall increase the dollar amounts by the percentage change in the index from August 31 of the year preceding the statutory year to August 31 of the year preceding the taxable year.

(d) To determine the dollar amounts for refunds payable in 2021 under chapter 290A, the commissioner shall determine the percentage change in the index for the 12-month period ending on August 31, 2020, and increase each of the unrounded dollar amounts in the sections referencing this section by that percentage change. For each subsequent year, the commissioner shall increase the dollar amounts by the percentage change in the index from August 31 of the year preceding the statutory year to August 31 of the year preceding the year in which refunds are payable.

(e) Unless otherwise provided, the commissioner shall round the amounts as adjusted to the nearest \$10 amount. If an amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

Subd. 2. **Publication.** The commissioner shall announce and publish the adjusted dollar amounts required by subdivision 1 on the Department of Revenue's website on or before December 15 of each year.

Subd. 3. **Special provision.** The determination of the commissioner under this subdivision is not a rule and is not subject to the Administrative Procedure Act under chapter 14, including section 14.386.

EFFECTIVE DATE. This section is effective for adjustments beginning with taxable years beginning after December 31, 2019, calendar years beginning after December 31, 2019, and for refunds based on rent paid in 2019 and property taxes payable in 2020.

Sec. 3. Minnesota Statutes 2018, section 289A.02, subdivision 7, is amended to read:

Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ December 31, 2018.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time the changes become effective for federal purposes.

Sec. 4. Minnesota Statutes 2018, section 289A.08, subdivision 1, is amended to read:

Subdivision 1. **Generally; individuals.** (a) A taxpayer must file a return for each taxable year the taxpayer is required to file a return under section 6012 of the Internal Revenue Code or meets the requirements under paragraph (d) to file a return, except that:

(1) an individual who is not a Minnesota resident for any part of the year is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources as determined under sections 290.081, paragraph (a), and 290.17, is less than the filing requirements for a single individual who is a full year resident of Minnesota; ~~and~~

(2) an individual who is a Minnesota resident is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources as determined under section 290.17, less the subtractions allowed under section 290.0132, subdivisions 12 and 15, is less than the filing requirements for a single individual who is a full-year resident of Minnesota.

(b) The decedent's final income tax return, and other income tax returns for prior years where the decedent had gross income in excess of the minimum amount at which an individual is required to file and did not file, must be filed by the decedent's personal representative, if any. If there is no personal representative, the return or returns must be filed by the transferees, as defined in section 270C.58, subdivision 3, who receive property of the decedent.

(c) The term "gross income," as it is used in this section, has the same meaning given it in section 290.01, subdivision 20.

(d) The commissioner of revenue shall annually determine the gross income levels at which individuals are required to file a return for each taxable year based on the amounts that may be deducted under section 290.0803 and the personal and dependent exemptions under section 290.0138.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 5. Minnesota Statutes 2018, section 289A.08, subdivision 7, is amended to read:

Subd. 7. **Composite income tax returns for nonresident partners, shareholders, and beneficiaries.** (a) The commissioner may allow a partnership with nonresident partners to file a composite return and to pay the tax on behalf of nonresident partners who have no other Minnesota source income. This composite return must include the names, addresses, Social Security numbers, income allocation, and tax liability for the nonresident partners electing to be covered by the composite return.

(b) The computation of a partner's tax liability must be determined by multiplying the income allocated to that partner by the highest rate used to determine the tax liability for individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard deductions, or personal exemptions are not allowed.

(c) The partnership must submit a request to use this composite return filing method for nonresident partners. The requesting partnership must file a composite return in the form prescribed by the commissioner of revenue. The filing of a composite return is considered a request to use the composite return filing method.

(d) The electing partner must not have any Minnesota source income other than the income from the partnership and other electing partnerships. If it is determined that the electing partner has other Minnesota source income, the inclusion of the income and tax liability for that partner under this provision will not constitute a return to satisfy the requirements of subdivision 1. The tax paid for the individual as part of the composite return is allowed as a payment of the tax by the individual on the date on which the composite return payment was made. If the electing nonresident partner has no other Minnesota source income, filing of the composite return is a return for purposes of subdivision 1.

(e) This subdivision does not negate the requirement that an individual pay estimated tax if the individual's liability would exceed the requirements set forth in section 289A.25. The individual's liability to pay estimated tax is, however, satisfied when the partnership pays composite estimated tax in the manner prescribed in section 289A.25.

(f) If an electing partner's share of the partnership's gross income from Minnesota sources is less than the filing requirements for a nonresident under this subdivision, the tax liability is zero. However, a statement showing the partner's share of gross income must be included as part of the composite return.

(g) The election provided in this subdivision is only available to a partner who has no other Minnesota source income and who is either (1) a full-year nonresident individual or (2) a trust or estate that does not claim a deduction under either section 651 or 661 of the Internal Revenue Code.

(h) A corporation defined in section 290.9725 and its nonresident shareholders may make an election under this paragraph. The provisions covering the partnership apply to the corporation and the provisions applying to the partner apply to the shareholder.

(i) Estates and trusts distributing current income only and the nonresident individual beneficiaries of the estates or trusts may make an election under this paragraph. The provisions covering the partnership apply to the estate or trust. The provisions applying to the partner apply to the beneficiary.

(j) For the purposes of this subdivision, "income" means the partner's share of federal adjusted gross income from the partnership modified by the additions provided in section 290.0131, subdivisions 8 to ~~10~~ and 15, and the subtractions provided in: (1) section 290.0132, subdivision 9, to the extent the amount is assignable or allocable to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed under section 290.0132, subdivision 9, is only allowed on the composite tax computation to the extent the electing partner would have been allowed the subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 6. Minnesota Statutes 2018, section 289A.12, subdivision 14, is amended to read:

Subd. 14. **Reporting exempt interest and exempt-interest dividends.** (a) A regulated investment company paying \$10 or more in exempt-interest dividends to an individual who is a resident of Minnesota, or any person receiving \$10 or more of exempt interest or exempt-interest dividends and paying as nominee to an individual who is a resident of Minnesota, must make a return indicating the amount of the exempt interest or exempt-interest dividends, the name, address, and Social Security number of the recipient, and any other information that the commissioner specifies. The return must be provided to the recipient by February 15 of the year following the year of the payment. The return provided to the recipient must include a clear statement, in the form prescribed by the commissioner, that the exempt interest or exempt-interest dividends must be included in the computation of Minnesota taxable income. By June 1 of each year, the payer must file a copy of the return with the commissioner.

(b) For purposes of this subdivision, the following definitions apply.

(1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest dividends that are not required to be added to federal ~~taxable~~ adjusted gross income under section 290.0131, subdivision 2, paragraph (b).

(2) "Regulated investment company" means regulated investment company as defined in section 851(a) of the Internal Revenue Code or a fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code.

(3) "Exempt interest" means income on obligations of any state other than Minnesota, or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota, and exempt from federal income taxes under the Internal Revenue Code or any other federal statute.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 7. Minnesota Statutes 2018, section 289A.35, is amended to read:

289A.35 ASSESSMENTS ON RETURNS.

(a) The commissioner may audit and adjust the taxpayer's computation of federal adjusted gross income, federal taxable income, items of federal tax preferences, or federal credit amounts to make them conform with the provisions of chapter 290 or section 298.01. If a return has been filed, the commissioner shall enter the liability reported on the return and may make any audit or investigation that is considered necessary.

(b) Upon petition by a taxpayer, and when the commissioner determines that it is in the best interest of the state, the commissioner may allow S corporations and partnerships to receive orders of assessment issued under section 270C.33, subdivision 4, on behalf of their owners, and to pay liabilities shown on such orders. In such cases, the owners' liability must be calculated using the method provided in section 289A.08, subdivision 7, paragraph (b).

(c) A taxpayer may petition the commissioner for the use of the method described in paragraph (b) after the taxpayer is notified that an audit has been initiated and before an order of assessment has been issued.

(d) A determination of the commissioner under paragraph (b) to grant or deny the petition of a taxpayer cannot be appealed to the Tax Court or any other court.

(e) The commissioner may audit and adjust the taxpayer's computation of tax under chapter 291. In the case of a return filed pursuant to section 289A.10, the commissioner shall notify the estate no later than nine months after the filing date, as provided by section 289A.38, subdivision 2, whether the return is under examination or the return has been processed as filed.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 8. Minnesota Statutes 2018, section 290.01, is amended by adding a subdivision to read:

Subd. 14a. **Surviving spouse.** The term "surviving spouse" means an individual who is a surviving spouse under section 2(a) of the Internal Revenue Code for the taxable year.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 9. Minnesota Statutes 2018, section 290.01, subdivision 19, is amended to read:

Subd. 19. **Net income.** (a) For a corporation taxable under section 290.02, and an estate or a trust taxable under section 290.03, the term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating the federal effective dates of changes to the Internal Revenue Code and any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in sections 290.0131 to 290.0136.

(b) For an individual, the term "net income" means federal adjusted gross income with the modifications provided in sections 290.0131, 290.0132, and 290.0135 to 290.0137.

(c) In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment company taxable income as defined in section 852(b)(2) of the Internal Revenue Code, except that:

(1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal Revenue Code does not apply;

(2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code; and

(3) the deduction for dividends paid must also be applied in the amount of any undistributed capital gains which the regulated investment company elects to have treated as provided in section 852(b)(3)(D) of the Internal Revenue Code.

(d) The net income of a real estate investment trust as defined and limited by section 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

(e) The net income of a designated settlement fund as defined in section 468B(d) of the Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal Revenue Code.

(f) The Internal Revenue Code of 1986, as amended through December ~~16, 2016~~ 31, 2018, shall be in effect for taxable years beginning after December 31, 1996.

(g) Except as otherwise provided, references to the Internal Revenue Code in this subdivision and sections 290.0131 to 290.0136 mean the code in effect for purposes of determining net income for the applicable year.

EFFECTIVE DATE. (a) The amendments to paragraphs (a) and (b) are effective for taxable years beginning after December 31, 2018.

(b) This amendment to paragraph (f) is effective the day following final enactment, except the changes incorporated by federal changes in Public Laws 115-63 and 115-123, are effective retroactively at the same time as the changes were effective for federal purposes.

Sec. 10. Minnesota Statutes 2018, section 290.01, is amended by adding a subdivision to read:

Subd. 21a. Adjusted gross income; federal adjusted gross income. The terms "adjusted gross income" and "federal adjusted gross income" mean adjusted gross income, as defined in section 62 of the Internal Revenue Code, as amended through the date named in subdivision 19, paragraph (f), incorporating the federal effective date of changes to the Internal Revenue Code and any elections made by the taxpayer under the Internal Revenue Code in determining federal adjusted gross income for federal income tax purposes.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 11. Minnesota Statutes 2018, section 290.01, subdivision 22, is amended to read:

Subd. 22. **Taxable net income.** For tax years beginning after December 31, ~~1986~~ 2018, the term "taxable net income" means:

(1) for resident individuals ~~the same as~~, net income less the deductions allowed under section 290.0803;

(2) for individuals who were ~~not~~ residents of Minnesota for less than the entire year, ~~the same as~~ net income less the deductions allowed under section 290.0803, except that the tax is imposed only on the Minnesota apportioned share of that income as determined pursuant to section 290.06, subdivision 2c, paragraph (e);

(3) for all other taxpayers, the part of net income that is allocable to Minnesota by assignment or apportionment under one or more of sections 290.17, 290.191, 290.20, and 290.36, except that for nonresident individuals net income is reduced by the amount of the standard deduction allowable under section 290.0803, subdivision 2, before allocation of net income to Minnesota.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 12. Minnesota Statutes 2018, section 290.01, subdivision 29a, is amended to read:

Subd. 29a. **State itemized deduction.** "State itemized deduction" means federal itemized deductions, as defined in section 63(d) of the Internal Revenue Code, disregarding ~~any limitation under section 68 of the Internal Revenue Code, and reduced by the amount of the addition required under section 290.0131, subdivision 13.~~ changes to itemized deductions made by Public Law 115-97, except that:

(1) section 13704 of Public Law 115-97 applies;

(2) section 11043 of Public Law 115-97 applies;

(3) for the purposes of calculating miscellaneous itemized deductions, under section 67(a) of the Internal Revenue Code, the number "5" is substituted for the number "2"; and

(4) the deduction of taxes under section 164 of the Internal Revenue Code is limited to state and local real property taxes and state and local personal property taxes up to \$15,000, or \$7,500 for a married couple filing a separate return.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 13. Minnesota Statutes 2018, section 290.01, is amended by adding a subdivision to read:

Subd. 29b. **State standard deduction.** "State standard deduction" means the federal standard deduction computed under section 63(c), (f), and (g) of the Internal Revenue Code, as amended through December 16, 2016, except that for purposes of adjusting the amounts under this subdivision, the provisions of section 270C.22, apply.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 14. Minnesota Statutes 2018, section 290.01, subdivision 31, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ December 31, 2018. Internal Revenue Code also includes any uncodified provision in federal law that relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to the same taxable years as the changes incorporated by federal changes are effective for federal purposes, including any provisions that are retroactive to taxable years beginning after December 31, 2016, but excluding the change made to the temporary reduction in medical expense deduction floor in section 11027 of Public Law 115-97.

Sec. 15. Minnesota Statutes 2018, section 290.0131, subdivision 1, is amended to read:

Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "addition" means an amount that must be added to federal ~~taxable adjusted gross income, or for estates and trusts, federal taxable income,~~ in computing net income for the taxable year to which the amounts relate.

(b) The additions in this section apply to individuals, estates, and trusts.

(c) Unless specifically indicated or unless the context clearly indicates otherwise, only amounts that were deducted or excluded in computing federal ~~taxable adjusted gross income, or for estates and trusts, federal taxable income,~~ are an addition under this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 16. Minnesota Statutes 2018, section 290.0131, subdivision 3, is amended to read:

Subd. 3. **Income, sales and use, motor vehicle sales, or excise taxes paid.** ~~(a)~~ For trusts and estates, the amount of income, sales and use, motor vehicle sales, or excise taxes paid or accrued within the taxable year under this chapter and the amount of taxes based on net income, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any province or territory of Canada is an addition to the extent deducted under section 63(d) of the Internal Revenue Code.

~~(b) The addition under paragraph (a) may not be more than the amount by which the state itemized deduction exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code. For the purpose of this subdivision, income, sales and use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed under subdivision 12.~~

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 17. Minnesota Statutes 2018, section 290.0131, subdivision 12, is amended to read:

Subd. 12. **Disallowed itemized deductions.** (a) The amount of disallowed itemized deductions is an addition. The amount of disallowed itemized deductions, ~~plus the addition required under subdivision 3,~~ may not be more than the amount by which the state itemized deductions, as allowed

~~under section 63(d) of the Internal Revenue Code, exceeds the amount of the state standard deduction as defined in section 63(e) of the Internal Revenue Code.~~

(b) The amount of disallowed itemized deductions is equal to the lesser of:

(1) three percent of the excess of the taxpayer's federal adjusted gross income over the applicable amount; or

(2) 80 percent of the amount of the state itemized deductions otherwise allowable to the taxpayer under the Internal Revenue Code for the taxable year.

(c) "Applicable amount" means \$100,000, or \$50,000 for a married individual filing a separate return. Each dollar amount is increased by an amount equal to:

(1) that dollar amount, multiplied by

(2) the cost-of-living adjustment determined under section ~~1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph (B) of section 1(f)(3)~~ 270C.22.

(d) "Itemized deductions" excludes:

(1) the deduction for medical expenses under section 213 of the Internal Revenue Code;

(2) any deduction for investment interest as defined in section 163(d) of the Internal Revenue Code; and

(3) the deduction under section 165(a) of the Internal Revenue Code for casualty or theft losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue Code or for losses described in section 165(d) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 18. Minnesota Statutes 2018, section 290.0131, subdivision 13, is amended to read:

Subd. 13. **Disallowed personal exemption amount.** (a) The amount of disallowed personal exemptions for taxpayers with federal adjusted gross income over the threshold amount is an addition.

(b) The disallowed personal exemption amount is equal to the ~~number of personal exemptions and dependent exemption subtraction~~ allowed under section ~~151(b) and (c) of the Internal Revenue Code 290.0132, subdivision 20~~, multiplied by the ~~dollar amount for personal exemptions under section 151(d)(1) and (2) of the Internal Revenue Code, as adjusted for inflation by section 151(d)(4) of the Internal Revenue Code, and by the applicable percentage.~~

(c) For a married individual filing a separate return, "applicable percentage" means two percentage points for each \$1,250, or fraction of that amount, by which the taxpayer's federal adjusted gross income for the taxable year exceeds the threshold amount. For all other filers, applicable percentage means two percentage points for each \$2,500, or fraction of that amount, by which the taxpayer's

federal adjusted gross income for the taxable year exceeds the threshold amount. The applicable percentage must not exceed 100 percent.

(d) "Threshold amount" means:

(1) \$150,000 for a joint return or a surviving spouse;

(2) \$125,000 for a head of a household;

(3) \$100,000 for an individual who is not married and who is not a surviving spouse or head of a household; and

(4) \$75,000 for a married individual filing a separate return.

(e) The thresholds must be increased by an amount equal to:

(1) the threshold dollar amount, multiplied by

(2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph (B) of section 1(f)(3) 270C.22.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 19. Minnesota Statutes 2018, section 290.0131, is amended by adding a subdivision to read:

Subd. 15. **Qualified business income addition.** For a trust or estate, the amount deducted under section 199A of the Internal Revenue Code in computing the federal taxable income of the trust or estate is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 20. Minnesota Statutes 2018, section 290.0131, is amended by adding a subdivision to read:

Subd. 16. **Foreign-derived intangible income.** The amount of foreign-derived intangible income deducted under section 250 of the Internal Revenue Code for the taxable year is an addition.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017.

Sec. 21. Minnesota Statutes 2018, section 290.0132, subdivision 1, is amended to read:

Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "subtraction" means an amount that shall be allowed to be subtracted from federal taxable adjusted gross income, or for estates and trusts, federal taxable income, in computing net income for the taxable year to which the amounts relate.

(b) The subtractions in this section apply to individuals, estates, and trusts.

(c) Unless specifically indicated or unless the context clearly indicates otherwise, no amount deducted, subtracted, or otherwise excluded in computing federal taxable adjusted gross income, or for estates and trusts, federal taxable income, is a subtraction under this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 22. Minnesota Statutes 2018, section 290.0132, subdivision 7, is amended to read:

Subd. 7. **Charitable contributions for taxpayers who do not itemize.** ~~To the extent not deducted or not deductible under section 408(d)(8)(E) of the Internal Revenue Code in determining federal taxable income by~~ For an individual who does not itemize deductions for federal income tax purposes under section 290.0803 for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over \$500 allowable as a state itemized deduction for the taxable year under section 170(a) of the Internal Revenue Code is a subtraction. The subtraction under this subdivision must not include a distribution that is excluded from federal adjusted gross income and that is not deductible under section 408(d)(8)(E) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 23. Minnesota Statutes 2018, section 290.0132, subdivision 20, is amended to read:

Subd. 20. **Disallowed Personal and dependent exemption.** ~~The amount of the phaseout of personal exemptions under section 151(d) of the Internal Revenue Code is a subtraction.~~ The amount of personal and dependent exemptions calculated under section 290.0138 is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 24. Minnesota Statutes 2018, section 290.0132, subdivision 21, is amended to read:

Subd. 21. **Military service pension; retirement pay.** To the extent included in federal taxable adjusted gross income, compensation received from a pension or other retirement pay from the federal government for service in the military, as computed under United States Code, title 10, sections 1401 to 1414, 1447 to 1455, and 12733, is a subtraction. The subtraction is limited to individuals who do not claim the credit under section 290.0677.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 25. Minnesota Statutes 2018, section 290.0132, is amended by adding a subdivision to read:

Subd. 27. **Global intangible low-taxed income.** The taxpayer's global intangible low-taxed income included under section 951A of the Internal Revenue Code for the taxable year is a subtraction.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017.

Sec. 26. Minnesota Statutes 2018, section 290.0132, is amended by adding a subdivision to read:

Subd. 28. **Deferred foreign income.** The amount of deferred foreign income recognized because of section 965 of the Internal Revenue Code, and before any deduction under section 965(c) of the Internal Revenue Code, is a subtraction.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time the changes become effective for federal purposes.

Sec. 27. Minnesota Statutes 2018, section 290.0132, is amended by adding a subdivision to read:

Subd. 29. **Standard or itemized deduction.** The amount allowed under section 290.0803 is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 28. Minnesota Statutes 2018, section 290.0133, is amended by adding a subdivision to read:

Subd. 15. **Foreign-derived intangible income.** The amount of foreign-derived intangible income deducted under section 250 of the Internal Revenue Code for the taxable year is an addition.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017.

Sec. 29. Minnesota Statutes 2018, section 290.0134, is amended by adding a subdivision to read:

Subd. 17. **Global intangible low-taxed income.** The taxpayer's global intangible low-taxed income included under section 951A of the Internal Revenue Code for the taxable year is a subtraction.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017.

Sec. 30. Minnesota Statutes 2018, section 290.0134, is amended by adding a subdivision to read:

Subd. 18. **Deferred foreign income.** The amount of deferred foreign income recognized because of section 965 of the Internal Revenue Code, and before any deduction under section 965(c) of the Internal Revenue Code, is a subtraction.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time the changes become effective for federal purposes.

Sec. 31. **[290.0138] PERSONAL AND DEPENDENT EXEMPTIONS.**

(a) A taxpayer is allowed: (1) a personal exemption in the amount of \$4,250, and in the case of a married couple filing a joint return an additional personal exemption of \$4,250; plus (2) a dependent exemption of \$4,250 multiplied by the number of dependents of the taxpayer, as defined under sections 151 and 152 of the Internal Revenue Code.

(b) The personal and dependent exemptions are not allowed to an individual who is eligible to be claimed as a dependent, as defined in sections 151 or 152 of the Internal Revenue Code, by another taxpayer.

(c) The commissioner shall annually adjust the amounts in this section under section 270C.22. The statutory year is taxable year 2019.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2019.

Sec. 32. Minnesota Statutes 2018, section 290.032, subdivision 2, is amended to read:

Subd. 2. **Computation.** The amount of tax imposed by subdivision 1 shall be computed in the same way as the tax imposed under section 402(d) of the Internal Revenue Code of 1986, as amended through December 31, 1995, except that the initial separate tax shall be an amount equal to five times the tax which would be imposed by section 290.06, subdivision 2c, if the recipient was an unmarried individual, and the taxable net income was an amount equal to one-fifth of the excess of

(i) the total taxable amount of the lump-sum distribution for the year, over

(ii) the minimum distribution allowance, and except that references in section 402(d) of the Internal Revenue Code of 1986, as amended through December 31, 1995, to paragraph (1)(A) thereof shall instead be references to subdivision 1, and the excess, if any, of the subtraction base amount over ~~federal~~ net taxable income for a qualified individual as provided under section 290.0802, subdivision 2.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 33. Minnesota Statutes 2018, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. **Inflation adjustment of brackets.** ~~(a) For taxable years beginning after December 31, 2013, The commissioner shall annually adjust the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, 2012, and before January 1, 2014 as provided in section 270C.22. The statutory year is taxable year 2019. The rate applicable to any rate~~

bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

~~(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2012" shall be substituted for the word "1992." For 2014, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.~~

~~No later than December 15 of each year, the commissioner shall announce the specific percentage that will be used to adjust the tax rate brackets.~~

EFFECTIVE DATE. This section is effective for adjustments beginning with taxable years beginning after December 31, 2019.

Sec. 34. Minnesota Statutes 2018, section 290.067, subdivision 2b, is amended to read:

Subd. 2b. **Inflation adjustment.** The commissioner shall annually adjust the dollar amount of the income threshold at which the maximum credit begins to be reduced under subdivision 1 ~~by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2016" shall be substituted for the word "1992."~~ For 2018, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision must not be considered a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. The threshold amount as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount as provided in section 270C.22. The statutory year is taxable year 2019.

EFFECTIVE DATE. This section is effective for adjustments beginning with taxable years beginning after December 31, 2019.

Sec. 35. Minnesota Statutes 2018, section 290.0671, subdivision 7, is amended to read:

Subd. 7. **Inflation adjustment.** The commissioner shall annually adjust the earned income amounts used to calculate the credit and the income phase-out thresholds at which the maximum credit begins to be reduced in subdivision 1 must be adjusted for inflation. The commissioner shall adjust by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2013" shall be substituted for the word "1992." For 2015, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2013, to the 12 months ending on August 31, 2014, and in each subsequent year, from the 12 months ending on August 31, 2013, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10

~~amount. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act as provided in section 270C.22. The statutory year is taxable year 2019.~~

EFFECTIVE DATE. This section is effective for adjustments for taxable years beginning after December 31, 2019.

Sec. 36. Minnesota Statutes 2018, section 290.0672, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Long-term care insurance" means a policy that:

(1) qualifies for a deduction under section 213 of the Internal Revenue Code, disregarding the adjusted gross income test; or meets the requirements given in section 62A.46; or provides similar coverage issued under the laws of another jurisdiction; and

(2) has a lifetime long-term care benefit limit of not less than \$100,000; and

(3) has been offered in compliance with the inflation protection requirements of section 62S.23.

(c) "Qualified beneficiary" means the taxpayer or the taxpayer's spouse.

(d) "Premiums deducted in determining ~~federal~~ taxable net income" means the lesser of (1) long-term care insurance premiums that qualify as deductions under section 213 of the Internal Revenue Code; and (2) the total amount deductible for medical ~~care~~ expenses under section 213 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 37. Minnesota Statutes 2018, section 290.0672, subdivision 2, is amended to read:

Subd. 2. **Credit.** A taxpayer is allowed a credit against the tax imposed by this chapter for long-term care insurance policy premiums paid during the tax year. The credit for each policy equals 25 percent of premiums paid to the extent not deducted in determining ~~federal~~ taxable net income. A taxpayer may claim a credit for only one policy for each qualified beneficiary. A maximum of \$100 applies to each qualified beneficiary. The maximum total credit allowed per year is \$200 for married couples filing joint returns and \$100 for all other filers. For a nonresident or part-year resident, the credit determined under this section must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 38. Minnesota Statutes 2018, section 290.0681, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Account" means the historic credit administration account in the special revenue fund.

(c) "Office" means the State Historic Preservation Office of the Department of Administration.

(d) "Project" means rehabilitation of a certified historic structure, as defined in section 47(c)(3)(A) of the Internal Revenue Code, that is located in Minnesota and is allowed a federal credit.

(e) "Federal credit" means the credit allowed under section ~~47(a)(2)~~ 47(a) of the Internal Revenue Code, except that the amount allowed is deemed to be allocated in the taxable year that the project is placed in service.

(f) "Placed in service" has the meaning used in section 47 of the Internal Revenue Code.

(g) "Qualified rehabilitation expenditures" has the meaning given in section 47 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective retroactively for applications for allocation certificates submitted after December 31, 2017.

Sec. 39. Minnesota Statutes 2018, section 290.0681, subdivision 2, is amended to read:

Subd. 2. **Credit or grant allowed; certified historic structure.** (a) A credit is allowed against the tax imposed under this chapter equal to not more than 100 percent of the credit allowed under section ~~47(a)(2)~~ 47(a) of the Internal Revenue Code for a project. The credit is payable in five equal yearly installments beginning with the year the project is placed in service. To qualify for the credit:

(1) the project must receive Part 3 certification and be placed in service during the taxable year; and

(2) the taxpayer must be allowed the federal credit and be issued a credit certificate for the taxable year as provided in subdivision 4.

(b) The commissioner of administration may pay a grant in lieu of the credit. The grant equals 90 percent of the credit that would be allowed for the project. The grant is payable in five equal yearly installments beginning with the year the project is placed in service.

(c) In lieu of the credit under paragraph (a), an insurance company may claim a credit against the insurance premiums tax imposed under chapter 297I.

EFFECTIVE DATE. This section is effective retroactively for applications for allocation certificates submitted after December 31, 2017.

Sec. 40. Minnesota Statutes 2018, section 290.0681, subdivision 3, is amended to read:

Subd. 3. **Applications; allocations.** (a) To qualify for a credit or grant under this section, the developer of a project must apply to the office before the rehabilitation begins. The application must contain the information and be in the form prescribed by the office. The office may collect a fee for application of up to 0.5 percent of qualified rehabilitation expenditures, up to \$40,000, based on estimated qualified rehabilitation expenditures, to offset costs associated with personnel and administrative expenses related to administering the credit and preparing the economic impact report

in subdivision 9. Application fees are deposited in the account. The application must indicate if the application is for a credit or a grant in lieu of the credit or a combination of the two and designate the taxpayer qualifying for the credit or the recipient of the grant.

(b) Upon approving an application for credit, the office shall issue allocation certificates that:

(1) verify eligibility for the credit or grant;

(2) state the amount of credit or grant anticipated with the project, with the credit amount equal to 100 percent and the grant amount equal to 90 percent of the federal credit anticipated in the application;

(3) state that the credit or grant allowed may increase or decrease if the federal credit the project receives at the time it is placed in service is different than the amount anticipated at the time the allocation certificate is issued; and

(4) state the fiscal year in which the credit or grant is allocated, and that the taxpayer or grant recipient is entitled to receive one-fifth of the total amount of either the credit or the grant at the time the project is placed in service, provided that date is within three calendar years following the issuance of the allocation certificate.

(c) The office, in consultation with the commissioner, shall determine if the project is eligible for a credit or a grant under this section and must notify the developer in writing of its determination. Eligibility for the credit is subject to review and audit by the commissioner.

(d) The federal credit recapture and repayment requirements under section 50 of the Internal Revenue Code do not apply to the credit allowed under this section.

(e) Any decision of the office under paragraph (c) may be challenged as a contested case under chapter 14. The contested case proceeding must be initiated within 45 days of the date of written notification by the office.

EFFECTIVE DATE. This section is effective retroactively for applications for allocation certificates submitted after December 31, 2017.

Sec. 41. Minnesota Statutes 2018, section 290.0681, subdivision 4, is amended to read:

Subd. 4. **Credit certificates; grants.** (a)(1) The developer of a project for which the office has issued an allocation certificate must notify the office when the project is placed in service. Upon verifying that the project has been placed in service, and was allowed a federal credit, the office must issue a credit certificate to the taxpayer designated in the application or must issue a grant to the recipient designated in the application. The credit certificate must state the amount of the credit.

(2) The credit amount equals the federal credit allowed for the project.

(3) The grant amount equals 90 percent of the federal credit allowed for the project.

(b) The recipient of a credit certificate may assign the certificate to another taxpayer before the first one-fifth payment is claimed, which is then allowed the credit under this section or section 2971.20, subdivision 3. An assignment is not valid unless the assignee notifies the commissioner

within 30 days of the date that the assignment is made. The commissioner shall prescribe the forms necessary for notifying the commissioner of the assignment of a credit certificate and for claiming a credit by assignment.

(c) Credits passed through to partners, members, shareholders, or owners pursuant to subdivision 5 are not an assignment of a credit certificate under this subdivision.

(d) A grant agreement between the office and the recipient of a grant may allow the grant to be issued to another individual or entity.

EFFECTIVE DATE. This section is effective retroactively for applications for allocation certificates submitted after December 31, 2017.

Sec. 42. Minnesota Statutes 2018, section 290.0802, subdivision 2, is amended to read:

Subd. 2. **Subtraction.** (a) A qualified individual is allowed a subtraction from federal ~~taxable~~ adjusted gross income of the individual's subtraction base amount. The excess of the subtraction base amount over the taxable net income computed without regard to the subtraction for the elderly or disabled under section 290.0132, subdivision 5, may be used to reduce the amount of a lump sum distribution subject to tax under section 290.032.

(b)(1) The initial subtraction base amount equals

(i) \$12,000 for a married taxpayer filing a joint return if a spouse is a qualified individual,

(ii) \$9,600 for a single taxpayer, and

(iii) \$6,000 for a married taxpayer filing a separate federal return.

(2) The qualified individual's initial subtraction base amount, then, must be reduced by the sum of nontaxable retirement and disability benefits and one-half of the amount of adjusted gross income in excess of the following thresholds:

(i) \$18,000 for a married taxpayer filing a joint return if both spouses are qualified individuals,

(ii) \$14,500 for a single taxpayer or for a married couple filing a joint return if only one spouse is a qualified individual, and

(iii) \$9,000 for a married taxpayer filing a separate federal return.

(3) In the case of a qualified individual who is under the age of 65, the maximum amount of the subtraction base may not exceed the taxpayer's disability income.

(4) The resulting amount is the subtraction base amount.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 43. **[290.0803] STANDARD OR ITEMIZED DEDUCTION.**

Subdivision 1. **Election.** An individual may elect to claim a state itemized deduction in lieu of a state standard deduction. However, in the case of a married individual filing a separate return, if one spouse elects to claim state itemized deductions, the other spouse is not allowed a state standard deduction.

Subd. 2. **Subtraction.** Based on the election under subdivision 1, individuals are allowed to subtract from federal adjusted gross income the state standard deduction or the state itemized deduction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 44. Minnesota Statutes 2018, section 290.091, subdivision 2, is amended to read:

Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following terms have the meanings given.

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

(i) the charitable contribution deduction under section 170 of the Internal Revenue Code;

(ii) the medical expense deduction;

(iii) the casualty, theft, and disaster loss deduction; and

(iv) the impairment-related work expenses of a disabled person;

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

(4) to the extent not included in federal alternative minimum taxable income, the amount of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue Code determined without regard to subparagraph (E);

(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.0131, subdivision 2; and

(6) the amount of addition required by section 290.0131, subdivisions 9 to 11 and 16;

(7) the deduction allowed under section 199A of the Internal Revenue Code;

less the sum of the amounts determined under the following:

- (i) interest income as defined in section 290.0132, subdivision 2;
- (ii) an overpayment of state income tax as provided by section 290.0132, subdivision 3, to the extent included in federal alternative minimum taxable income;
- (iii) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income;
- (iv) amounts subtracted from federal ~~taxable~~ adjusted gross income as provided by section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, and ~~26 to 30; and~~
- (v) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c); and
- (vi) the amount that would have been an allowable deduction under section 165(h) of the Internal Revenue Code, as amended through December 16, 2016, and that was taken as a state itemized deduction under section 290.01, subdivision 29a.

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code, except that alternative minimum taxable income must be increased by the amount of the addition under section 290.0131, subdivision 15.

(b) "Investment interest" means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.

(c) "Net minimum tax" means the minimum tax imposed by this section.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.

(e) "Tentative minimum tax" equals 6.75 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 45. Minnesota Statutes 2018, section 290.0921, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given them.

(b) "Alternative minimum taxable net income" is alternative minimum taxable income,

(1) less the exemption amount, and

(2) apportioned or allocated to Minnesota under section 290.17, 290.191, or 290.20.

(c) The "exemption amount" is \$40,000, reduced, but not below zero, by 25 percent of the excess of alternative minimum taxable income over \$150,000.

(d) "Minnesota alternative minimum taxable income" is alternative minimum taxable net income, less the deductions for alternative tax net operating loss under subdivision 4; and dividends received under subdivision 6. The sum of the deductions under this paragraph may not exceed 90 percent of alternative minimum taxable net income. This limitation does not apply to:

(1) a deduction for dividends paid to or received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code; or

(2) a deduction for dividends received from a property and casualty insurer as defined under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (i) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (ii) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

(e) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 16, 2016.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 46. Minnesota Statutes 2018, section 290.0921, subdivision 3, is amended to read:

Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable income" is Minnesota net income as defined in section 290.01, subdivision 19, and includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e), (f), and (h) of the Internal Revenue Code. If a corporation files a separate company Minnesota tax return, the minimum tax must be computed on a separate company basis. If a corporation is part of a tax group filing a unitary return, the minimum tax must be computed on a unitary basis. The following adjustments must be made.

(1) The portion of the depreciation deduction allowed for federal income tax purposes under section 168(k) of the Internal Revenue Code that is required as an addition under section 290.0133, subdivision 11, is disallowed in determining alternative minimum taxable income.

(2) The subtraction for depreciation allowed under section 290.0134, subdivision 13, is allowed as a depreciation deduction in determining alternative minimum taxable income.

(3) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d) of the Internal Revenue Code does not apply.

(4) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

(5) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

(6) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

(7) The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

(8) For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

(9) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.0134, subdivision 2, or (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.0134, subdivision 8.

(10) Alternative minimum taxable income excludes the income from operating in a job opportunity building zone as provided under section 469.317.

Items of tax preference must not be reduced below zero as a result of the modifications in this subdivision.

(11) A subtraction is allowed for deferred foreign income as provided in section 290.0134, subdivision 18.

(12) A subtraction is allowed for global intangible low-taxed income as provided in section 290.0134, subdivision 17.

EFFECTIVE DATE. The addition of clause (11) is effective retroactively for taxable years beginning after December 31, 2016. The addition of clause (12) is effective retroactively for taxable years beginning after December 31, 2017.

Sec. 47. Minnesota Statutes 2018, section 290.17, subdivision 2, is amended to read:

Subd. 2. **Income not derived from conduct of a trade or business.** The income of a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or business must be assigned in accordance with paragraphs (a) to (f):

(a)(1) Subject to paragraphs (a)(2) and (a)(3), income from wages as defined in section 3401(a) ~~and~~, (f), and (i) of the Internal Revenue Code is assigned to this state if, and to the extent that, the work of the employee is performed within it; all other income from such sources is treated as income from sources without this state.

Severance pay shall be considered income from labor or personal or professional services.

(2) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner:

(i) the amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota. For purposes of this paragraph, off-season training activities, unless conducted at the team's facilities as part of a team imposed program, are not included in the total number of duty days. Bonuses earned as a result of play during the regular season or for participation in championship, play-off, or all-star games must be allocated under the formula. Signing bonuses are not subject to allocation under the formula if they are not conditional on playing any games for the team, are payable separately from any other compensation, and are nonrefundable; and

(ii) the amount of income to be assigned to Minnesota for an individual who is a nonresident, and who is an athlete or entertainer not listed in item (i), for that person's athletic or entertainment performance in Minnesota shall be determined by assigning to this state all income from performances or athletic contests in this state.

(3) For purposes of this section, amounts received by a nonresident as "retirement income" as defined in section (b)(1) of the State Income Taxation of Pension Income Act, Public Law 104-95, are not considered income derived from carrying on a trade or business or from wages or other compensation for work an employee performed in Minnesota, and are not taxable under this chapter.

(b) Income or gains from tangible property located in this state that is not employed in the business of the recipient of the income or gains must be assigned to this state.

(c) Income or gains from intangible personal property not employed in the business of the recipient of the income or gains must be assigned to this state if the recipient of the income or gains is a resident of this state or is a resident trust or estate.

Gain on the sale of a partnership interest is allocable to this state in the ratio of the original cost of partnership tangible property in this state to the original cost of partnership tangible property everywhere, determined at the time of the sale. If more than 50 percent of the value of the partnership's assets consists of intangibles, gain or loss from the sale of the partnership interest is allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding the tax period of the partnership during which the partnership interest was sold.

Gain on the sale of an interest in a single member limited liability company that is disregarded for federal income tax purposes is allocable to this state as if the single member limited liability company did not exist and the assets of the limited liability company are personally owned by the sole member.

Gain on the sale of goodwill or income from a covenant not to compete that is connected with a business operating all or partially in Minnesota is allocated to this state to the extent that the income from the business in the year preceding the year of sale was allocable to Minnesota under subdivision 3.

When an employer pays an employee for a covenant not to compete, the income allocated to this state is in the ratio of the employee's service in Minnesota in the calendar year preceding leaving the employment of the employer over the total services performed by the employee for the employer in that year.

(d) Income from winnings on a bet made by an individual while in Minnesota is assigned to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

(e) All items of gross income not covered in paragraphs (a) to (d) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

(f) For the purposes of this section, working as an employee shall not be considered to be conducting a trade or business.

EFFECTIVE DATE. This section is effective for wages paid after December 31, 2018.

Sec. 48. Minnesota Statutes 2018, section 290.21, subdivision 4, is amended to read:

Subd. 4. **Dividends received from another corporation.** (a)(1) Eighty percent of dividends received by a corporation during the taxable year from another corporation, in which the recipient owns 20 percent or more of the stock, by vote and value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom; and

(2)(i) the remaining 20 percent of dividends if the dividends received are the stock in an affiliated company transferred in an overall plan of reorganization and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989;

(ii) the remaining 20 percent of dividends if the dividends are received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989, or is deducted under an election under section 243(b) of the Internal Revenue Code; or

(iii) the remaining 20 percent of the dividends if the dividends are received from a property and casualty insurer as defined under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (A) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

(b) Seventy percent of dividends received by a corporation during the taxable year from another corporation in which the recipient owns less than 20 percent of the stock, by vote or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of income and gain therefrom.

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code.

The dividend deduction provided in this subdivision does not apply to a dividend received from a real estate investment trust as defined in section 856 of the Internal Revenue Code.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) or 246A of the Internal Revenue Code.

(d) If dividends received by a corporation that does not have nexus with Minnesota under the provisions of Public Law 86-272 are included as income on the return of an affiliated corporation permitted or required to file a combined report under section 290.17, subdivision 4, or 290.34, subdivision 2, then for purposes of this subdivision the determination as to whether the trade or business of the corporation consists principally of the holding of stocks and the collection of income and gains therefrom shall be made with reference to the trade or business of the affiliated corporation having a nexus with Minnesota.

(e) The deduction provided by this subdivision does not apply if the dividends are paid by a FSC as defined in section 922 of the Internal Revenue Code.

(f) If one or more of the members of the unitary group whose income is included on the combined report received a dividend, the deduction under this subdivision for each member of the unitary business required to file a return under this chapter is the product of: (1) 100 percent of the dividends received by members of the group; (2) the percentage allowed pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income apportionable to this state for the taxable year under section 290.191 or 290.20.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 49. Minnesota Statutes 2018, section 290.34, is amended by adding a subdivision to read:

Subd. 5. Insurance companies; interest expense limitation. To be consistent with the federal treatment of the interest expense limitation under section 163(j) of the Internal Revenue Code for an affiliated group that includes an insurance company taxable under chapter 297I and exempt from taxation under section 290.05, subdivision 1, clause (c), the rules under this subdivision apply. In that case, the interest expense limitation under section 163(j) of the Internal Revenue Code must be computed for the corporation subject to tax under this chapter using the adjusted taxable income of the insurance companies that are part of the affiliated group and taxed under chapter 297I.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 50. Minnesota Statutes 2018, section 290.92, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (1) **Wages.** For purposes of this section, the term "wages" means the same as that term is defined in section 3401(a) ~~and~~₂ (f), and (i) of the Internal Revenue Code.

(2) **Payroll period.** For purposes of this section the term "payroll period" means a period for which a payment of wages is ordinarily made to the employee by the employee's employer, and the term "miscellaneous payroll period" means a payroll period other than a daily, weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual payroll period.

(3) **Employee.** For purposes of this section the term "employee" means any resident individual performing services for an employer, either within or without, or both within and without the state of Minnesota, and every nonresident individual performing services within the state of Minnesota, the performance of which services constitute, establish, and determine the relationship between the parties as that of employer and employee. As used in the preceding sentence, the term "employee" includes an officer of a corporation, and an officer, employee, or elected official of the United States, a state, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing.

(4) **Employer.** For purposes of this section the term "employer" means any person, including individuals, fiduciaries, estates, trusts, partnerships, limited liability companies, and corporations transacting business in or deriving any income from sources within the state of Minnesota for whom an individual performs or performed any service, of whatever nature, as the employee of such person, except that if the person for whom the individual performs or performed the services does not have control of the payment of the wages for such services, the term "employer," except for purposes of paragraph (1), means the person having control of the payment of such wages. As used in the preceding sentence, the term "employer" includes any corporation, individual, estate, trust, or organization which is exempt from taxation under section 290.05 and further includes, but is not limited to, officers of corporations who have control, either individually or jointly with another or others, of the payment of the wages.

(5) **Number of withholding exemptions claimed.** For purposes of this section, the term "number of withholding exemptions claimed" means the number of withholding exemptions claimed in a withholding exemption certificate in effect under subdivision 5, except that if no such certificate is in effect, the number of withholding exemptions claimed shall be considered to be zero.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 51. Minnesota Statutes 2018, section 290A.03, subdivision 3, is amended to read:

Subd. 3. **Income.** (a) "Income" means the sum of the following:

(1) federal adjusted gross income as defined in the Internal Revenue Code; and

(2) the sum of the following amounts to the extent not included in clause (1):

- (i) all nontaxable income;
 - (ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;
 - (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;
 - (iv) cash public assistance and relief;
 - (v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, Supplemental Security Income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;
 - (vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;
 - (vii) workers' compensation;
 - (viii) nontaxable strike benefits;
 - (ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;
 - (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;
 - (xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for the claimant and spouse;
 - (xii) to the extent not included in federal adjusted gross income, distributions received by the claimant or spouse from a traditional or Roth style retirement account or plan;
 - (xiii) nontaxable scholarship or fellowship grants;
 - (xiv) ~~the amount of deduction allowed under section 199 of the Internal Revenue Code~~ alimony received to the extent not included in the recipient's income;
 - (xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;
 - (xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue Code;
- and

(xvii) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(b) "Income" does not include:

(1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

(2) amounts of any pension or annuity which was exclusively funded by the claimant or spouse and which funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(3) to the extent included in federal adjusted gross income, amounts contributed by the claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed the retirement base amount reduced by the amount of contributions excluded from federal adjusted gross income, but not less than zero;

(4) surplus food or other relief in kind supplied by a governmental agency;

(5) relief granted under this chapter;

(6) child support payments received under a temporary or final decree of dissolution or legal separation; ~~or~~

(7) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16; or

(8) alimony paid.

(c) The sum of the following amounts may be subtracted from income:

(1) for the claimant's first dependent, the exemption amount multiplied by 1.4;

(2) for the claimant's second dependent, the exemption amount multiplied by 1.3;

(3) for the claimant's third dependent, the exemption amount multiplied by 1.2;

(4) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

(5) for the claimant's fifth dependent, the exemption amount; and

(6) if the claimant or claimant's spouse was disabled or attained the age of 65 on or before December 31 of the year for which the taxes were levied or rent paid, the exemption amount.

(d) For purposes of this subdivision, the following terms have the meanings given:

(1) "exemption amount" means ~~the exemption amount under section 151(d) of the Internal Revenue Code~~ the personal exemption amount under section 290.0138, paragraph (a), for the taxable year for which the income is reported;

(2) "retirement base amount" means the deductible amount for the taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for inflation as provided in section 219(b)(5)(C) of the Internal Revenue Code, without regard to whether the claimant or spouse claimed a deduction; and

(3) "traditional or Roth style retirement account or plan" means retirement plans under sections 401, 403, 408, 408A, and 457 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for property tax refunds based on property taxes payable in 2020, and rent paid in 2019.

Sec. 52. Minnesota Statutes 2018, section 290A.03, subdivision 12, is amended to read:

Subd. 12. **Gross rent.** (a) "Gross rent" means rental paid for the right of occupancy, at arm's length, of a homestead, exclusive of charges for any medical services furnished by the landlord as a part of the rental agreement, whether expressly set out in the rental agreement or not.

(b) The gross rent of a resident of a nursing home or intermediate care facility is ~~\$350~~ \$490 per month. The gross rent of a resident of an adult foster care home is ~~\$550~~ \$760 per month. Beginning for rent paid in ~~2002~~ 2019, the commissioner shall annually adjust ~~for inflation~~ the gross rent amounts ~~stated in this paragraph as provided under section 270C.22. The statutory year is 2020. The adjustment must be made in accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this paragraph the percentage increase shall be determined from the year ending on June 30, 2001, to the year ending on June 30 of the year in which the rent is paid. The commissioner shall round the gross rents to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up to the next \$10 amount. The determination of the commissioner under this paragraph is not a rule under the Administrative Procedure Act.~~

(c) If the landlord and tenant have not dealt with each other at arm's length and the commissioner determines that the gross rent charged was excessive, the commissioner may adjust the gross rent to a reasonable amount for purposes of this chapter.

(d) Any amount paid by a claimant residing in property assessed pursuant to section 273.124, subdivision 3, 4, 5, or 6 for occupancy in that property shall be excluded from gross rent for purposes of this chapter. However, property taxes imputed to the homestead of the claimant or the dwelling unit occupied by the claimant that qualifies for homestead treatment pursuant to section 273.124, subdivision 3, 4, 5, or 6 shall be included within the term "property taxes payable" as defined in subdivision 13, notwithstanding the fact that ownership is not in the name of the claimant.

EFFECTIVE DATE. This section is effective for adjustments beginning with refunds based on rent paid in 2019.

Sec. 53. Minnesota Statutes 2018, section 290A.03, subdivision 15, is amended to read:

Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 16, 2016 31, 2018.

EFFECTIVE DATE. This section is effective for property tax refunds based on property taxes payable in 2020, and rent paid in 2019.

Sec. 54. Minnesota Statutes 2018, section 290A.04, subdivision 4, is amended to read:

Subd. 4. **Inflation adjustment.** ~~(a) Beginning for property tax refunds payable in calendar year 2002; The commissioner shall annually adjust the dollar amounts of the income thresholds and the maximum refunds under subdivisions 2 and 2a for inflation. The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this subdivision the percentage increase shall be determined as provided in this subdivision as provided in section 270C.22.~~

~~(b) In adjusting the dollar amounts of the income thresholds and the maximum refunds under subdivision 2 for inflation, the percentage increase shall be determined from the year ending on June 30, 2013, to the year ending on June 30 of the year preceding that in which the refund is payable.~~

~~(c) In adjusting the dollar amounts of the income thresholds and the maximum refunds under subdivision 2a for inflation, the percentage increase shall be determined from the year ending on June 30, 2013, to the year ending on June 30 of the year preceding that in which the refund is payable.~~

~~(d) The commissioner shall use the appropriate percentage increase to annually adjust the income thresholds and maximum refunds under subdivisions 2 and 2a for inflation without regard to whether or not the income tax brackets are adjusted for inflation in that year. The commissioner shall round the thresholds and the maximum amounts, as adjusted to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up to the next \$10 amount.~~

~~(e) The commissioner shall annually announce the adjusted refund schedule at the same time provided under section 290.06. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.~~

EFFECTIVE DATE. This section is effective for refunds based on rent paid in 2020, and property taxes paid in 2021.

Sec. 55. Minnesota Statutes 2018, section 291.005, subdivision 1, is amended to read:

Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(2) "Federal gross estate" means the gross estate of a decedent as required to be valued and otherwise determined for federal estate tax purposes under the Internal Revenue Code, increased by the value of any property in which the decedent had a qualifying income interest for life and for which an election was made under section 291.03, subdivision 1d, for Minnesota estate tax purposes, but was not made for federal estate tax purposes.

(3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through December ~~16, 2016~~ 31, 2018.

(4) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included in the estate which has its situs outside Minnesota, and (b) including any property omitted from the federal gross estate which is includable in the estate, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

(5) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(6) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

(7) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota. The provisions of section 290.01, subdivision 7, paragraphs (c) and (d), apply to determinations of domicile under this chapter.

(8) "Situs of property" means, with respect to:

(i) real property, the state or country in which it is located;

(ii) tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death or for a gift of tangible personal property within three years of death, the state or country in which it was normally kept or located when the gift was executed;

(iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue Code, owned by a nonresident decedent and that is normally kept or located in this state because it is on loan to an organization, qualifying as exempt from taxation under section 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

(iv) intangible personal property, the state or country in which the decedent was domiciled at death or for a gift of intangible personal property within three years of death, the state or country in which the decedent was domiciled when the gift was executed.

For a nonresident decedent with an ownership interest in a pass-through entity with assets that include real or tangible personal property, situs of the real or tangible personal property, including qualified works of art, is determined as if the pass-through entity does not exist and the real or tangible personal property is personally owned by the decedent. If the pass-through entity is owned by a person or persons in addition to the decedent, ownership of the property is attributed to the decedent in proportion to the decedent's capital ownership share of the pass-through entity.

(9) "Pass-through entity" includes the following:

- (i) an entity electing S corporation status under section 1362 of the Internal Revenue Code;
- (ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;
- (iii) a single-member limited liability company or similar entity, regardless of whether it is taxed as an association or is disregarded for federal income tax purposes under Code of Federal Regulations, title 26, section 301.7701-3; or
- (iv) a trust to the extent the property is ~~includible~~ includable in the decedent's federal gross estate; but excludes
- (v) an entity whose ownership interest securities are traded on an exchange regulated by the Securities and Exchange Commission as a national securities exchange under section 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time the changes become effective for federal purposes.

Sec. 56. Minnesota Statutes 2018, section 297A.68, subdivision 25, is amended to read:

Subd. 25. **Sale of property used in a trade or business.** (a) The sale of tangible personal property primarily used in a trade or business is exempt if the sale is not made in the normal course of business of selling that kind of property and if one of the following conditions is satisfied:

(1) the sale occurs in a transaction subject to or described in section 118, 331, 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, or 1033 of the Internal Revenue Code, as amended through December 16, 2016;

(2) the sale is between members of a controlled group as defined in section 1563(a) of the Internal Revenue Code;

(3) the sale is a sale of farm machinery;

(4) the sale is a farm auction sale;

(5) the sale is a sale of substantially all of the assets of a trade or business; or

(6) the total amount of gross receipts from the sale of trade or business property made during the calendar month of the sale and the preceding 11 calendar months does not exceed \$1,000.

The use, storage, distribution, or consumption of tangible personal property acquired as a result of a sale exempt under this subdivision is also exempt.

(b) For purposes of this subdivision, the following terms have the meanings given.

(1) A "farm auction" is a public auction conducted by a licensed auctioneer if substantially all of the property sold consists of property used in the trade or business of farming and property not used primarily in a trade or business.

(2) "Trade or business" includes the assets of a separate division, branch, or identifiable segment of a trade or business if, before the sale, the income and expenses attributable to the separate division, branch, or identifiable segment could be separately ascertained from the books of account or record (the lease or rental of an identifiable segment does not qualify for the exemption).

(3) A "sale of substantially all of the assets of a trade or business" must occur as a single transaction or a series of related transactions within the 12-month period beginning on the date of the first sale of assets intended to qualify for the exemption provided in paragraph (a), clause (5).

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after December 31, 2018.

Sec. 57. Minnesota Statutes 2018, section 297B.03, is amended to read:

297B.03 EXEMPTIONS.

There is specifically exempted from the provisions of this chapter and from computation of the amount of tax imposed by it the following:

(1) purchase or use, including use under a lease purchase agreement or installment sales contract made pursuant to section 465.71, of any motor vehicle by the United States and its agencies and instrumentalities and by any person described in and subject to the conditions provided in section 297A.67, subdivision 11;

(2) purchase or use of any motor vehicle by any person who was a resident of another state or country at the time of the purchase and who subsequently becomes a resident of Minnesota, provided the purchase occurred more than 60 days prior to the date such person began residing in the state of Minnesota and the motor vehicle was registered in the person's name in the other state or country;

(3) purchase or use of any motor vehicle by any person making a valid election to be taxed under the provisions of section 297A.90;

(4) purchase or use of any motor vehicle previously registered in the state of Minnesota when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code, as amended through December 16, 2016;

(5) purchase or use of any vehicle owned by a resident of another state and leased to a Minnesota-based private or for-hire carrier for regular use in the transportation of persons or property in interstate commerce provided the vehicle is titled in the state of the owner or secured party, and that state does not impose a sales tax or sales tax on motor vehicles used in interstate commerce;

(6) purchase or use of a motor vehicle by a private nonprofit or public educational institution for use as an instructional aid in automotive training programs operated by the institution. "Automotive training programs" includes motor vehicle body and mechanical repair courses but does not include driver education programs;

(7) purchase of a motor vehicle by an ambulance service licensed under section 144E.10 when that vehicle is equipped and specifically intended for emergency response or for providing ambulance service;

(8) purchase of a motor vehicle by or for a public library, as defined in section 134.001, subdivision 2, as a bookmobile or library delivery vehicle;

(9) purchase of a ready-mixed concrete truck;

(10) purchase or use of a motor vehicle by a town for use exclusively for road maintenance, including snowplows and dump trucks, but not including automobiles, vans, or pickup trucks;

(11) purchase or use of a motor vehicle by a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes, except a public school, university, or library, but only if the vehicle is:

(i) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a passenger automobile, as defined in section 168.002, if the automobile is designed and used for carrying more than nine persons including the driver; and

(ii) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose;

(12) purchase of a motor vehicle for use by a transit provider exclusively to provide transit service is exempt if the transit provider is either (i) receiving financial assistance or reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29, 473.388, or 473.405;

(13) purchase or use of a motor vehicle by a qualified business, as defined in section 469.310, located in a job opportunity building zone, if the motor vehicle is principally garaged in the job opportunity building zone and is primarily used as part of or in direct support of the person's operations carried on in the job opportunity building zone. The exemption under this clause applies to sales, if the purchase was made and delivery received during the duration of the job opportunity building zone. The exemption under this clause also applies to any local sales and use tax;

(14) purchase of a leased vehicle by the lessee who was a participant in a lease-to-own program from a charitable organization that is:

(i) described in section 501(c)(3) of the Internal Revenue Code; and

(ii) licensed as a motor vehicle lessor under section 168.27, subdivision 4; and

(15) purchase of a motor vehicle used exclusively as a mobile medical unit for the provision of medical or dental services by a federally qualified health center, as defined under title 19 of the Social Security Act, as amended by Section 4161 of the Omnibus Budget Reconciliation Act of 1990.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after December 31, 2018.

Sec. 58. Minnesota Statutes 2018, section 462D.06, subdivision 1, is amended to read:

Subdivision 1. **Subtraction.** (a) As provided in section 290.0132, subdivision 25, an account holder is allowed a subtraction from ~~the federal taxable~~ adjusted gross income equal to interest or dividends earned on the first-time home buyer savings account during the taxable year.

(b) The subtraction under paragraph (a) is allowed each year for the taxable years including and following the taxable year in which the account was established. No person other than the account holder is allowed a subtraction under this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 59. Minnesota Statutes 2018, section 462D.06, subdivision 2, is amended to read:

Subd. 2. **Addition.** (a) As provided in section 290.0131, subdivision 14, an account holder must add to federal ~~taxable~~ adjusted gross income the following amounts:

(1) the amount in excess of the total contributions for all taxable years that is withdrawn and used for other than eligible costs, or for a transfer permitted under section 462D.04, subdivision 2; and

(2) the amount remaining in the first-time home buyer savings account at the close of the tenth taxable year that exceeds the total contributions to the account for all taxable years.

(b) For an account that received a transfer under section 462D.04, subdivision 2, the ten-year period under paragraph (a), clause (2), ends at the close of the earliest taxable year that applies to either account under that clause.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 60. Minnesota Statutes 2018, section 469.316, subdivision 1, is amended to read:

Subdivision 1. **Application.** An individual, estate, or trust operating a trade or business in a job opportunity building zone, and an individual, estate, or trust making a qualifying investment in a qualified business operating in a job opportunity building zone qualifies for the exemptions from taxes imposed under chapter 290, as provided in this section. The exemptions provided under this section apply only to the extent that the income otherwise would be taxable under chapter 290. Subtractions under this section from federal adjusted gross income, federal taxable income, alternative minimum taxable income, or any other base subject to tax are limited to the amount that otherwise would be included in the tax base absent the exemption under this section. This section applies only to taxable years beginning during the duration of the job opportunity building zone.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 61. **REVISOR INSTRUCTION.**

The commissioner of revenue must promptly notify the revisor of statutes in writing of the adjusted statutory year amounts for each of the statutory sections that are indexed for inflation under Minnesota Statutes, section 270C.22. The revisor shall publish the updated statutory amounts in the 2019 Supplement of Minnesota Statutes.

Sec. 62. **REPEALER.**

Minnesota Statutes 2018, sections 290.0131, subdivisions 7, 10, and 11; 290.0133, subdivisions 12, 13, and 14; and 290.10, subdivision 2, are repealed.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2019.

ARTICLE 2

INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

Section 1. Minnesota Statutes 2018, section 116J.8737, subdivision 5, is amended to read:

Subd. 5. **Credit allowed.** (a)(1) A qualified investor or qualified fund is eligible for a credit equal to 25 percent of the qualified investment in a qualified small business. Investments made by a pass-through entity qualify for a credit only if the entity is a qualified fund. The commissioner must not allocate more than ~~\$15,000,000~~ \$5,000,000 in credits to qualified investors or qualified funds for taxable years beginning after December 31, ~~2013~~ 2018, and before ~~January 1, 2017, and must not allocate more than \$10,000,000 in credits to qualified investors or qualified funds for taxable years beginning after December 31, 2016, and before January 1, 2018~~ January 1, 2020; and

(2) ~~for taxable years beginning after December 31, 2014, and before January 1, 2018~~, 50 percent must be allocated to credits for qualifying investments in qualified greater Minnesota businesses and minority- or women-owned qualified small businesses in Minnesota. Any portion of a taxable year's credits that is reserved for qualifying investments in greater Minnesota businesses and minority- or women-owned qualified small businesses in Minnesota that is not allocated by September 30 of the taxable year is available for allocation to other credit applications beginning on October 1. Any portion of a taxable year's credits that is not allocated by the commissioner does not cancel and may be carried forward to subsequent taxable years until all credits have been allocated.

(b) The commissioner may not allocate more than a total maximum amount in credits for a taxable year to a qualified investor for the investor's cumulative qualified investments as an individual qualified investor and as an investor in a qualified fund; for married couples filing joint returns the maximum is \$250,000, and for all other filers the maximum is \$125,000. The commissioner may not allocate more than a total of \$1,000,000 in credits over all taxable years for qualified investments in any one qualified small business.

(c) The commissioner may not allocate a credit to a qualified investor either as an individual qualified investor or as an investor in a qualified fund if, at the time the investment is proposed:

(1) the investor is an officer or principal of the qualified small business; or

(2) the investor, either individually or in combination with one or more members of the investor's family, owns, controls, or holds the power to vote 20 percent or more of the outstanding securities of the qualified small business.

A member of the family of an individual disqualified by this paragraph is not eligible for a credit under this section. For a married couple filing a joint return, the limitations in this paragraph apply collectively to the investor and spouse. For purposes of determining the ownership interest of an investor under this paragraph, the rules under section 267(c) and 267(e) of the Internal Revenue Code apply.

(d) Applications for tax credits for 2010 must be made available on the department's website by September 1, 2010, and the department must begin accepting applications by September 1, 2010. Applications for subsequent years must be made available by November 1 of the preceding year.

(e) Qualified investors and qualified funds must apply to the commissioner for tax credits. Tax credits must be allocated to qualified investors or qualified funds in the order that the tax credit request applications are filed with the department. The commissioner must approve or reject tax credit request applications within 15 days of receiving the application. The investment specified in the application must be made within 60 days of the allocation of the credits. If the investment is not made within 60 days, the credit allocation is canceled and available for reallocation. A qualified investor or qualified fund that fails to invest as specified in the application, within 60 days of allocation of the credits, must notify the commissioner of the failure to invest within five business days of the expiration of the 60-day investment period.

(f) All tax credit request applications filed with the department on the same day must be treated as having been filed contemporaneously. If two or more qualified investors or qualified funds file tax credit request applications on the same day, and the aggregate amount of credit allocation claims exceeds the aggregate limit of credits under this section or the lesser amount of credits that remain unallocated on that day, then the credits must be allocated among the qualified investors or qualified funds who filed on that day on a pro rata basis with respect to the amounts claimed. The pro rata allocation for any one qualified investor or qualified fund is the product obtained by multiplying a fraction, the numerator of which is the amount of the credit allocation claim filed on behalf of a qualified investor and the denominator of which is the total of all credit allocation claims filed on behalf of all applicants on that day, by the amount of credits that remain unallocated on that day for the taxable year.

(g) A qualified investor or qualified fund, or a qualified small business acting on their behalf, must notify the commissioner when an investment for which credits were allocated has been made, and the taxable year in which the investment was made. A qualified fund must also provide the commissioner with a statement indicating the amount invested by each investor in the qualified fund based on each investor's share of the assets of the qualified fund at the time of the qualified investment. After receiving notification that the investment was made, the commissioner must issue credit certificates for the taxable year in which the investment was made to the qualified investor or, for an investment made by a qualified fund, to each qualified investor who is an investor in the fund. The certificate must state that the credit is subject to revocation if the qualified investor or qualified fund does not hold the investment in the qualified small business for at least three years, consisting of the calendar year in which the investment was made and the two following years. The three-year holding period does not apply if:

(1) the investment by the qualified investor or qualified fund becomes worthless before the end of the three-year period;

(2) 80 percent or more of the assets of the qualified small business is sold before the end of the three-year period;

(3) the qualified small business is sold before the end of the three-year period;

(4) the qualified small business's common stock begins trading on a public exchange before the end of the three-year period; or

(5) the qualified investor dies before the end of the three-year period.

(h) The commissioner must notify the commissioner of revenue of credit certificates issued under this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 2. Minnesota Statutes 2018, section 116J.8737, subdivision 12, is amended to read:

Subd. 12. **Sunset.** This section expires for taxable years beginning after December 31, ~~2017~~ 2019, except that reporting requirements under subdivision 6 and revocation of credits under subdivision 7 remain in effect through ~~2019~~ 2021 for qualified investors and qualified funds, and through ~~2024~~ 2023 for qualified small businesses, reporting requirements under subdivision 9 remain in effect through ~~2022~~ 2024, and the appropriation in subdivision 11 remains in effect through ~~2024~~ 2023.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 3. Minnesota Statutes 2018, section 289A.08, is amended by adding a subdivision to read:

Subd. 7a. **Election to file as a C corporation.** (a) A qualifying entity may elect to file a return as a C-option corporation and calculate its tax liability as a corporation. The election to file a return as a C-option corporation must be made on or before the due date or extended due date of its return as a C-option corporation. The election is binding for the four taxable years following the taxable year of the election.

(b) For purposes of this subdivision:

(1) "qualifying entity" means a:

(i) partnership;

(ii) limited liability company; or

(iii) corporation organized under subchapter S of the Internal Revenue Code for federal income tax purposes including a qualified subsidiary also organized under subchapter S of the Internal Revenue Code; and

(2) "C-option corporation" means a qualifying entity that has made the election under paragraph (a).

(c) The election to file as a C-option corporation may only be made by persons who hold more than 50 percent ownership interest in a qualifying entity. The election to file as a C-option corporation is binding on all of the persons who have an ownership interest in the entity.

(d) Tax liability must be calculated by multiplying the Minnesota taxable income of the qualifying entity by 9.85 percent.

(e) A member's, partner's, or shareholder's adjusted basis in the member's, partner's, or shareholder's interest in the limited liability company, partnership, or S-corporation is determined as if the election under this subdivision is not made.

(f) The provisions of subdivision 17 apply to the election under this subdivision.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 4. Minnesota Statutes 2018, section 289A.31, subdivision 2, is amended to read:

Subd. 2. **Joint income tax returns.** (a) If a joint income tax return is made by a husband and wife, the liability for the tax is joint and several. A spouse who qualifies for relief from a liability attributable to an underpayment under section 6015 subsection (b) or (f) of the Internal Revenue Code is relieved of the state income tax liability on the underpayment.

(b) In the case of individuals who were a husband and wife prior to the dissolution of their marriage or their legal separation, or prior to the death of one of the individuals, for tax liabilities reported on a joint or combined return, the liability of each person is limited to the proportion of the tax due on the return that equals that person's proportion of the total tax due if the husband and wife filed separate returns for the taxable year. This provision is effective only when the commissioner receives written notice of the marriage dissolution, legal separation, or death of a spouse from the husband or wife. No refund may be claimed by an ex-spouse, legally separated or widowed spouse for any taxes paid more than 60 days before receipt by the commissioner of the written notice.

~~(c) A request for calculation of separate liability pursuant to paragraph (b) for taxes reported on a return must be made within six years after the due date of the return. For calculation of separate liability for taxes assessed by the commissioner under section 289A.35 or 289A.37, the request must be made within six years after the date of assessment. The commissioner is not required to calculate separate liability pursuant to paragraph (b) if the remaining unpaid liability for which recalculation is requested is \$100 or less.~~

EFFECTIVE DATE. This section is effective for returns first due for taxable years beginning after December 31, 2018.

Sec. 5. Minnesota Statutes 2018, section 290.01, subdivision 4a, is amended to read:

Subd. 4a. **Financial institution.** (a) "Financial institution" means:

(1) any corporation or other business entity registered (i) under state law as a bank holding company; (ii) under the federal Bank Holding Company Act of 1956, as amended; or (iii) as a savings and loan holding company under the federal National Housing Act, as amended;

(2) a national bank organized and existing as a national bank association pursuant to the provisions of United States Code, title 12, chapter 2;

(3) a savings association or federal savings bank as defined in United States Code, title 12, section 1813(b)(1);

(4) any bank or thrift institution incorporated or organized under the laws of any state;

(5) any corporation organized under United States Code, title 12, sections 611 to 631;

(6) any agency or branch of a foreign depository as defined under United States Code, title 12, section 3101;

(7) any corporation or other business entity that is more than 50 percent owned, directly or indirectly, by any person or business entity described in clauses (1) to (6), other than an insurance company taxable under chapter 297I;

(8) a corporation or other business entity that derives more than 50 percent of its total gross income for financial accounting purposes from finance leases. For the purposes of this clause, "gross income" means the average from the current tax year and immediately preceding two years and excludes gross income from incidental or occasional transactions. For purposes of this clause, "finance lease" means any lease transaction that is the functional equivalent of an extension of credit and that transfers substantially all the benefits and risks incident to the ownership of property, including any direct financing lease or leverage lease that meets the criteria of Financial Accounting Standards Board Statement No. 13, accounting for leases, or any other lease that is accounted for as financing by a lessor under generally accepted accounting principles; or

(9) any other person or business entity, other than an insurance company ~~taxable under chapter 297I~~, that derives more than 50 percent of its gross income from activities that an entity described in clauses (2) to (6) or (8) is authorized to transact. For the purposes of this clause, gross income does not include income from nonrecurring, extraordinary items.

(b) The commissioner is authorized to exclude any person from the application of paragraph (a), clause (9), if the person proves by clear and convincing evidence that the person's income-producing activity is not in substantial competition with any person described in paragraph (a), clauses (2) to (6) or (8).

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 6. Minnesota Statutes 2018, section 290.01, is amended by adding a subdivision to read:

Subd. 5c. Disqualified captive insurance company. (a) "Captive insurance company" means a company that:

(1) is licensed as a captive insurance company under the laws of any state or foreign country;
or

(2) derives less than 50 percent of its total premiums for the taxable year from sources outside of the unitary business, as that term is used in section 290.17.

(b) A captive insurance company is a "disqualified captive insurance company" if the company:

(1) pays less than 0.5 percent of its total premiums for the taxable year in tax under chapter 297I or a comparable tax of another state; or

(2) receives less than 50 percent of its gross receipts for the taxable year from premiums.

(c) For purposes of this subdivision, "premiums" means amounts paid for arrangements that constitute insurance for federal income tax purposes, but excludes return premiums, premiums for reinsurance assumed from other insurance companies, and any other premiums that are or would be exempt from taxation under section 297I.05 as a result of their type or character, if the insurance was for business in Minnesota.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 7. Minnesota Statutes 2018, section 290.0131, is amended by adding a subdivision to read:

Subd. 17. **Equity and opportunity donations to qualified foundations and qualified public school foundations.** The amount of the deduction under section 170 of the Internal Revenue Code that represents contributions to a qualified foundation under section 290.0693 is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2019.

Sec. 8. Minnesota Statutes 2018, section 290.0132, subdivision 4, is amended to read:

Subd. 4. **Education expenses.** (a) Subject to the limits in paragraph (b), the following amounts paid to others for each qualifying child are a subtraction:

(1) education-related expenses; plus

(2) tuition and fees paid to attend a school described in section 290.0674, subdivision 1, clause (4), that are not included in education-related expenses; less

(3) any ~~amount~~ amounts used to claim the ~~credit~~ credits under section 290.067 or 290.0674.

(b) The maximum subtraction allowed under this subdivision is:

(1) \$1,625 for each qualifying child in a prekindergarten educational program or in kindergarten through grade 6; and

(2) \$2,500 for each qualifying child in grades 7 through 12.

(c) The definitions in section 290.0674, subdivision 1, apply to this subdivision.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2019.

Sec. 9. Minnesota Statutes 2018, section 290.0132, subdivision 26, is amended to read:

Subd. 26. **Social Security benefits.** (a) A portion of taxable Social Security benefits is allowed as a subtraction. The subtraction equals the lesser of taxable Social Security benefits or a maximum subtraction subject to the limits under paragraphs (b), (c), and (d).

(b) For married taxpayers filing a joint return and surviving spouses, the maximum subtraction equals ~~\$4,500~~ \$6,150. The maximum subtraction is reduced by 20 percent of provisional income over \$77,000. In no case is the subtraction less than zero.

(c) For single or head-of-household taxpayers, the maximum subtraction equals ~~\$3,500~~ \$4,800. The maximum subtraction is reduced by 20 percent of provisional income over \$60,200. In no case is the subtraction less than zero.

(d) For married taxpayers filing separate returns, the maximum subtraction equals ~~\$2,250~~ \$3,075. The maximum subtraction is reduced by 20 percent of provisional income over \$38,500. In no case is the subtraction less than zero.

(e) For purposes of this subdivision, "provisional income" means modified adjusted gross income as defined in section 86(b)(2) of the Internal Revenue Code, plus one-half of the Social Security benefits received during the taxable year, and "Social Security benefits" has the meaning given in section 86(d)(1) of the Internal Revenue Code.

(f) ~~The commissioner shall adjust the maximum subtraction and threshold amounts in paragraphs (b) to (d) by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) of the Internal Revenue Code the word "2016" shall be substituted for the word "1992." For 2018, the commissioner shall then determine the percentage change from the 12 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision must not be considered a rule and is not subject to the Administrative Procedure Act contained in chapter 14, including section 14.386 as provided in section 270C.22. The statutory year is taxable year 2019. The maximum subtraction and threshold amounts as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.~~

EFFECTIVE DATE. (a) The amendments to paragraphs (a) to (e) are effective retroactively for taxable years beginning after December 31, 2018.

(b) The amendment to paragraph (f) is effective for adjustments beginning with taxable years beginning after December 31, 2019.

Sec. 10. Minnesota Statutes 2018, section 290.0132, is amended by adding a subdivision to read:

Subd. 30. **Disallowed section 280E expenses; medical cannabis manufacturers.** The amount of expenses of a medical cannabis manufacturer, as defined under section 152.22, subdivision 7, related to the business of medical cannabis under sections 152.21 to 152.37, and not allowed for federal income tax purposes under section 280E of the Internal Revenue Code is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 11. Minnesota Statutes 2018, section 290.0132, is amended by adding a subdivision to read:

Subd. 31. **Income of partners, members, or shareholders.** The amount of net income determined, after allowable deductions and the additions and subtraction required under this chapter, received from a qualifying entity, as defined under section 289A.08, subdivision 7a, for purposes of calculating federal taxable income by a partner, member, or shareholder of a qualifying entity that has elected to file as a C-option corporation under section 289A.08, subdivision 7a, is a subtraction. The amount of net income as adjusted under this subdivision must not be less than zero.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 12. Minnesota Statutes 2018, section 290.0133, is amended by adding a subdivision to read:

Subd. 16. **Equity and opportunity donations to qualified foundations and qualified public school foundations.** The amount of the deductions under sections 170 and 162 of the Internal Revenue Code that represent contributions to a qualified foundation under section 290.0693 are an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2019.

Sec. 13. Minnesota Statutes 2018, section 290.0134, is amended by adding a subdivision to read:

Subd. 19. **Disallowed section 280E expenses; medical cannabis manufacturers.** The amount of expenses of a medical cannabis manufacturer, as defined under section 152.22, subdivision 7, related to the business of medical cannabis under sections 152.21 to 152.37, and not allowed for federal income tax purposes under section 280E of the Internal Revenue Code is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 14. Minnesota Statutes 2018, section 290.05, subdivision 1, is amended to read:

Subdivision 1. **Exempt entities.** The following corporations, individuals, estates, trusts, and organizations shall be exempted from taxation under this chapter, provided that every such person or corporation claiming exemption under this chapter, in whole or in part, must establish to the satisfaction of the commissioner the taxable status of any income or activity:

(a) corporations, individuals, estates, and trusts engaged in the business of mining or producing iron ore and mining, producing, or refining other ores, metals, and minerals, the mining, production, or refining of which is subject to the occupation tax imposed by section 298.01; but if any such corporation, individual, estate, or trust engages in any other business or activity or has income from any property not used in such business it shall be subject to this tax computed on the net income from such property or such other business or activity. Royalty shall not be considered as income from the business of mining or producing iron ore within the meaning of this section;

(b) the United States of America, the state of Minnesota or any political subdivision of either agencies or instrumentalities, whether engaged in the discharge of governmental or proprietary functions; and

(c) any insurance company, ~~as defined in section 290.17, subdivision 4, paragraph (j), but including any insurance company licensed and domiciled in another state that grants, on a reciprocal basis, exemption from retaliatory taxes other than a disqualified captive insurance company.~~

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 15. Minnesota Statutes 2018, section 290.05, subdivision 3, is amended to read:

Subd. 3. **Taxes imposed on exempt entities.** (a) An organization exempt from taxation under subdivision 2 shall, nevertheless, be subject to tax under this chapter to the extent provided in the following provisions of the Internal Revenue Code:

- (1) section 527 (dealing with political organizations);
- (2) section 528 (dealing with certain homeowners associations);
- (3) sections 511 to 515 (dealing with unrelated business income);
- (4) section 521 (dealing with farmers' cooperatives); and

(5) section 6033(e)(2) (dealing with lobbying expense); but notwithstanding this subdivision, shall be considered an organization exempt from income tax for the purposes of any law which refers to organizations exempt from income taxes.

(b) The tax shall be imposed on the taxable income of political organizations or homeowner associations or the unrelated business taxable income, as defined in section 512 of the Internal Revenue Code, of organizations defined in section 511 of the Internal Revenue Code, provided that the tax is not imposed on:

(1) advertising revenues from a newspaper published by an organization described in section 501(c)(4) of the Internal Revenue Code; ~~or~~

(2) revenues from lawful gambling authorized under chapter 349 that are expended for purposes that qualify for the deduction for charitable contributions under section 170 of the Internal Revenue Code, disregarding the limitation under section 170(b)(2), but only to the extent the contributions are not deductible in computing federal taxable income; or

(3) amounts included in unrelated business taxable income under section 512(a)(7) of the Internal Revenue Code.

The tax shall be at the corporate rates. The tax shall only be imposed on income and deductions assignable to this state under sections 290.17 to 290.20. To the extent deducted in computing federal taxable income, the deductions contained in section 290.21 shall not be allowed in computing Minnesota taxable net income.

(c) The tax shall be imposed on organizations subject to federal tax under section 6033(e)(2) of the Internal Revenue Code, in an amount equal to the corporate tax rate multiplied by the amount of lobbying expenses taxed under section 6033(e)(2) which are attributable to lobbying the Minnesota state government.

(d) Section 512(a)(6) of the Internal Revenue Code shall not apply for the purposes of calculating the tax under this subdivision.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017.

Sec. 16. Minnesota Statutes 2018, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code must be computed by applying to their taxable net income the following schedule of rates:

- (1) On the first \$35,480, 5.35 percent;
- (2) On all over \$35,480, but not over \$140,960, ~~7.05~~ 6.8 percent;
- (3) On all over \$140,960, but not over \$250,000, 7.85 percent;
- (4) On all over \$250,000, 9.85 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts.

(b) The income taxes imposed by this chapter upon unmarried individuals must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first \$24,270, 5.35 percent;
- (2) On all over \$24,270, but not over \$79,730, ~~7.05~~ 6.8 percent;
- (3) On all over \$79,730, but not over \$150,000, 7.85 percent;
- (4) On all over \$150,000, 9.85 percent.

(c) The income taxes imposed by this chapter upon unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first \$29,880, 5.35 percent;
- (2) On all over \$29,880, but not over \$120,070, ~~7.05~~ 6.8 percent;
- (3) On all over \$120,070, but not over \$200,000, 7.85 percent;
- (4) On all over \$200,000, 9.85 percent.

(d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

(e) An individual who is not a Minnesota resident for the entire year must compute the individual's Minnesota income tax as provided in this subdivision. After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code and increased by the additions required under section 290.0131, subdivisions ~~2 and~~ 6, 8 to 11, and 15, and reduced by the Minnesota assignable portion of the subtraction for United States government interest under section 290.0132, subdivision 2, and the subtractions under section 290.0132, subdivisions 9, 10, 14, 15, 17, ~~and 18,~~ 27, and 28, after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code, increased by the amounts specified in section 290.0131, subdivisions ~~2 and~~ 6, 8 to 11, and 15, and reduced by the amounts specified in section 290.0132, subdivisions ~~2, 9, 10, 14, 15, 17, and~~ 18, 27, and 28.

(f) For taxable years beginning after December 31, 2021, a rate of 6.67 percent applies instead of the 6.8 percent in paragraphs (a) to (c).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 17. Minnesota Statutes 2018, section 290.06, subdivision 22, is amended to read:

Subd. 22. **Credit for taxes paid to another state.** (a) A taxpayer who is liable for taxes based on net income to another state, as provided in paragraphs (b) through (f), upon income allocated or apportioned to Minnesota, is entitled to a credit for the tax paid to another state if the tax is actually paid in the taxable year or a subsequent taxable year. A taxpayer who is a resident of this state pursuant to section 290.01, subdivision 7, paragraph (b), and who is subject to income tax as a

resident in the state of the individual's domicile is not allowed this credit unless the state of domicile does not allow a similar credit.

(b) For an individual, estate, or trust, the credit is determined by multiplying the tax payable under this chapter by the ratio derived by dividing the income subject to tax in the other state that is also subject to tax in Minnesota while a resident of Minnesota by the taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue Code, modified by the addition required by section 290.0131, subdivision 2, and the subtraction allowed by section 290.0132, subdivision 2, to the extent the income is allocated or assigned to Minnesota under sections 290.081 and 290.17.

(c) If the taxpayer is an athletic team that apportions all of its income under section 290.17, subdivision 5, the credit is determined by multiplying the tax payable under this chapter by the ratio derived from dividing the total net income subject to tax in the other state by the taxpayer's Minnesota taxable income.

(d)(1) The credit determined under paragraph (b) or (c) shall not exceed the amount of tax so paid to the other state on the gross income earned within the other state subject to tax under this chapter; and

(2) the allowance of the credit does not reduce the taxes paid under this chapter to an amount less than what would be assessed if the gross income earned within the other state were excluded from taxable net income.

(e) In the case of the tax assessed on a lump-sum distribution under section 290.032, the credit allowed under paragraph (a) is the tax assessed by the other state on the lump-sum distribution that is also subject to tax under section 290.032, and shall not exceed the tax assessed under section 290.032. To the extent the total lump-sum distribution defined in section 290.032, subdivision 1, includes lump-sum distributions received in prior years or is all or in part an annuity contract, the reduction to the tax on the lump-sum distribution allowed under section 290.032, subdivision 2, includes tax paid to another state that is properly apportioned to that distribution.

(f) If a Minnesota resident reported an item of income to Minnesota and is assessed tax in such other state on that same income after the Minnesota statute of limitations has expired, the taxpayer shall receive a credit for that year under paragraph (a), notwithstanding any statute of limitations to the contrary. The claim for the credit must be submitted within one year from the date the taxes were paid to the other state. The taxpayer must submit sufficient proof to show entitlement to a credit.

(g) For the purposes of this subdivision, a resident shareholder of a corporation treated as an "S" corporation under section 290.9725, must be considered to have paid a tax imposed on the shareholder in an amount equal to the shareholder's pro rata share of any net income tax paid by the S corporation to another state. For the purposes of the preceding sentence, the term "net income tax" means any tax imposed on or measured by a corporation's net income.

(h) For the purposes of this subdivision, a resident partner of an entity taxed as a partnership under the Internal Revenue Code must be considered to have paid a tax imposed on the partner in an amount equal to the partner's pro rata share of any net income tax paid by the partnership to

another state. For purposes of the preceding sentence, the term "net income" tax means any tax imposed on or measured by a partnership's net income.

(i) For the purposes of this subdivision, "another state":

(1) includes:

(i) the District of Columbia; and

(ii) a province or territory of Canada; but

(2) excludes Puerto Rico and the several territories organized by Congress.

(j) The limitations on the credit in paragraphs (b), (c), and (d), are imposed on a state by state basis.

(k) For a tax imposed by a province or territory of Canada, the tax for purposes of this subdivision is the excess of the tax over the amount of the foreign tax credit allowed under section 27 of the Internal Revenue Code. In determining the amount of the foreign tax credit allowed, the net income taxes imposed by Canada on the income are deducted first. Any remaining amount of the allowable foreign tax credit reduces the provincial or territorial tax that qualifies for the credit under this subdivision.

(l)(1) The credit allowed to a qualifying individual under this section for tax paid to a qualifying state equals the credit calculated under paragraphs (b) and (d), plus the amount calculated by multiplying:

(i) the difference between the preliminary credit and the credit calculated under paragraphs (b) and (d), by

(ii) the ratio derived by dividing the income subject to tax in the qualifying state that consists of compensation for performance of personal or professional services by the total amount of income subject to tax in the qualifying state.

(2) If the amount of the credit that a qualifying individual is eligible to receive under clause (1) for tax paid to a qualifying state exceeds the tax due under this chapter before the application of the credit calculated under clause (1), the commissioner shall refund the excess to the qualifying individual. An amount sufficient to pay the refunds required by this subdivision is appropriated to the commissioner from the general fund.

(3) For purposes of this paragraph, "preliminary credit" means the credit that a qualifying individual is eligible to receive under paragraphs (b) and (d) for tax paid to a qualifying state without regard to the limitation in paragraph (d), clause (2); "qualifying individual" means a Minnesota resident under section 290.01, subdivision 7, paragraph (a), who received compensation during the taxable year for the performance of personal or professional services within a qualifying state; and "qualifying state" means a state with which an agreement under section 290.081 is not in effect for the taxable year but was in effect for a taxable year beginning before January 1, 2010.

(m) An entity making an election to be taxed as a C-option corporation under section 289A.08, subdivision 7a, may claim a credit for the amount of any net income tax paid to another state on a

composite return filed with that state on behalf of its Minnesota resident shareholders or partners. For purposes of the preceding sentence, "net income tax" means any tax imposed on or measured by net income.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 18. Minnesota Statutes 2018, section 290.0674, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An individual is allowed a credit against the tax imposed by this chapter in an amount equal to ⁷⁵ percent of the amount paid for education-related expenses for a qualifying child in a prekindergarten educational program or in kindergarten through grade 12.

(b) For purposes of this section, "education-related expenses" means:

(1) fees or tuition for instruction by an instructor under section 120A.22, subdivision 10, clause (1), (2), (3), (4), or (5), or a member of the Minnesota Music Teachers Association, and who is not a lineal ancestor or sibling of the dependent for instruction outside the regular school day or school year, including tutoring, driver's education offered as part of school curriculum, regardless of whether it is taken from a public or private entity or summer camps, in grade or age appropriate curricula that supplement curricula and instruction available during the regular school year, that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (2), and that do not include the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship;

(2) expenses for textbooks, including books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs;

(3) a maximum expense of \$200 per family for personal computer hardware, excluding single purpose processors, and educational software that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (2), purchased for use in the taxpayer's home and not used in a trade or business regardless of whether the computer is required by the dependent's school; ~~and~~

(4) the amount paid to others for transportation of a qualifying child attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A. Amounts under this clause exclude any expense the taxpayer incurred in using the taxpayer's or the qualifying child's vehicle; and

(5) fees charged for enrollment in a prekindergarten educational program, to the extent not used to claim the credit under section 290.067.

(c) For purposes of this section, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code.

(d) For purposes of this section, "prekindergarten educational program" means:

(1) prekindergarten programs established by a school district under chapter 124D;

(2) preschools, nursery schools, and early childhood development programs licensed by the Department of Human Services and accredited by the National Association for the Education of Young Children or National Early Childhood Program Accreditation;

(3) Montessori programs affiliated with or accredited by the American Montessori Society or American Montessori International; and

(4) child care programs provided by family day care providers holding a current early childhood development credential approved by the commissioner of human services.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2019.

Sec. 19. Minnesota Statutes 2018, section 290.0674, subdivision 2, is amended to read:

Subd. 2. **Limitations.** (a) For claimants with income not greater than ~~\$33,500~~ \$39,000, the maximum credit allowed for a family is \$1,000 multiplied by the number of qualifying children in ~~kindergarten~~ prekindergarten through grade 12 in the family. The maximum credit for families with one qualifying child in ~~kindergarten~~ prekindergarten through grade 12 is reduced by \$1 for each \$4 of ~~household~~ income over ~~\$33,500~~ \$39,000, and the maximum credit for families with two or more qualifying children in ~~kindergarten~~ prekindergarten through grade 12 is reduced by \$2 for each \$4 of ~~household~~ income over ~~\$33,500~~ \$39,000, but in no case is the credit less than zero.

(b) In the case of a married claimant, a credit is not allowed unless a joint income tax return is filed.

(c) For a nonresident or part-year resident, the credit determined under subdivision 1 and the maximum credit amount in paragraph (a) must be allocated using the percentage calculated in section 290.06, subdivision 2c, paragraph (e).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2019.

Sec. 20. Minnesota Statutes 2018, section 290.0674, is amended by adding a subdivision to read:

Subd. 2b. **Inflation adjustment.** The commissioner shall annually adjust the income amounts in subdivision 2, paragraph (a), as provided in section 270C.22. The statutory year is taxable year 2020.

EFFECTIVE DATE. This section is effective for adjustments beginning with taxable years beginning after December 31, 2020.

Sec. 21. **[290.0693] EQUITY AND OPPORTUNITY IN EDUCATION TAX CREDIT.**

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Eligible student" means a student who:

(1) resides in Minnesota;

(2) is either:

(i) a member of a household that has total annual income during the year prior to initial receipt of a qualified scholarship or a qualified transportation scholarship, without consideration of the benefits under this program, that does not exceed an amount equal to two times the income standard used to qualify for a reduced-price meal under the National School Lunch Program; or

(ii) is a child with a disability as defined in section 125A.02; and

(3) meets one of the following criteria:

(i) attended a school, as defined in section 120A.22, subdivision 4, in the semester preceding initial receipt of a qualified scholarship or a qualified transportation scholarship;

(ii) is younger than age seven and not enrolled in kindergarten or first grade in the semester preceding initial receipt of a qualified scholarship or a qualified transportation scholarship;

(iii) previously received a qualified scholarship or a qualified transportation scholarship under this section; or

(iv) lived in Minnesota for less than a year prior to initial receipt of a qualified scholarship or a qualified transportation scholarship.

(c) "Equity and opportunity in education donation" means a donation to a qualified public school foundation or to a qualified foundation that awards qualified scholarships, awards qualified transportation scholarships, or makes qualified grants.

(d) "Household" means household as used to determine eligibility under the National School Lunch Program.

(e) "National School Lunch Program" means the program in United States Code, title 42, section 1758.

(f) "Qualified charter school" means a charter elementary or secondary school in Minnesota at which at least 30 percent of students qualify for a free or reduced-price meal under the National School Lunch Program.

(g) "Qualified school" means a school operated in Minnesota that is a nonpublic elementary or secondary school in Minnesota wherein a resident may legally fulfill the state's compulsory attendance laws that:

(1) is not operated for profit;

(2) adheres to the provisions of United States Code, title 42, section 1981, and Minnesota Statutes, chapter 363A;

(3) administers the Minnesota Comprehensive Assessments or a norm-referenced test in reading and math approved by a qualified foundation to all students in grades 3 to 8 and once in high school; and

(4) reports annual student performance on the test on the school's website, including the number of students who opt out of the test, the aggregate test results, and the test results disaggregated by student category listed in section 120B.31, subdivision 4, unless the cell count data is insufficient to protect student identity.

(h) "Qualified foundation" means a nonprofit organization granted an exemption from the federal income tax under section 501(c)(3) of the Internal Revenue Code formed for the primary purpose of granting qualified scholarships or qualified transportation scholarships, and that has been approved as a qualified foundation by the commissioner of revenue under subdivision 5.

(i) "Qualified grant" means a grant from a qualified foundation to a qualified charter school for use in support of the school's mission of educating students in academics, arts, or athletics, including transportation.

(j) "Qualified public school foundation" means a qualified foundation formed for the primary purpose of supporting one or more public schools or school districts in Minnesota in which at least 30 percent of students qualify for a free or reduced-price meal under the National School Lunch Program.

(k) "Qualified scholarship" means a payment from a qualified foundation to or on behalf of the parent or guardian of an eligible student for payment of tuition for enrollment in grades kindergarten through 12 at a qualified school. A qualified scholarship must not exceed an amount greater than 70 percent of the state average general education revenue under section 126C.10, subdivision 1, per pupil unit.

(l) "Qualified transportation scholarship" means a payment from a qualified foundation to or on behalf of a parent or guardian of an eligible student for payment of transportation to a school, as defined in section 120A.22, subdivision 4. A qualified transportation scholarship must not exceed an amount greater than 70 percent of the state average general education revenue under section 126C.10, subdivision 1, per pupil unit.

(m) "Total annual income" means the income measure used to determine eligibility under the National School Lunch Program in United States Code, title 42, section 1758.

Subd. 2. **Credit allowed.** (a) An individual or corporate taxpayer who has been issued a credit certificate under subdivision 3 is allowed a credit against the tax due under this chapter equal to 70

percent of the amount donated during the taxable year to the qualified foundation or qualified public school foundation designated on the taxpayer's credit certificate. No credit is allowed if the taxpayer designates a specific child as the beneficiary of the contribution. No credit is allowed to a taxpayer for an equity and opportunity in education donation made before the taxpayer was issued a credit certificate as provided in subdivision 3.

(b) The maximum annual credit allowed is:

(1) \$21,000 for married joint filers for a one-year donation of \$30,000;

(2) \$10,500 for other individual filers for a one-year donation of \$15,000; and

(3) \$105,000 for corporate filers for a one-year donation of \$150,000.

(c) A taxpayer must provide a copy of the receipt provided by the qualified foundation or qualified public school foundation when claiming the credit for the donation if requested by the commissioner.

(d) The credit is limited to the liability for tax under this chapter, including the tax imposed by sections 290.0921 and 290.0922.

(e) If the amount of the credit under this subdivision for any taxable year exceeds the limitations under paragraph (d), the excess is a credit carryover to each of the five succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried. The amount of the unused credit that may be added under this paragraph may not exceed the taxpayer's liability for tax, less the credit for the taxable year. No credit may be carried to a taxable year more than five years after the taxable year in which the credit was earned.

Subd. 3. **Application for credit certificate.** (a) The commissioner must make applications for tax credits for 2020 available on the department's website by January 1, 2020. Applications for subsequent years must be made available by January 1 of the taxable year.

(b) A taxpayer must apply to the commissioner for an equity and opportunity in education tax credit certificate. The application must be in the form and manner specified by the commissioner and must designate the qualified foundation or qualified public school foundation to which the taxpayer intends to make a donation. The commissioner must begin accepting applications for a taxable year on January 1. The commissioner must issue tax credit certificates under this section on a first-come, first-served basis until the maximum statewide credit amount has been reached. The certificates must list the qualified foundation or qualified public school foundation the taxpayer designated on the application. The maximum statewide credit amount is \$26,500,000 per taxable year, excluding any amounts carried forward from a previous taxable year under subdivision 2.

(c) The commissioner must not issue a tax credit certificate for an amount greater than the limits in subdivision 2.

(d) The commissioner must not issue a credit certificate for an application that designates a qualified foundation or qualified public school foundation that the commissioner has barred from participation as provided in subdivision 5.

Subd. 4. Responsibilities of qualified foundations and qualified public school foundations.

(a) A qualified foundation that awards qualified scholarships or qualified transportation scholarships must:

(1) award qualified scholarships or qualified transportation scholarships to eligible students;

(2) not restrict the availability of scholarships to students of one qualified school;

(3) not charge a fee of any kind for a child to be considered for a scholarship;

(4) require a qualified school receiving payment of tuition through a scholarship funded by contributions qualifying for the tax credit under this section to sign an agreement that it will not use different admissions standards for a student with a qualified scholarship; and

(5) in awarding scholarships, give priority to a student in a household that has total annual income during the year prior to initial receipt of a qualified scholarship, without consideration of the benefits under this program, that does not exceed an amount equal to two times the income standard used to qualify for a reduced-price meal under the National School Lunch Program.

(b) An entity that is eligible to be a qualified foundation or qualified public school foundation must apply to the commissioner by September 15 of the year preceding the year in which it will first receive equity and opportunity in education donations. The application must be in the form and manner prescribed by the commissioner. The application must:

(1) demonstrate to the commissioner that the entity has been granted an exemption from the federal income tax as an organization described in section 501(c)(3) of the Internal Revenue Code; and

(2) demonstrate the entity's financial accountability by submitting its most recent audited financial statement prepared by a certified public accountant firm licensed under chapter 326A using the Statements on Auditing Standards issued by the Audit Standards Board of the American Institute of Certified Public Accountants.

(c) A qualified foundation or qualified public school foundation must provide to taxpayers who make donations or commitments to donate a receipt or verification on a form approved by the commissioner.

(d) A qualified foundation that awards qualified scholarships or qualified transportation scholarships must, in each year it awards qualified scholarships or qualified transportation scholarships to eligible students to enroll in a qualified school, obtain from the qualified school documentation that the school:

(1) complies with all health and safety laws or codes that apply to nonpublic schools;

(2) holds a valid occupancy permit if required by its municipality;

(3) certifies that it adheres to the provisions of chapter 363A and United States Code, title 42, section 1981; and

(4) administers the Minnesota Comprehensive Assessment or a foundation approved norm-referenced test by providing the foundation a report on student performance on the test, including the number of students who opt out of the test, the aggregate test results, and the test results disaggregated by student category listed in section 120B.31, subdivision 4, unless the cell count data is insufficient to protect student identity.

A qualified foundation must make the documentation available to the commissioner on request, and report student performance on the Minnesota Comprehensive Assessment or norm-referenced test, by qualified school, on its website.

(e) A qualified foundation or qualified public school foundation must, by June 1 of each year following a year in which it receives donations, provide the following information to the commissioner:

(1) financial information that demonstrates the financial viability of the qualified foundation or qualified public school foundation;

(2) documentation that it has conducted criminal background checks on all of its employees and board members and has excluded from employment or governance any individuals who might reasonably pose a risk to the appropriate use of contributed funds;

(3) consistent with paragraph (f), document that it has used amounts received as donations to provide qualified scholarships, to provide qualified transportation scholarships, to make qualified grants, or in support of the mission of one or more public schools or school districts of educating students in academics, arts, or athletics, including transportation within one calendar year of the calendar year in which it received the donation;

(4) if the qualified foundation awards qualified scholarships or qualified transportation scholarships, a list of qualified schools that enrolled eligible students to whom the qualified foundation awarded qualified scholarships;

(5) if the qualified foundation makes qualified grants, a list of qualified charter schools to which the qualified foundation made qualified grants;

(6) if the qualified foundation is a qualified public school foundation, a list of expenditures made in support of the mission of one or more public schools or school districts of educating students in academics, arts, or athletics, including transportation; and

(7) the following information prepared by a certified public accountant regarding donations received in the previous calendar year:

(i) the total number and total dollar amount of donations received from taxpayers;

(ii) the dollar amount of donations used for administrative expenses, as allowed by paragraph (f);

(iii) if the qualified foundation awarded qualified scholarships, the total number and dollar amount of qualified scholarships awarded;

(iv) if the qualified foundation awarded qualified transportation scholarships, the total number and dollar amount of qualified transportation scholarships awarded;

(v) if the qualified foundation made qualified grants, the total number and dollar amount of qualified grants made; and

(vi) if the qualified foundation is a qualified public school foundation, the total number and dollar amount of expenditures made in support of the mission of one or more public schools or school districts of educating students in academics, arts, or athletics, including transportation.

(f) The qualified foundation or qualified public school foundation may use up to five percent of the amounts received as donations for reasonable administrative expenses, including but not limited to fund-raising, scholarship tracking, and reporting requirements.

Subd. 5. Responsibilities of commissioner. (a) The commissioner must make applications for an entity to be approved as a qualified foundation or qualified public school foundation for a taxable year available on the department's website by August 1 of the year preceding the taxable year. The commissioner must approve an application that provides the documentation required in subdivision 4, paragraph (b), clauses (1) and (2), within 60 days of receiving the application. The commissioner must notify a qualified foundation or qualified public school foundation that provides incomplete documentation and the foundation may resubmit its application within 30 days.

(b) By November 15 of each year, the commissioner must post on the department's website the names and addresses of qualified foundations and qualified public school foundations for the next taxable year. The commissioner must regularly update the names and addresses of any qualified foundations or qualified public school foundations that have been barred from participating in the program.

(c) The commissioner must prescribe a standardized format for a receipt to be issued by a qualified foundation or qualified public school foundation to a taxpayer to indicate the value of a donation received and of a commitment to make a donation.

(d) The commissioner must prescribe a standardized format for qualified foundations and qualified public school foundations to report the information required under subdivision 4, paragraph (e).

(e) The commissioner may conduct either a financial review or audit of a qualified foundation or qualified public school foundation upon finding evidence of fraud or misreporting. If the commissioner determines that the qualified foundation or qualified public school foundation committed fraud or intentionally misreported information, the qualified foundation is barred from further program participation.

(f) If a qualified foundation or qualified public school foundation fails to submit the documentation required under subdivision 4, paragraph (c), by June 1, the commissioner must notify the qualified foundation or qualified public school foundation by July 1. A qualified foundation that fails to submit the required information by August 1 is barred from participation for the next taxable year.

(g) If a qualified foundation or qualified public school foundation fails to comply with the requirements of subdivision 4, paragraph (c), the commissioner must by September 1 notify the qualified foundation that it has until November 1 to document that it has remedied its noncompliance. A qualified foundation or qualified public school foundation that fails to document that it has remedied its noncompliance by November 1 is barred from participation for the next taxable year.

(h) A qualified foundation or qualified public school foundation barred under paragraph (f) or (g) may become eligible to participate by submitting the required information in future years.

Subd. 6. **Special education services.** A student's receipt of a qualified scholarship or qualified transportation scholarship does not affect the student's eligibility for instruction and service under chapter 125A or otherwise affect the student's status under federal special education laws.

EFFECTIVE DATE. This section is effective the day following final enactment for donations made and credits allowed in taxable years beginning after December 31, 2019.

Sec. 22. Minnesota Statutes 2018, section 290.0921, subdivision 3, is amended to read:

Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable income" is Minnesota net income as defined in section 290.01, subdivision 19, and includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e), (f), and (h) of the Internal Revenue Code. If a corporation files a separate company Minnesota tax return, the minimum tax must be computed on a separate company basis. If a corporation is part of a tax group filing a unitary return, the minimum tax must be computed on a unitary basis. The following adjustments must be made.

(1) The portion of the depreciation deduction allowed for federal income tax purposes under section 168(k) of the Internal Revenue Code that is required as an addition under section 290.0133, subdivision 11, is disallowed in determining alternative minimum taxable income.

(2) The subtraction for depreciation allowed under section 290.0134, subdivision 13, is allowed as a depreciation deduction in determining alternative minimum taxable income.

(3) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d) of the Internal Revenue Code does not apply.

(4) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

(5) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

(6) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

(7) The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

(8) For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this

subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

(9) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.0134, subdivision 2, or (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.0134, subdivision 8.

(10) Alternative minimum taxable income excludes the income from operating in a job opportunity building zone as provided under section 469.317.

(11) The subtraction for disallowed section 280E expenses of medical cannabis manufacturers allowed under section 290.0134, subdivision 19, is allowed as a deduction in determining alternative minimum taxable income.

Items of tax preference must not be reduced below zero as a result of the modifications in this subdivision.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 23. Minnesota Statutes 2018, section 290.17, subdivision 4, is amended to read:

Subd. 4. Unitary business principle. (a) If a trade or business conducted wholly within this state or partly within and partly without this state is part of a unitary business, the entire income of the unitary business is subject to apportionment pursuant to section 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary business is considered to be derived from any particular source and none may be allocated to a particular place except as provided by the applicable apportionment formula. The provisions of this subdivision do not apply to business income subject to subdivision 5, income of an insurance company, or income of an investment company determined under section 290.36.

(b) The term "unitary business" means business activities or operations which result in a flow of value between them. The term may be applied within a single legal entity or between multiple entities and without regard to whether each entity is a sole proprietorship, a corporation, a partnership or a trust.

(c) Unity is presumed whenever there is unity of ownership, operation, and use, evidenced by centralized management or executive force, centralized purchasing, advertising, accounting, or other controlled interaction, but the absence of these centralized activities will not necessarily evidence a nonunitary business. Unity is also presumed when business activities or operations are of mutual benefit, dependent upon or contributory to one another, either individually or as a group.

(d) Where a business operation conducted in Minnesota is owned by a business entity that carries on business activity outside the state different in kind from that conducted within this state, and the other business is conducted entirely outside the state, it is presumed that the two business operations are unitary in nature, interrelated, connected, and interdependent unless it can be shown to the contrary.

(e) Unity of ownership does not exist when two or more corporations are involved unless more than 50 percent of the voting stock of each corporation is directly or indirectly owned by a common owner or by common owners, either corporate or noncorporate, or by one or more of the member corporations of the group. For this purpose, the term "voting stock" shall include membership interests of mutual insurance holding companies formed under section 66A.40.

(f) The net income and apportionment factors under section 290.191 or 290.20 of foreign corporations and other foreign entities, but excluding a disqualified captive insurance company, which are part of a unitary business shall not be included in the net income or the apportionment factors of the unitary business; except that the income and apportionment factors of a foreign entity, other than an entity treated as a C corporation for federal income tax purposes, that are included in the federal taxable income, as defined in section 63 of the Internal Revenue Code as amended through the date named in section 290.01, subdivision 19, of a domestic corporation, domestic entity, or individual must be included in determining net income and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20. A foreign corporation or other foreign entity which is not included on a combined report and which is required to file a return under this chapter shall file on a separate return basis.

(g) For purposes of determining the net income of a unitary business and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20, there must be included only the income and apportionment factors of domestic corporations or other domestic entities that are determined to be part of the unitary business pursuant to this subdivision, notwithstanding that foreign corporations or other foreign entities might be included in the unitary business; except that the income and apportionment factors of a foreign entity, other than an entity treated as a C corporation for federal income tax purposes, that is included in the federal taxable income, as defined in section 63 of the Internal Revenue Code as amended through the date named in section 290.01, subdivision 19, of a domestic corporation, domestic entity, or individual must be included in determining net income and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20.

(h) Each corporation or other entity, except a sole proprietorship, that is part of a unitary business must file combined reports as the commissioner determines. On the reports, all intercompany transactions between entities included pursuant to paragraph (g) must be eliminated and the entire net income of the unitary business determined in accordance with this subdivision is apportioned among the entities by using each entity's Minnesota factors for apportionment purposes in the numerators of the apportionment formula and the total factors for apportionment purposes of all entities included pursuant to paragraph (g) in the denominators of the apportionment formula. Except as otherwise provided by paragraph (f), all sales of the unitary business made within this state pursuant to section 290.191 or 290.20 must be included on the combined report of a corporation or other entity that is a member of the unitary business and is subject to the jurisdiction of this state to impose tax under this chapter.

(i) If a corporation has been divested from a unitary business and is included in a combined report for a fractional part of the common accounting period of the combined report:

(1) its income includable in the combined report is its income incurred for that part of the year determined by proration or separate accounting; and

(2) its sales, property, and payroll included in the apportionment formula must be prorated or accounted for separately.

(j) For purposes of this subdivision, "insurance company" means an insurance company, as defined in section 290.01, subdivision 5b, that is:

~~(1) licensed to engage in the business of insurance in Minnesota pursuant to chapter 60A; or~~

~~(2) domiciled and licensed to engage in the business of insurance in another state or country that imposes retaliatory taxes, fines, deposits, penalties, licenses, or fees and that does not grant, on a reciprocal basis, exemption from such retaliatory taxes to insurance companies or their agents domiciled in Minnesota.~~

~~(k) For purposes of this subdivision, "retaliatory taxes" means taxes imposed on insurance companies organized in another state or country that result from the fact that an insurance company organized in the taxing jurisdiction and doing business in the other jurisdiction is subject to taxes, fines, deposits, penalties, licenses, or fees in an amount exceeding that imposed by the taxing jurisdiction upon an insurance company organized in the other state or country and doing business to the same extent in the taxing jurisdiction not a disqualified captive insurance company.~~

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 24. Minnesota Statutes 2018, section 290.92, subdivision 4b, is amended to read:

Subd. 4b. **Withholding by partnerships.** (a) A partnership shall deduct and withhold a tax as provided in paragraph (b) for nonresident individual partners based on their distributive shares of partnership income for a taxable year of the partnership.

(b) The amount of tax withheld is determined by multiplying the partner's distributive share allocable to Minnesota under section 290.17, paid or credited during the taxable year by the highest rate used to determine the income tax liability for an individual under section 290.06, subdivision 2c, except that the amount of tax withheld may be determined by the commissioner if the partner submits a withholding exemption certificate under subdivision 5.

(c) The commissioner may reduce or abate the tax withheld under this subdivision if the partnership had reasonable cause to believe that no tax was due under this section.

(d) Notwithstanding paragraph (a), a partnership is not required to deduct and withhold tax for a nonresident partner if:

(1) the partner elects to have the tax due paid as part of the partnership's composite return under section 289A.08, subdivision 7;

(2) the partner has Minnesota assignable federal adjusted gross income from the partnership of less than \$1,000; or

(3) the partnership is liquidated or terminated, the income was generated by a transaction related to the termination or liquidation, and no cash or other property was distributed in the current or prior taxable year;

(4) the distributive shares of partnership income are attributable to:

(i) income required to be recognized because of discharge of indebtedness;

(ii) income recognized because of a sale, exchange, or other disposition of real estate, depreciable property, or property described in section 179 of the Internal Revenue Code; or

(iii) income recognized on the sale, exchange, or other disposition of any property that has been the subject of a basis reduction pursuant to section 108, 734, 743, 754, or 1017 of the Internal Revenue Code

to the extent that the income does not include cash received or receivable or, if there is cash received or receivable, to the extent that the cash is required to be used to pay indebtedness by the partnership or a secured debt on partnership property; ~~or~~

(5) the partnership is a publicly traded partnership, as defined in section 7704(b) of the Internal Revenue Code; or

(6) the partnership has elected to be taxed as a C-option corporation under section 289A.08, subdivision 7a.

(e) For purposes of sections 270C.60, 289A.09, subdivision 2, 289A.20, subdivision 2, paragraph (c), 289A.50, 289A.56, 289A.60, and 289A.63, a partnership is considered an employer.

(f) To the extent that income is exempt from withholding under paragraph (d), clause (4), the commissioner has a lien in an amount up to the amount that would be required to be withheld with respect to the income of the partner attributable to the partnership interest, but for the application of paragraph (d), clause (4). The lien arises under section 270C.63 from the date of assessment of the tax against the partner, and attaches to that partner's share of the profits and any other money due or to become due to that partner in respect of the partnership. Notice of the lien may be sent by mail to the partnership, without the necessity for recording the lien. The notice has the force and effect of a levy under section 270C.67, and is enforceable against the partnership in the manner provided by that section. Upon payment in full of the liability subsequent to the notice of lien, the partnership must be notified that the lien has been satisfied.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 25. Minnesota Statutes 2018, section 290.92, subdivision 4c, is amended to read:

Subd. 4c. **Withholding by S corporations.** (a) A corporation having a valid election in effect under section 290.9725 shall deduct and withhold a tax as provided in paragraph (b) for nonresident individual shareholders their share of the corporation's income for the taxable year.

(b) The amount of tax withheld is determined by multiplying the amount of income allocable to Minnesota under section 290.17 by the highest rate used to determine the income tax liability of an individual under section 290.06, subdivision 2c, except that the amount of tax withheld may be determined by the commissioner if the shareholder submits a withholding exemption certificate under subdivision 5.

(c) Notwithstanding paragraph (a), a corporation is not required to deduct and withhold tax for a nonresident shareholder, if:

(1) the shareholder elects to have the tax due paid as part of the corporation's composite return under section 289A.08, subdivision 7;

(2) the shareholder has Minnesota assignable federal adjusted gross income from the corporation of less than \$1,000; ~~or~~

(3) the corporation is liquidated or terminated, the income was generated by a transaction related to the termination or liquidation, and no cash or other property was distributed in the current or prior taxable year; or

(4) the S-corporation has elected to be taxed as a C-option corporation under section 289A.08, subdivision 7a.

(d) For purposes of sections 270C.60, 289A.09, subdivision 2, 289A.20, subdivision 2, paragraph (c), 289A.50, 289A.56, 289A.60, and 289A.63, a corporation is considered an employer.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 26. Minnesota Statutes 2018, section 291.03, subdivision 9, is amended to read:

Subd. 9. **Qualified small business property.** Property satisfying all of the following requirements is qualified small business property:

(1) The value of the property was included in the federal adjusted taxable estate.

(2) The property consists of the assets of a trade or business or shares of stock or other ownership interests in a corporation or other entity engaged in a trade or business. Shares of stock in a corporation or an ownership interest in another type of entity do not qualify under this subdivision if the shares or ownership interests are traded on a public stock exchange at any time during the three-year period ending on the decedent's date of death. For purposes of this subdivision, an ownership interest includes the interest the decedent is deemed to own under sections 2036, 2037, ~~and~~ 2038, 2040, or 2044 of the Internal Revenue Code.

(3) During the taxable year that ended before the decedent's death, the trade or business must not have been a passive activity within the meaning of section 469(c) of the Internal Revenue Code, and the decedent or the decedent's spouse must have materially participated in the trade or business within the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided by United States Treasury Department regulation that substitutes material participation in prior taxable years for material participation in the taxable year that ended before the decedent's death.

(4) The gross annual sales of the trade or business were \$10,000,000 or less for the last taxable year that ended before the date of the death of the decedent.

(5) The property does not include:

- (i) cash;
- (ii) cash equivalents;
- (iii) publicly traded securities; or
- (iv) any assets not used in the operation of the trade or business.

(6) For property consisting of shares of stock or other ownership interests in an entity, the value of items described in clause (5) must be excluded in the valuation of the decedent's interest in the entity.

(7) The decedent or the decedent's spouse continuously owned the property, or an undivided or joint interest in the property, including property the decedent or the decedent's spouse is deemed to own under sections 2036, 2037, ~~and~~ 2038, 2040, or 2044 of the Internal Revenue Code, or under subdivision 1d, for the three-year period ending on the date of death of the decedent. In the case of a sole proprietor, if the property replaced similar property within the three-year period, the replacement property will be treated as having been owned for the three-year period ending on the date of death of the decedent. For the purposes of the three-year holding period under this clause, any ownership by the decedent's spouse, whether the spouse predeceases or survives the decedent, is attributed to the decedent.

(8) For three years following the date of death of the decedent, the trade or business is not a passive activity within the meaning of section 469(c) of the Internal Revenue Code, and a family member materially participates in the operation of the trade or business within the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided by United States Treasury Department regulation that substitutes material participation in prior taxable years for material participation in the three years following the date of death of the decedent.

(9) The estate and the qualified heir elect to treat the property as qualified small business property and agree, in the form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2017.

Sec. 27. Minnesota Statutes 2018, section 291.03, subdivision 10, is amended to read:

Subd. 10. **Qualified farm property.** Property satisfying all of the following requirements is qualified farm property:

- (1) The value of the property was included in the federal adjusted taxable estate.
- (2) The property consists of agricultural land and is owned by a person or entity that is either not subject to or is in compliance with section 500.24.
- (3) For property taxes payable in the taxable year of the decedent's death, the property is classified as class 2a property under section 273.13, subdivision 23, and is classified as agricultural homestead, agricultural relative homestead, or special agricultural homestead under section 273.124.

(4) The decedent or the decedent's spouse continuously owned the property, or an undivided or joint interest in the property, including property the decedent or the decedent's spouse is deemed to own under sections 2036, 2037, ~~and~~ 2038, 2040, or 2044 of the Internal Revenue Code, or under subdivision 1d, for the three-year period ending on the date of death of the decedent either by ownership of the agricultural land or pursuant to holding an interest in an entity that is not subject to or is in compliance with section 500.24. For the purposes of the three-year holding period under this clause, any ownership by the decedent's spouse, whether the spouse predeceases or survives the decedent, is attributed to the decedent.

(5) The property is classified for property tax purposes as class 2a property under section 273.13, subdivision 23, for three years following the date of death of the decedent.

(6) The estate and the qualified heir elect to treat the property as qualified farm property and agree, in a form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2017.

Sec. 28. SPECIAL WAIVER OF INCOME TAX PENALTIES FOR TAX YEARS 2018 AND 2019.

(a) For taxable years beginning after December 31, 2017, and before January 1, 2020, no addition to tax is imposed under Minnesota Statutes, section 289A.25, subdivision 2, if the tax shown on the return for the taxable year or, if no return is filed, the tax, reduced by the credits allowable, is less than \$1,000. This paragraph applies only to taxpayers who submit a request for a waiver of addition to tax due under Minnesota Statutes, section 289A.25, subdivision 2. The request for waiver must attest that the underpayment of estimated tax for the taxable year is due to uncertainties in tax planning resulting from the enactment of Public Law 115-97. The request for waiver must be in a form and manner prescribed by the commissioner of revenue.

(b) In the case of taxpayers who do not timely submit a request for a waiver under paragraph (a), the provisions of Minnesota Statutes, section 289A.25, subdivision 4, apply for taxable years beginning after December 31, 2017, and before January 1, 2020.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 29. APPLICATION OF ANGEL TAX CREDIT FOR TAXABLE YEAR 2019.

Applications for (1) certification as a qualified small business, qualified investor, or qualified fund under Minnesota Statutes, section 116J.8737, subdivisions 2, 3, and 4, and (2) the credit under Minnesota Statutes, section 116J.8737, subdivision 5, for taxable year 2019 must be made available on the Department of Employment and Economic Development's website by September 1, 2019. The provisions of Minnesota Statutes, section 116J.8737, generally apply to the taxable year 2019 extension of the credit in sections 1 and 2.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 3**SALES AND USE TAXES**

Section 1. Minnesota Statutes 2018, section 38.27, is amended by adding a subdivision to read:

Subd. 4. Use of a portion of county fair revenues. A county agricultural society must annually determine the amount of sales tax savings attributable to section 297A.70, subdivision 21. If the county agricultural society owns its own fairgrounds, it must use the amount equal to the sales tax savings to maintain, improve, or expand society owned buildings and facilities on the fairgrounds; otherwise it must transfer this amount to the owner of the fairgrounds. An owner that receives a transfer of money under this subdivision must use the transferred amount to maintain, improve, and expand entity owned buildings and facilities on the county fairgrounds.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 2. Minnesota Statutes 2018, section 289A.20, subdivision 4, is amended to read:

Subd. 4. **Sales and use tax.** (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f) or (g), except that use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

(b) A vendor having a liability of \$250,000 or more during a fiscal year ending June 30, except a vendor of construction materials as defined in paragraph (e), must remit the June liability for the next year in the following manner:

(1) Two business days before June 30 of the year, the vendor must remit 81.4 percent of the estimated June liability to the commissioner.

(2) On or before August 20 of the year, the vendor must pay any additional amount of tax not remitted in June.

(c) A vendor having a liability of:

(1) \$10,000 or more, but less than \$250,000 during a fiscal year ending June 30, 2013, and fiscal years thereafter, must remit by electronic means all liabilities on returns due for periods beginning in all subsequent calendar years on or before the 20th day of the month following the month in which the taxable event occurred, or on or before the 20th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4; or

(2) \$250,000 or more, during a fiscal year ending June 30, 2013, and fiscal years thereafter, must remit by electronic means all liabilities in the manner provided in paragraph (a) on returns due for periods beginning in the subsequent calendar year, except for 81.4 percent of the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 20.

(d) Notwithstanding paragraph (b) or (c), a person prohibited by the person's religious beliefs from paying electronically shall be allowed to remit the payment by mail. The filer must notify the commissioner of revenue of the intent to pay by mail before doing so on a form prescribed by the commissioner. No extra fee may be charged to a person making payment by mail under this paragraph. The payment must be postmarked at least two business days before the due date for making the payment in order to be considered paid on a timely basis.

(e) For the purposes of paragraph (b), "vendor of construction materials" means a business that is classified in the following business groups according to the North American Industrial Classification System:

- (1) 3211 - sawmills and wood preservation;
- (2) 3212 - veneer, plywood, and wood products manufacturing;
- (3) 32191 - millwork manufacturing;
- (4) 3273 - cement and concrete product manufacturing; and
- (5) 4233 - lumber and other construction materials merchant wholesalers.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2019.

Sec. 3. Minnesota Statutes 2018, section 297A.67, is amended by adding a subdivision to read:

Subd. 37. **Ticket purchasing rights to collegiate events.** The sale of the privilege of admission under section 297A.61, subdivision 3, paragraph (g), clause (1), does not include consideration paid for the right to purchase a ticket to a collegiate athletic event in a preferred area, and the sale of the right to purchase a ticket is exempt provided that:

(1) the consideration paid for the right to purchase in the preferred area is used entirely to support student scholarship costs;

(2) the consideration paid for the right to purchase in the preferred area is separately stated from the admission price; and

(3) the admission price is equal to or greater than the highest priced general admission ticket for the closest seat not in the preferred area.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2019.

Sec. 4. Minnesota Statutes 2018, section 297A.67, is amended by adding a subdivision to read:

Subd. 38. **Certain herbicides.** Purchases of herbicides authorized for use pursuant to an invasive aquatic plant management permit as defined under section 103G.615 are exempt if purchased by a lakeshore property owner or an association of lakeshore property owners organized under chapter 317A.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2019.

Sec. 5. Minnesota Statutes 2018, section 297A.70, subdivision 10, is amended to read:

Subd. 10. **Nonprofit tickets or admissions.** (a) Tickets or admissions to an event are exempt if all the gross receipts are recorded as such, in accordance with generally accepted accounting principles, on the books of one or more organizations whose primary mission is to provide an opportunity for citizens of the state to participate in the creation, performance, or appreciation of the arts, and provided that each organization is:

(1) an organization described in section 501(c)(3) of the Internal Revenue Code in which voluntary contributions make up at least five percent of the organization's annual revenue in its most recently completed 12-month fiscal year, or in the current year if the organization has not completed a 12-month fiscal year;

(2) a municipal board that promotes cultural and arts activities; or

(3) the University of Minnesota, a state college and university, or a private nonprofit college or university provided that the event is held at a facility owned by the educational institution holding the event.

The exemption only applies if the entire proceeds, after reasonable expenses, are used solely to provide opportunities for citizens of the state to participate in the creation, performance, or appreciation of the arts.

(b) Tickets or admissions to the premises of the Minnesota Zoological Garden are exempt, provided that the exemption under this paragraph does not apply to tickets or admissions to performances or events held on the premises unless the performance or event is sponsored and conducted exclusively by the Minnesota Zoological Board or employees of the Minnesota Zoological Garden.

(c) Tickets or admissions to a performance or event on the premises of a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code are exempt if:

(1) the nonprofit organization was established to preserve Minnesota's rural agricultural heritage and focuses on educating the public about rural history and how farms in Minnesota helped to provide food for the nation and the world;

(2) the premises of the nonprofit organization is at least 115 acres;

(3) the performance or event is sponsored and conducted exclusively by volunteers, employees of the nonprofit organization, or members of the board of directors of the nonprofit organization; and

(4) the performance or event is consistent with the nonprofit organization's purposes under section 501(c)(3) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 6. Minnesota Statutes 2018, section 297A.70, subdivision 20, is amended to read:

Subd. 20. **Ice arenas and rinks.** Sales to organizations that exist primarily for the purpose of owning or operating ice arenas or rinks that are (1) part of either the Duluth Heritage Sports Center or the David M. Thaler Sports Center; and (2) are used for youth and high school programs, are exempt if the organization is a private, nonprofit corporation exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2019.

Sec. 7. Minnesota Statutes 2018, section 297A.70, is amended by adding a subdivision to read:

Subd. 21. **County agricultural society sales at county fairs.** Sales by a county agricultural society during a regularly scheduled county fair are exempt. For purposes of this subdivision, sales include admissions to and parking at the county fairgrounds, admissions to separately ticketed events run by the county agricultural society, and concessions and other sales made by employees or volunteers of the county agricultural society on the county fairgrounds. This exemption does not apply to sales or events by a county agricultural society held at a time other than at the time of the regularly scheduled county fair, or events not held on the county fairgrounds.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2019.

Sec. 8. Minnesota Statutes 2018, section 297A.71, is amended by adding a subdivision to read:

Subd. 51. **Properties destroyed by fire.** (a) Building materials and supplies used or consumed in, and equipment incorporated into, the construction or replacement of real property affected by, and capital equipment to replace equipment destroyed in, the fire on March 11, 2018, in the city of Mazeppa are exempt. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75. For purposes of this subdivision, "capital equipment" includes durable equipment used in a restaurant for food storage, preparation, and serving.

(b) The exemption under this subdivision applies to sales and purchases made after March 11, 2018, and before January 1, 2022.

EFFECTIVE DATE. This section is effective retroactively from March 11, 2018.

Sec. 9. Minnesota Statutes 2018, section 297A.71, is amended by adding a subdivision to read:

Subd. 52. **Construction; certain local government facilities.** (a) Materials and supplies used in and equipment incorporated into the construction, reconstruction, upgrade, expansion, or remodeling of the following local government owned facilities are exempt:

(1) a new fire station, which includes firefighting, emergency management, public safety training, and other public safety facilities in the city of Monticello if materials, supplies, and equipment are purchased after January 31, 2019, and before January 1, 2022;

(2) a new fire station, which includes firefighting and public safety training facilities and public safety facilities, in the city of Inver Grove Heights if materials, supplies, and equipment are purchased after June 30, 2018, and before January 1, 2021;

(3) a fire station and police station, including access roads, lighting, sidewalks, and utility components, on or adjacent to the property on which the fire station or police station are located that are necessary for safe access to and use of those buildings, in the city of Minnetonka if materials, supplies, and equipment are purchased after May 23, 2019, and before January 1, 2021; and

(4) the school building in Independent School District No. 414, Minnetonka, if materials, supplies, and equipment are purchased after January 1, 2018, and before January 1, 2021.

(b) The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

(c) The total refund for the project listed in paragraph (a), clause (3), must not exceed \$850,000.

EFFECTIVE DATE. This section is effective the day following final enactment and applies retroactively to sales and purchases made during the time periods listed for each project in paragraph (a).

Sec. 10. Minnesota Statutes 2018, section 297A.75, subdivision 1, is amended to read:

Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

(1) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;

(2) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;

(3) building materials for correctional facilities under section 297A.71, subdivision 3;

(4) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;

(5) elevators and building materials exempt under section 297A.71, subdivision 12;

(6) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;

(7) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;

(8) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37;

(9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph (a), clause (10);

(10) materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivision 40;

(11) materials, supplies, and equipment for construction, improvement, or expansion of:

(i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 42;

(ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision 45;

(iii) a research and development facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 46; and

(iv) an industrial measurement manufacturing and controls facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 47;

(12) enterprise information technology equipment and computer software for use in a qualified data center exempt under section 297A.68, subdivision 42;

(13) materials, supplies, and equipment for qualifying capital projects under section 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);

(14) items purchased for use in providing critical access dental services exempt under section 297A.70, subdivision 7, paragraph (c);

(15) items and services purchased under a business subsidy agreement for use or consumption primarily in greater Minnesota exempt under section 297A.68, subdivision 44;

(16) building materials, equipment, and supplies for constructing or replacing real property exempt under section 297A.71, subdivision 49; ~~and~~

(17) building materials, equipment, and supplies for constructing or replacing real property exempt under section 297A.71, subdivision 50, paragraph (b), and subdivision 51; and

(18) building materials, equipment, and supplies for constructing, remodeling, expanding, or improving public safety facilities exempt under section 297A.71, subdivision 52.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 11. Minnesota Statutes 2018, section 297A.75, subdivision 2, is amended to read:

Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the exempt items must be paid to the applicant. Only the following persons may apply for the refund:

(1) for subdivision 1, clauses (1), (2), and (14), the applicant must be the purchaser;

(2) for subdivision 1, clause (3), the applicant must be the governmental subdivision;

(3) for subdivision 1, clause (4), the applicant must be the recipient of the benefits provided in United States Code, title 38, chapter 21;

(4) for subdivision 1, clause (5), the applicant must be the owner of the homestead property;

(5) for subdivision 1, clause (6), the owner of the qualified low-income housing project;

(6) for subdivision 1, clause (7), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities;

(7) for subdivision 1, clauses (8), (11), (12), and (15), the owner of the qualifying business;

(8) for subdivision 1, clauses (9), (10), ~~and~~ (13), and (18), the applicant must be the governmental entity that owns or contracts for the project or facility;

(9) for subdivision 1, clause (16), the applicant must be the owner or developer of the building or project; and

(10) for subdivision 1, clause (17), the applicant must be the owner or developer of the building or project.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 12. Minnesota Statutes 2018, section 297A.75, subdivision 3, is amended to read:

Subd. 3. **Application.** (a) The application must include sufficient information to permit the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor, or builder, under subdivision 1, clauses (3) to (13) or (15) to ~~(17)~~ (18), the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items unless otherwise specifically provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

(b) An applicant may not file more than two applications per calendar year for refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 13. Minnesota Statutes 2018, section 297A.77, subdivision 3, is amended to read:

Subd. 3. **Tax must be remitted.** The tax collected by a retailer under this section, except for the amount allowed to be retained by the seller under section 297A.816, must be remitted to the commissioner as provided in chapter 289A and this chapter.

EFFECTIVE DATE. This section is effective for sales taxes remitted after June 30, 2019.

Sec. 14. **[297A.816] VENDOR ALLOWANCE.**

Subdivision 1. Eligibility. (a) A qualified retailer may retain a portion of sales tax collected as a vendor allowance in compensation for the costs of collecting and administering the tax under this

chapter. This section applies only if the tax minus the vendor allowance is both reported and remitted to the commissioner in a timely fashion as required under chapter 289A.

(b) For purposes of this section, "qualified retailer" means a retailer not subject to the remittance requirements under section 289A.20, subdivision 4, paragraph (b), but does not include a vendor of construction materials as defined under section 289A.20, subdivision 4, paragraph (e).

Subd. 2. **Tax not eligible for allowance.** Use taxes paid by the qualified retailer on the qualified retailer's own purchases and local sales and use taxes collected by the qualified retailer are not included in calculating the vendor allowance under this section.

Subd. 3. **Calculation of allowance; minimum amount.** The amount of the vendor allowance is equal to the greater of the following amounts, calculated for each reporting period, provided that the vendor allowance must not reduce the tax owed in the reporting period to less than zero:

(1) \$5; or

(2) one-half of one percent of the tax collected in the reporting period.

Subd. 4. **Transfer to legacy fund.** The commissioner shall determine the amount of tax deposited under the Minnesota Constitution, article XI, section 15, without regard to the allowance under this section.

EFFECTIVE DATE. This section is effective for sales taxes remitted after June 30, 2019.

Sec. 15. Laws 2017, First Special Session chapter 1, article 3, section 32, the effective date, is amended to read:

EFFECTIVE DATE. Paragraph (a) is effective retroactively for sales and purchases made after September 30, 2016, and before January 1, ~~2019~~ 2023. Paragraph (b) is effective for sales and purchases made after September 30, 2016, and before July 1, 2017.

EFFECTIVE DATE. This section is effective retroactively from January 1, 2019.

ARTICLE 4

PROPERTY TAX

Section 1. Minnesota Statutes 2018, section 103D.905, subdivision 5, is amended to read:

Subd. 5. **Construction or implementation fund.** (a) A construction or implementation fund consists of:

(1) the proceeds of watershed district bonds or notes or of the sale of county bonds;

(2) construction or implementation loans or grants from the ~~Pollution Control Agency under sections 103F.701 to 103F.755,~~ state or from any agency of the federal government; and

(3) special assessments, storm water charges, loan repayments, and ad valorem tax levies levied or to be levied to supply funds for the construction or implementation of the projects of the watershed

district, including reservoirs, ditches, dikes, canals, channels, storm water facilities, sewage treatment facilities, wells, and other works, and the expenses incident to and connected with the construction or implementation.

(b) Construction or implementation loans or grants from the ~~Pollution Control Agency under sections 103F.701 to 103F.755~~, state or from an agency of the federal government may be repaid from the proceeds of watershed district bonds or notes or from the collections of storm water charges, loan repayments, ad valorem tax levies, or special assessments on properties benefited by the project.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020 and thereafter.

Sec. 2. Minnesota Statutes 2018, section 103D.905, subdivision 9, is amended to read:

Subd. 9. **Project tax levy.** (a) In addition to other tax levies provided in this section or in any other law, a watershed district may levy a tax:

(1) to pay the costs of projects undertaken by the watershed district ~~which that are to be funded, in whole or in part, with the proceeds of money appropriated by law for grants or construction or implementation loans under sections 103F.701 to 103F.755~~ to the district;

(2) to pay the principal of, or premium or administrative surcharge, if any, and interest on, ~~the bonds and~~ or notes issued by the watershed district pursuant to section 103F.725 to repay such loans;
or

(3) to repay ~~the construction or implementation~~ such loans ~~under sections 103F.701 to 103F.755.~~

(b) Taxes levied with respect to payment of bonds and notes ~~shall~~ must comply with section 475.61.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020 and thereafter.

Sec. 3. Minnesota Statutes 2018, section 138.053, is amended to read:

138.053 COUNTY HISTORICAL SOCIETY; TAX LEVY; CITIES OR TOWNS.

The governing body of any home rule charter or statutory city or town may annually appropriate from its general fund an amount not to exceed 0.02418 percent of estimated market value, derived from ad valorem taxes on property or other revenues, to be paid to the historical society of its respective city, town, or county to be used for the promotion of historical work and to aid in defraying the expenses of carrying on the historical work in the city, town, or county. No city or town may appropriate any funds for the benefit of any historical society unless the society is affiliated with and approved by the Minnesota Historical Society.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2018, section 197.603, subdivision 2, is amended to read:

Subd. 2. **Records; data privacy.** Pursuant to chapter 13 the county veterans service officer is the responsible authority with respect to all records in the officer's custody. The data on clients' applications for assistance is private data on individuals, as defined in section 13.02, subdivision 12. The county veterans service officer may disclose to the county or local assessor private data necessary to determine a client's eligibility for the disabled veteran's homestead market value exclusion under section 273.13, subdivision 34.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2018, section 272.02, subdivision 49, is amended to read:

Subd. 49. **Agricultural historical society property.** Property is exempt from taxation if it is owned by a nonprofit charitable or educational organization that qualifies for exemption under section 501(c)(3) of the Internal Revenue Code and meets the following criteria:

(1) the property is primarily used for storing and exhibiting tools, equipment, and artifacts useful in providing an understanding of local or regional agricultural history. Primary use is determined each year based on the number of days the property is used solely for storage and exhibition purposes;

(2) the property is limited to a maximum of ~~20~~ 40 acres per owner per county, but includes the land and any taxable structures, fixtures, and equipment on the land;

(3) the property is not used for a revenue-producing activity for more than ten days in each calendar year; and

(4) the property is not used for residential purposes on either a temporary or permanent basis.

For assessment year 2019 only, an exemption application under this subdivision must be filed with the county assessor by July 1, 2019.

EFFECTIVE DATE. This section is effective beginning with assessment year 2019, for taxes payable in 2020, and thereafter.

Sec. 6. Minnesota Statutes 2018, section 272.02, is amended by adding a subdivision to read:

Subd. 102. **Certain property owned by an Indian tribe.** (a) Property is exempt that:

(1) is located in a city of the first class with a population of more than 380,000 as of the 2010 federal census;

(2) was on January 1, 2016, and is for the current assessment, owned by a federally recognized Indian tribe, or its instrumentality, that is located within the state of Minnesota; and

(3) is used exclusively as a pharmacy, as defined in section 151.01, subdivision 2.

(b) Property that qualifies for the exemption under this subdivision is limited to parcels and structures that do not exceed, in the aggregate, 4,000 square feet. Property acquired for single-family housing, market-rate apartments, agriculture, or forestry does not qualify for this exemption.

For assessment year 2019 only, an exemption application under this subdivision must be filed with the county assessor by July 1, 2019. The exemption created by this subdivision expires with taxes payable in 2029.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020 and thereafter.

Sec. 7. Minnesota Statutes 2018, section 272.02, is amended by adding a subdivision to read:

Subd. 103. **Licensed child care facility.** Property used as a licensed child care facility that accepts families participating in the child care assistance program under chapter 119B, and that is owned and operated by a nonprofit charitable organization that qualifies for tax exemption under section 501(c)(3) of the Internal Revenue Code, is exempt. For the purposes of this subdivision, "licensed child care facility" means a child care center licensed under Minnesota Rules, chapter 9503, or a facility used to provide licensed family day care or group family day care as defined under Minnesota Rules, chapter 9502.

For assessment year 2019 only, an exemption application under this subdivision must be filed with the county assessor by July 1, 2019.

EFFECTIVE DATE. This section is effective beginning with assessment year 2019, for taxes payable in 2020.

Sec. 8. Minnesota Statutes 2018, section 273.124, subdivision 3a, is amended to read:

Subd. 3a. **Manufactured home park cooperative.** (a) When a manufactured home park is owned by a corporation or association organized under chapter 308A or 308B, and each person who owns a share or shares in the corporation or association is entitled to occupy a lot within the park, the corporation or association may claim homestead treatment for the park. Each lot must be designated by legal description or number, and each lot is limited to not more than one-half acre of land.

(b) The manufactured home park shall be entitled to homestead treatment if all of the following criteria are met:

(1) the occupant or the cooperative corporation or association is paying the ad valorem property taxes and any special assessments levied against the land and structure either directly, or indirectly through dues to the corporation or association; and

(2) the corporation or association organized under chapter 308A or 308B is wholly owned by persons having a right to occupy a lot owned by the corporation or association.

(c) A charitable corporation, organized under the laws of Minnesota with no outstanding stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status, qualifies for homestead treatment with respect to a manufactured home park if its members hold residential participation warrants entitling them to occupy a lot in the manufactured home park.

(d) "Homestead treatment" under this subdivision means the classification rate provided for class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause (5), item

(ii), and the homestead market value exclusion under section 273.13, subdivision 35, does not apply and the property taxes assessed against the park shall not be included in the determination of taxes payable for rent paid under section 290A.03.

EFFECTIVE DATE. This section is effective beginning with claims for taxes payable in 2020.

Sec. 9. Minnesota Statutes 2018, section 273.124, subdivision 8, is amended to read:

Subd. 8. **Homestead owned by or leased to family farm corporation, joint farm venture, limited liability company, or partnership.** (a) Each family farm corporation; each joint family farm venture; and each limited liability company or partnership which operates a family farm; is entitled to class 1b under section 273.13, subdivision 22, paragraph (b), or class 2a assessment for one homestead occupied by a shareholder, member, or partner thereof who is residing on the land, and actively engaged in farming of the land owned by the family farm corporation, joint family farm venture, limited liability company, or partnership. Homestead treatment applies even if:

(1) legal title to the property is in the name of the family farm corporation, joint family farm venture, limited liability company, or partnership, and not in the name of the person residing on it;
or

(2) the family farm is operated by a family farm corporation, joint family farm venture, or limited liability company other than the family farm corporation, joint family farm venture, or limited liability company that owns the land, provided that:

(i) the shareholder, member, or partner residing on and actively engaged in farming the land is a shareholder, member, or partner of the family farm corporation, joint family farm venture, or limited liability company that is operating the farm and;

(ii) more than half of the shareholders, members, or partners of each family farm corporation, joint family farm venture, or limited liability company are persons or spouses of persons who are a qualifying relative under section 273.124, subdivision 1, paragraphs (c) and (d).

"Family farm corporation," "family farm," and "partnership operating a family farm" have the meanings given in section 500.24, except that the number of allowable shareholders, members, or partners under this subdivision shall not exceed 12. "Limited liability company" has the meaning contained in sections 322C.0102, subdivision 12, and 500.24, subdivision 2, paragraphs (l) and (m). "Joint family farm venture" means a cooperative agreement among two or more farm enterprises authorized to operate a family farm under section 500.24.

(b) In addition to property specified in paragraph (a), any other residences owned by family farm corporations, joint family farm ventures, limited liability companies, or partnerships described in paragraph (a) which are located on agricultural land and occupied as homesteads by its shareholders, members, or partners who are actively engaged in farming on behalf of that corporation, joint farm venture, limited liability company, or partnership must also be assessed as class 2a property or as class 1b property under section 273.13.

(c) Agricultural property that is owned by a member, partner, or shareholder of a family farm corporation or joint family farm venture, limited liability company operating a family farm, or by a partnership operating a family farm and leased to the family farm corporation, limited liability

company, partnership, or joint farm venture, as defined in paragraph (a), is eligible for classification as class 1b or class 2a under section 273.13, if the owner is actually residing on the property, and is actually engaged in farming the land on behalf of that corporation, joint farm venture, limited liability company, or partnership. This paragraph applies without regard to any legal possession rights of the family farm corporation, joint family farm venture, limited liability company, or partnership under the lease.

(d) Nonhomestead agricultural property that is owned by a family farm corporation, joint farm venture, limited liability company, or partnership; and located not farther than four townships or cities, or combination thereof, from agricultural land that is owned, and used for the purposes of a homestead by an individual who is a shareholder, member, or partner of the corporation, venture, company, or partnership; is entitled to receive the first tier homestead classification rate on any remaining market value in the first homestead class tier that is in excess of the market value of the shareholder's, member's, or partner's class 2 agricultural homestead property, if the owner, or someone acting on the owner's behalf notifies the county assessor by July 1 that the property may be eligible under this paragraph for the current assessment year, for taxes payable in the following year. As used in this paragraph, "agricultural property" means property classified as 2a under section 273.13, along with any contiguous property classified as 2b under section 273.13, if the contiguous 2a and 2b properties are under the same ownership.

EFFECTIVE DATE. This section is effective beginning with assessment year 2019.

Sec. 10. Minnesota Statutes 2018, section 273.124, subdivision 14, is amended to read:

Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than ten acres that is the homestead of its owner must be classified as class 2a under section 273.13, subdivision 23, paragraph (a), if:

(1) the parcel on which the house is located is contiguous on at least two sides to (i) agricultural land, (ii) land owned or administered by the United States Fish and Wildlife Service, or (iii) land administered by the Department of Natural Resources on which in lieu taxes are paid under sections 477A.11 to 477A.14;

(2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20 acres;

(3) the noncontiguous land is located not farther than four townships or cities, or a combination of townships or cities from the homestead; and

(4) the agricultural use value of the noncontiguous land and farm buildings is equal to at least 50 percent of the market value of the house, garage, and one acre of land.

Homesteads initially classified as class 2a under the provisions of this paragraph shall remain classified as class 2a, irrespective of subsequent changes in the use of adjoining properties, as long as the homestead remains under the same ownership, the owner owns a noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use value qualifies under clause (4). Homestead classification under this paragraph is limited to property that qualified under this paragraph for the 1998 assessment.

(b)(i) Agricultural property shall be classified as the owner's homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the agricultural property consists of at least 40 acres including undivided government lots and correctional 40's;

(2) the owner, the owner's spouse, or a grandchild, child, sibling, or parent of the owner or of the owner's spouse, is actively farming the agricultural property, either on the person's own behalf as an individual or on behalf of a partnership operating a family farm, family farm corporation, joint family farm venture, or limited liability company of which the person is a partner, shareholder, or member;

(3) both the owner of the agricultural property and the person who is actively farming the agricultural property under clause (2), are Minnesota residents;

(4) neither the owner nor the spouse of the owner claims another agricultural homestead in Minnesota; and

(5) neither the owner nor the person actively farming the agricultural property lives farther than four townships or cities, or a combination of four townships or cities, from the agricultural property, except that if the owner or the owner's spouse is required to live in employer-provided housing, the owner or owner's spouse, whichever is actively farming the agricultural property, may live more than four townships or cities, or combination of four townships or cities from the agricultural property.

The relationship under this paragraph may be either by blood or marriage.

~~(ii) Agricultural property held by a trustee under a trust is eligible for agricultural homestead classification under this paragraph if the qualifications in clause (i) are met, except that "owner" means the grantor of the trust.~~

~~(iii)~~ Property containing the residence of an owner who owns qualified property under clause (i) shall be classified as part of the owner's agricultural homestead, if that property is also used for noncommercial storage or drying of agricultural crops.

~~(iv)~~ (iii) As used in this paragraph, "agricultural property" means class 2a property and any class 2b property that is contiguous to and under the same ownership as the class 2a property.

(c) Noncontiguous land shall be included as part of a homestead under section 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached land is located in the same township or city, or not farther than four townships or cities or combination thereof from the homestead. Any taxpayer of these noncontiguous lands must notify the county assessor that the noncontiguous land is part of the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must also notify the assessor of the other county.

(d) Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified as a homestead under section 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged

in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a.

(e) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the April 1997 floods;

(2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or Wilkin;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1997 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 1997 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(f) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by a March 29, 1998, tornado;

(2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1998 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to a March 29, 1998, tornado, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the owner must notify the assessor by December 1, 1998. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(g) Agricultural property of a family farm corporation, joint family farm venture, family farm limited liability company, or partnership operating a family farm as described under subdivision 8

shall be classified homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

- (1) the property consists of at least 40 acres including undivided government lots and correctional 40's;
- (2) a shareholder, member, or partner of that entity is actively farming the agricultural property;
- (3) that shareholder, member, or partner who is actively farming the agricultural property is a Minnesota resident;
- (4) neither that shareholder, member, or partner, nor the spouse of that shareholder, member, or partner claims another agricultural homestead in Minnesota; and
- (5) that shareholder, member, or partner does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property.

Homestead treatment applies under this paragraph for property leased to a family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm if legal title to the property is in the name of an individual who is a member, shareholder, or partner in the entity.

(h) To be eligible for the special agricultural homestead under this subdivision, an initial full application must be submitted to the county assessor where the property is located. Owners and the persons who are actively farming the property shall be required to complete only a one-page abbreviated version of the application in each subsequent year provided that none of the following items have changed since the initial application:

- (1) the day-to-day operation, administration, and financial risks remain the same;
- (2) the owners and the persons actively farming the property continue to live within the four townships or city criteria and are Minnesota residents;
- (3) the same operator of the agricultural property is listed with the Farm Service Agency;
- (4) a Schedule F or equivalent income tax form was filed for the most recent year;
- (5) the property's acreage is unchanged; and
- (6) none of the property's acres have been enrolled in a federal or state farm program since the initial application.

The owners and any persons who are actively farming the property must include the appropriate Social Security numbers, and sign and date the application. If any of the specified information has changed since the full application was filed, the owner must notify the assessor, and must complete a new application to determine if the property continues to qualify for the special agricultural homestead. The commissioner of revenue shall prepare a standard reapplication form for use by the assessors.

(i) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by the August 2007 floods;

(2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele, Wabasha, or Winona;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2007 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the August 2007 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the owner must notify the assessor by December 1, 2008. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(j) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the March 2009 floods;

(2) the property is located in the county of Marshall;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2008 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 2009 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

EFFECTIVE DATE. This section is effective beginning with assessment year 2019.

Sec. 11. Minnesota Statutes 2018, section 273.124, subdivision 21, is amended to read:

Subd. 21. **Trust property; homestead.** Real or personal property, including agricultural property, held by a trustee under a trust is eligible for classification as homestead property if the property satisfies the requirements of paragraph (a), (b), (c), ~~or (d)~~, or (e).

(a) The grantor or surviving spouse of the grantor of the trust occupies and uses the property as a homestead.

(b) A relative or surviving relative of the grantor who meets the requirements of subdivision 1, paragraph (c), in the case of residential real estate; or subdivision 1, paragraph (d), in the case of agricultural property, occupies and uses the property as a homestead.

(c) A family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm in which the grantor or the grantor's surviving spouse is a shareholder, member, or partner rents the property; and, either (1) a shareholder, member, or partner of the corporation, joint farm venture, limited liability company, or partnership occupies and uses the property as a homestead; or (2) the property is at least 40 acres, including undivided government lots and correctional 40's, and a shareholder, member, or partner of the tenant-entity is actively farming the property on behalf of the corporation, joint farm venture, limited liability company, or partnership.

(d) A person who has received homestead classification for property taxes payable in 2000 on the basis of an unqualified legal right under the terms of the trust agreement to occupy the property as that person's homestead and who continues to use the property as a homestead; or, a person who received the homestead classification for taxes payable in 2005 under paragraph (c) who does not qualify under paragraph (c) for taxes payable in 2006 or thereafter but who continues to qualify under paragraph (c) as it existed for taxes payable in 2005.

(e) The qualifications under subdivision 14, paragraph (b), clause (i), are met. For purposes of this paragraph, "owner" means the grantor of the trust or the surviving spouse of the grantor.

(f) For purposes of this subdivision, the following terms have the meanings given them:

(1) "agricultural property" means the house, garage, other farm buildings and structures, and agricultural land;

(2) "agricultural land" has the meaning given in section 273.13, subdivision 23, except that the phrases "owned by same person" or "under the same ownership" as used in that subdivision mean and include contiguous tax parcels owned by:

(i) an individual and a trust of which the individual, the individual's spouse, or the individual's deceased spouse is the grantor; or

(ii) different trusts of which the grantors of each trust are any combination of an individual, the individual's spouse, or the individual's deceased spouse; and

~~For purposes of this subdivision, (3) "grantor" is defined as~~ means the person creating or establishing a testamentary, inter Vivos, revocable or irrevocable trust by written instrument or through the exercise of a power of appointment.

(g) Noncontiguous agricultural land is included as part of a homestead under this subdivision, only if the homestead is classified as class 2a, as defined in section 273.13, subdivision 23, and the detached land is located in the same township or city, or not farther than four townships or cities or combination thereof from the homestead. Any taxpayer of these noncontiguous lands must notify the county assessor that the noncontiguous land is part of the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must also notify the assessor of the other county.

EFFECTIVE DATE. This section is effective beginning with assessment year 2019.

Sec. 12. Minnesota Statutes 2018, section 273.124, is amended by adding a subdivision to read:

Subd. 23. **Fractional homesteads.** In the case of property that is classified as part homestead and part nonhomestead solely because not all the owners occupy or farm the property, not all the owners have qualifying relatives occupying or farming the property, or not all the spouses of owners occupy the property, the portions of property classified as part homestead and part nonhomestead must correspond to the ownership percentages that each owner has in the property, as determined by the land records in the county recorder's office or registrar of titles. If the ownership percentages of each owner cannot be determined by reference to the land records, the portions of property classified as part homestead and part nonhomestead must correspond to the ownership percentages each owner would have if they each owned an equal share of the property.

EFFECTIVE DATE. This section is effective beginning with assessment year 2019.

Sec. 13. Minnesota Statutes 2018, section 273.1245, subdivision 2, is amended to read:

Subd. 2. **Disclosure.** The assessor shall disclose the data described in subdivision 1 to the commissioner of revenue as provided by law. The assessor shall also disclose all or portions of the data described in subdivision 1 to:

(1) the county treasurer solely for the purpose of proceeding under the Revenue Recapture Act to recover personal property taxes owing; and

(2) the county veterans service officer for the purpose of determining a person's eligibility for the disabled veteran's homestead market value exclusion under section 273.13, subdivision 34.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 14. Minnesota Statutes 2018, section 273.13, subdivision 25, is amended to read:

Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. The market value of class 4a property has a classification rate of 1.25 percent.

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential recreational property;

(2) manufactured homes not classified under any other provision;

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units; and

(4) unimproved property that is classified residential as determined under subdivision 33.

The market value of class 4b property has a classification rate of 1.25 percent.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential recreational property;

(2) a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b); and

(3) a condominium-type storage unit having an individual property identification number that is not used for a commercial purpose.

Class 4bb property has the same classification rates as class 1a property under subdivision 22.

Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), real and personal property devoted to commercial temporary and seasonal residential occupancy for recreation purposes, for not more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4c property under this clause must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. A camping pad offered for rent by a property that otherwise qualifies for class 4c under this clause is also class 4c under this clause regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. In order for a property to be classified under this clause, either (i) the business located on the property must provide recreational activities, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days, and either (A) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (B) at least 20 percent of the annual gross receipts must be from charges for providing recreational activities, or (ii) the business must contain 20 or fewer rental units, and must be located in a township or a city with a population of 2,500 or less located outside the metropolitan area, as defined under section 473.121, subdivision 2, that contains a portion of a state trail administered by the Department of Natural Resources. For purposes of item (i)(A), a paid booking of five or more nights shall be counted as two bookings. Class 4c property also includes commercial use real property used exclusively for recreational purposes in conjunction with other class 4c property classified under

this clause and devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. In order for a property to qualify for classification under this clause, the owner must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated class 4c under this clause as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 4c property under this clause must provide guest registers or other records demonstrating that the units for which class 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 4c. For the purposes of this paragraph, "recreational activities" means renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; providing marina services, launch services, or guide services; or selling bait and fishing tackle;

(2) qualified property used as a golf course if:

(i) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property;

(3) real property up to a maximum of three acres of land owned and used by a nonprofit community service oriented organization and not used for residential purposes on either a temporary or permanent basis, provided that:

(i) the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment; or

(ii) the organization makes annual charitable contributions and donations at least equal to the property's previous year's property taxes and the property is allowed to be used for public and community meetings or events for no charge, as appropriate to the size of the facility.

For purposes of this clause:

(A) "charitable contributions and donations" has the same meaning as lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

(B) "property taxes" excludes the state general tax;

(C) a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal Revenue Code; and

(D) "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises.

Any portion of the property not qualifying under either item (i) or (ii) is class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity.

The organization shall maintain records of its charitable contributions and donations and of public meetings and events held on the property and make them available upon request any time to the assessor to ensure eligibility. An organization meeting the requirement under item (ii) must file an application by May 1 with the assessor for eligibility for the current year's assessment. The commissioner shall prescribe a uniform application form and instructions;

(4) postsecondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus;

(5)(i) manufactured home parks as defined in section 327.14, subdivision 3, excluding manufactured home parks described in items (ii) and (iii), (ii) manufactured home parks as defined in section 327.14, subdivision 3, that are described in section 273.124, subdivision 3a, and (iii) class I manufactured home parks as defined in section 327C.01, subdivision 13;

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2;

(7) a leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land is on an airport owned or operated by a city, town, county, Metropolitan Airports Commission, or group thereof; and

(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale;

(8) a privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land abuts a public airport; and

(ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; and

(9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:

(i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;

(ii) meals are provided to persons who rent rooms, the cost of which is incorporated in the basic room rate;

(iii) meals are not provided to the general public except for special events on fewer than seven days in the calendar year preceding the year of the assessment; and

(iv) the owner is the operator of the property.

The market value subject to the 4c classification under this clause is limited to five rental units. Any rental units on the property in excess of five, must be valued and assessed as class 3a. The portion of the property used for purposes of a homestead by the owner must be classified as class 1a property under subdivision 22;

(10) real property up to a maximum of three acres and operated as a restaurant as defined under section 157.15, subdivision 12, provided it: (i) is located on a lake as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (ii) is either devoted to commercial purposes for not more than 250 consecutive days, or receives at least 60 percent of its annual gross receipts from business conducted during four consecutive months. Gross receipts from the sale of alcoholic beverages must be included in determining the property's qualification under item (ii). The property's primary business must be as a restaurant and not as a bar. Gross receipts from gift shop sales located on the premises must be excluded. Owners of real property desiring 4c classification under this clause must submit an annual declaration to the assessor by February 1 of the current assessment year, based on the property's relevant information for the preceding assessment year;

(11) lakeshore and riparian property and adjacent land, not to exceed six acres, used as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to the public and devoted to recreational use for marina services. The marina owner must annually provide evidence to the assessor that it provides services, including lake or river access to the public by means of an access ramp or other facility that is either located on the property of the marina or at a publicly owned site that abuts the property of the marina. No more than 800 feet of lakeshore may be included in this classification. Buildings used in conjunction with a marina for marina services, including but not limited to buildings used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing tackle, are classified as class 3a property; and

(12) real and personal property devoted to noncommercial temporary and seasonal residential occupancy for recreation purposes.

Class 4c property has a classification rate of 1.5 percent of market value, except that (i) each parcel of noncommercial seasonal residential recreational property under clause (12) has the same classification rates as class 4bb property, (ii) manufactured home parks assessed under clause (5), item (i), have the same classification rate as class 4b property, the market value of manufactured home parks assessed under clause (5), item (ii), have a classification rate of 0.75 percent if more than 50 percent of the lots in the park are occupied by shareholders in the cooperative corporation or association and a classification rate of one percent if 50 percent or less of the lots are so occupied, and class I manufactured home parks as defined in section 327C.01, subdivision 13, have a classification rate of 1.0 percent, (iii) commercial-use seasonal residential recreational property and marina recreational land as described in clause (11), has a classification rate of one percent for the first \$500,000 of market value, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a classification rate of one percent, (v) the market value of property described in clauses (2), (6), and (10) has a classification rate of 1.25 percent, (vi) that portion of the market value of property in clause (9) qualifying for class 4c property has a classification rate of 1.25 percent, and (vii) property qualifying for classification under clause (3) that is owned or operated by a congressionally chartered veterans organization has a classification rate of one percent. The commissioner of veterans affairs must provide a list of congressionally chartered veterans organizations to the commissioner of revenue by June 30, 2017, and by January 1, 2018, and each year thereafter.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class 4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents. Class 4d property has a classification rate of 0.25 percent.

~~(f) The first tier of market value of class 4d property has a classification rate of 0.75 percent. The remaining value of class 4d property has a classification rate of 0.25 percent. For the purposes of this paragraph, the "first tier of market value of class 4d property" means the market value of each housing unit up to the first tier limit. For the purposes of this paragraph, all class 4d property value must be assigned to individual housing units. The first tier limit is \$100,000 for assessment year 2014. For subsequent years, the limit is adjusted each year by the average statewide change in estimated market value of property classified as class 4a and 4d under this section for the previous assessment year, excluding valuation change due to new construction, rounded to the nearest \$1,000, provided, however, that the limit may never be less than \$100,000. Beginning with assessment year 2015, the commissioner of revenue must certify the limit for each assessment year by November 1 of the previous year.~~

EFFECTIVE DATE. This section is effective beginning with assessment year 2019.

Sec. 15. Minnesota Statutes 2018, section 273.13, subdivision 34, is amended to read:

Subd. 34. **Homestead of disabled veteran or family caregiver.** (a) All or a portion of the market value of property owned by a veteran and serving as the veteran's homestead under this section is excluded in determining the property's taxable market value if the veteran has a service-connected disability of 70 percent or more as certified by the United States Department of Veterans Affairs. To qualify for exclusion under this subdivision, the veteran must have been honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers.

(b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded, except as provided in clause (2); and

(2) for a total (100 percent) and permanent disability, \$300,000 of market value is excluded.

(c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion shall carry over to the benefit of the veteran's spouse ~~for the current taxes payable year and for eight additional taxes payable years~~ or until such time as the spouse remarries, or sells, transfers, or otherwise disposes of the property, ~~whichever comes first~~. Qualification under this paragraph requires an application under paragraph (h), and a spouse must notify the assessor if there is a change in the spouse's marital status, ownership of the property, or use of the property as a permanent residence.

(d) If the spouse of a member of any branch or unit of the United States armed forces who dies due to a service-connected cause while serving honorably in active service, as indicated on United States Government Form DD1300 or DD2064, holds the legal or beneficial title to a homestead and permanently resides there, the spouse is entitled to the benefit described in paragraph (b), clause (2), ~~for eight taxes payable years, or~~ until such time as the spouse remarries or sells, transfers, or otherwise disposes of the property, ~~whichever comes first~~.

(e) If a veteran meets the disability criteria of paragraph (a) but does not own property classified as homestead in the state of Minnesota, then the homestead of the veteran's primary family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify for under paragraph (b).

(f) In the case of an agricultural homestead, only the portion of the property consisting of the house and garage and immediately surrounding one acre of land qualifies for the valuation exclusion under this subdivision.

(g) A property qualifying for a valuation exclusion under this subdivision is not eligible for the market value exclusion under subdivision 35, or classification under subdivision 22, paragraph (b).

(h) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by ~~July 1~~ December 15 of the first assessment year for which the exclusion is sought. For an application received after ~~July 1~~ December 15, the exclusion shall become effective for the following assessment year. Except as provided in paragraph (c), the owner of a property that has been accepted for a valuation exclusion must notify the assessor if there is a change in ownership of the property or in the use of the property as a homestead.

(i) A first-time application by a qualifying spouse for the market value exclusion under paragraph (d) must be made any time within two years of the death of the service member.

(j) For purposes of this subdivision:

(1) "active service" has the meaning given in section 190.05;

(2) "own" means that the person's name is present as an owner on the property deed;

(3) "primary family caregiver" means a person who is approved by the secretary of the United States Department of Veterans Affairs for assistance as the primary provider of personal care services for an eligible veteran under the Program of Comprehensive Assistance for Family Caregivers, codified as United States Code, title 38, section 1720G; and

(4) "veteran" has the meaning given the term in section 197.447.

(k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit under paragraph (b), clause (2), ~~for eight taxes payable years or~~ until the spouse remarries or sells, transfers, or otherwise disposes of the property if:

(1) the spouse files a first-time application within two years of the death of the service member or by June 1, 2019, whichever is later;

(2) upon the death of the veteran, the spouse holds the legal or beneficial title to the homestead and permanently resides there;

(3) the veteran met the honorable discharge requirements of paragraph (a); and

(4) the United States Department of Veterans Affairs certifies that:

(i) the veteran met the total (100 percent) and permanent disability requirement under paragraph (b), clause (2); or

(ii) the spouse has been awarded dependency and indemnity compensation.

(l) The purpose of this provision of law providing a level of homestead property tax relief for gravely disabled veterans, their primary family caregivers, and their surviving spouses is to help ease the burdens of war for those among our state's citizens who bear those burdens most heavily.

(m) By July 1, the county veterans service officer must certify the disability rating and permanent address of each veteran receiving the benefit under paragraph (b) to the assessor.

EFFECTIVE DATE. This section is effective beginning with assessment year 2019, for taxes payable in 2020 and thereafter.

Sec. 16. Minnesota Statutes 2018, section 273.13, subdivision 35, is amended to read:

Subd. 35. **Homestead market value exclusion.** (a) Prior to determining a property's net tax capacity under this section, property classified as class 1a or 1b under subdivision 22, and the portion of property classified as class 2a under subdivision 23 consisting of the house, garage, and surrounding one acre of land, shall be eligible for a market value exclusion as determined under paragraph (b).

(b) For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or more, there is no valuation exclusion. The valuation exclusion shall be rounded to the nearest whole dollar, and may not be less than zero.

(c) Any valuation exclusions or adjustments under section 273.11 shall be applied prior to determining the amount of the valuation exclusion under this subdivision.

(d) In the case of a property that is classified as part homestead and part nonhomestead, (i) the exclusion shall apply only to the homestead portion of the property, but (ii) if a portion of a property is classified as nonhomestead solely because not all the owners occupy the property, not all the owners have qualifying relatives occupying the property, or solely because not all the spouses of owners occupy the property, the exclusion amount shall be initially computed as if that nonhomestead portion were also in the homestead class and then prorated to the owner-occupant's percentage of ownership, as determined by the land records in the county recorder's office or registrar of titles. If ownership percentages of each owner cannot be determined by reference to the land records, the ownership percentages must be determined as if each owner owned an equal share of the property. For the purpose of this section, when an owner-occupant's spouse does not occupy the property, the percentage of ownership for the owner-occupant spouse is one-half of the couple's ownership percentage.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020 and thereafter.

Sec. 17. Minnesota Statutes 2018, section 273.1384, subdivision 2, is amended to read:

Subd. 2. **Agricultural homestead market value credit.** Property classified as agricultural homestead under section 273.13, subdivision 23, paragraph (a), is eligible for an agricultural credit. The credit is computed using the property's agricultural credit market value, defined for this purpose as the property's market value excluding the market value of the house, garage, and immediately surrounding one acre of land. The credit is equal to 0.3 percent of the first \$115,000 of the property's agricultural credit market value plus 0.1 percent of the property's agricultural credit market value in excess of \$115,000, subject to a maximum credit of \$490. In the case of property that is classified as part homestead and part nonhomestead solely because not all the owners occupy or farm the property, not all the owners have qualifying relatives occupying or farming the property, or solely because not all the spouses of owners occupy the property, the credit is computed on the amount of agricultural credit market value corresponding to the owner-occupant's percentage of homestead. the percentage of homestead is equal to 100 divided by the number of owners of the property, or, in the case of a trust, the number of grantors of the trust that owns the property ownership, as determined by the land records in the county recorder's office or registrar of titles. If ownership percentages of each owner cannot be determined by reference to the land records, the ownership percentages must be determined as if each owner owned an equal share of the property.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020 and thereafter.

Sec. 18. Minnesota Statutes 2018, section 273.371, subdivision 1, is amended to read:

Subdivision 1. **Report required.** Every electric light, power, gas, water, express, stage, transportation, and pipeline company doing business in Minnesota shall annually file with the commissioner on or before March 31 a report under oath setting forth the information prescribed by the commissioner to enable the commissioner to make valuations, recommended valuations, and equalization required under sections 273.33, 273.35, 273.36, 273.37, and 273.3711. The commissioner shall prescribe the content, format, and manner of the report pursuant to section 270C.30, except that for cooperative associations defined in section 273.40, the information provided in the report must be aggregated to the unique taxing jurisdiction level and exclude information related to property subject to the in-lieu tax under section 273.41, and that a "law administered by the commissioner" includes the property tax laws. If all the required information is not available on March 31, the company shall file the information that is available on or before March 31, and the balance of the information as soon as it becomes available. If a report is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws. For purposes of this subdivision, "unique taxing jurisdiction" means the geographic area subject to the same set of local tax rates.

EFFECTIVE DATE. This section is effective beginning with assessment year 2020 and thereafter.

Sec. 19. Minnesota Statutes 2018, section 273.3711, is amended to read:

273.3711 RECOMMENDED AND ORDERED VALUES.

For purposes of sections 273.33, 273.35, 273.36, 273.37, 273.371, and 273.372, all preliminary values not required to be listed and assessed by the commissioner of revenue are recommended values. If the commissioner provides preliminary recommended values, the values must be certified to the auditor of each county in which the property is located on or before ~~August 1~~ June 15. If the commissioner determines that the certified recommended value is in error the commissioner may issue a corrected certification on or before October 1. The commissioner may correct errors that are merely clerical in nature until December 31.

EFFECTIVE DATE. This section is effective beginning with assessment year 2019 and thereafter.

Sec. 20. Minnesota Statutes 2018, section 273.372, subdivision 3, is amended to read:

Subd. 3. **Notice.** Upon filing of any appeal ~~in court~~ under this section by a utility company or railroad against the commissioner pursuant to this section, the commissioner shall give notice by first class mail to the county auditor of each county where property included in the petition is located.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 21. **[273.3722] NOTIFICATION.**

The commissioner of revenue shall develop an electronic means to inform each city, county, and taxing jurisdiction where property included in an appeal filed under section 273.372 is located. The notification must contain the following information:

(1) notice that an appeal was filed pursuant to section 273.372;

(2) a copy of the petition filed under section 273.372, subdivision 2, or of the appeal filed under section 273.372, subdivision 4;

(3) notice that a final, written agreement was entered into pursuant to section 273.372, subdivision 5, and a copy of the agreement within ten days of its signing; and

(4) any additional information, as available, that provides the city, county, and taxing jurisdictions with information relative to the status of the appeal and settlement negotiations.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 22. Minnesota Statutes 2018, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **Levy amount.** The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined in this section. The state general levy for commercial-industrial property is ~~\$784,590,000~~ \$737,090,000 for taxes payable in ~~2018~~ 2020 and thereafter. The state general levy for seasonal-recreational property is ~~\$44,190,000~~ \$41,690,000 for taxes payable in ~~2018~~ 2020 and thereafter. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F.

The commissioner shall increase or decrease the preliminary or final rate for a year as necessary to account for errors and tax base changes that affected a preliminary or final rate for either of the two preceding years. Adjustments are allowed to the extent that the necessary information is available to the commissioner at the time the rates for a year must be certified, and for the following reasons:

(1) an erroneous report of taxable value by a local official;

(2) an erroneous calculation by the commissioner; and

(3) an increase or decrease in taxable value for commercial-industrial or seasonal residential recreational property reported on the abstracts of tax lists submitted under section 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89 for the same year.

The commissioner may, but need not, make adjustments if the total difference in the tax levied for the year would be less than \$100,000.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 23. Minnesota Statutes 2018, section 275.025, is amended by adding a subdivision to read:

Subd. 6. Natural gas pipeline. (a) The county must abate the state general levy on personal property that is part of an intrastate natural gas transportation or distribution pipeline system if:

(1) construction of the pipeline system commenced after January 1, 2018; and

(2) the pipeline system provides service to an area:

(i) outside the seven-county metropolitan area, as defined in section 473.121, subdivision 4; and

(ii) in which more than half of the households or businesses lacked access to natural gas distribution systems as of January 1, 2018.

(b) In the first year that a taxpayer seeks an abatement under this subdivision, the taxpayer must file an application with the commissioner of revenue by March 1 of the assessment year on a form prescribed by the commissioner.

(c) The commissioner of revenue must notify any affected county in the first year that a pipeline system becomes eligible for an abatement under this subdivision.

(d) The abatement under this subdivision applies for a period not to exceed 12 taxable years, provided that once a property no longer qualifies, it may not subsequently qualify for an abatement under this subdivision.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2021.

Sec. 24. Minnesota Statutes 2018, section 275.066, is amended to read:

275.066 SPECIAL TAXING DISTRICTS; DEFINITION.

For the purposes of property taxation and property tax state aids, the term "special taxing districts" includes the following entities:

- (1) watershed districts under chapter 103D;
- (2) sanitary districts under sections 442A.01 to 442A.29;
- (3) regional sanitary sewer districts under sections 115.61 to 115.67;
- (4) regional public library districts under section 134.201;
- (5) park districts under chapter 398;
- (6) regional railroad authorities under chapter 398A;
- (7) hospital districts under sections 447.31 to 447.38;
- (8) St. Cloud Metropolitan Transit Commission under sections 458A.01 to 458A.15;
- (9) Duluth Transit Authority under sections 458A.21 to 458A.37;
- (10) regional development commissions under sections 462.381 to 462.398;
- (11) housing and redevelopment authorities under sections 469.001 to 469.047;
- (12) port authorities under sections 469.048 to 469.068;
- (13) economic development authorities under sections 469.090 to 469.1081;
- (14) Metropolitan Council under sections 473.123 to 473.549;
- (15) Metropolitan Airports Commission under sections 473.601 to 473.679;

- (16) Metropolitan Mosquito Control Commission under sections 473.701 to 473.716;
- (17) Morrison County Rural Development Financing Authority under Laws 1982, chapter 437, section 1;
- (18) Croft Historical Park District under Laws 1984, chapter 502, article 13, section 6;
- (19) East Lake County Medical Clinic District under Laws 1989, chapter 211, sections 1 to 6;
- (20) Floodwood Area Ambulance District under Laws 1993, chapter 375, article 5, section 39;
- (21) Middle Mississippi River Watershed Management Organization under sections 103B.211 and 103B.241;
- (22) emergency medical services special taxing districts under section 144F.01;
- (23) a county levying under the authority of section 103B.241, 103B.245, or 103B.251;
- (24) Southern St. Louis County Special Taxing District; Chris Jensen Nursing Home under Laws 2003, First Special Session chapter 21, article 4, section 12;
- (25) an airport authority created under section 360.0426; ~~and~~
- (26) fire protection special taxing districts under section 299O.01; and
- (27) any other political subdivision of the state of Minnesota, excluding counties, school districts, cities, and towns, that has the power to adopt and certify a property tax levy to the county auditor, as determined by the commissioner of revenue.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 25. Minnesota Statutes 2018, section 276.131, is amended to read:

276.131 DISTRIBUTION OF PENALTIES, INTEREST, AND COSTS.

Subdivision 1. Distribution. Except as provided in subdivision 2, the penalties, interest, and costs collected on special assessments and real and personal property taxes must be distributed as follows:

- (1) all penalties and interest collected on special assessments against real or personal property must be distributed to the taxing jurisdiction that levied the assessment;
- (2) 50 percent of all penalties collected on real and personal property taxes must be distributed to the school districts within the county, and the remaining 50 percent must be distributed to the county;
- (3) in the case of interest on taxes that have been delinquent for a period of one year or less, (a) 50 percent of the interest must be distributed to the school districts within the county and (b) the remaining 50 percent shall be distributed to the county;

(4) in the case of interest on taxes that have been delinquent for a period of more than one year, (a) 50 percent of the interest must be distributed to the school districts within the county and (b) the remaining 50 percent must be distributed as follows: (i) the city or town where the property is located shall receive a share of the amount of interest equal to the proportion that the city's or town's local tax rate for the year that the interest was collected, is to the sum of the city's or town's local tax rate and the county's local tax rate for the year that the interest was collected and (ii) the balance must be distributed to the county; and

(5) all costs collected by the county on special assessments and on delinquent real and personal property taxes must be distributed to the county in which the property is located.

Subd. 2. **Distribution of certain production taxes.** The penalties, interest, and costs collected on taxes imposed under sections 272.029 and 272.0295 must be distributed to the same local taxing jurisdictions and in the same percentages as provided for the revenues of the original taxes imposed under sections 272.029 and 272.0295.

Subd. 3. **Distribution to school district.** The distribution of all penalties and interest to the school district must be in accordance with the provisions of section 127A.34.

EFFECTIVE DATE. This section is effective for penalties, interest, and costs collected on taxes payable in 2020 and thereafter.

Sec. 26. Minnesota Statutes 2018, section 282.01, subdivision 6, is amended to read:

Subd. 6. Duties of commissioner after sale. (a) When any sale has been made by the county auditor under sections 282.01 to 282.13, the auditor shall immediately certify to the commissioner of revenue such information relating to such sale, on such forms as the commissioner of revenue may prescribe as will enable the commissioner of revenue to prepare an appropriate deed if the sale is for cash, or keep necessary records if the sale is on terms; and not later than October 31 of each year the county auditor shall submit to the commissioner of revenue a statement of all instances wherein any payment of principal, interest, or current taxes on lands held under certificate, due or to be paid during the preceding calendar years, are still outstanding at the time such certificate is made. When such statement shows that a purchaser or the purchaser's assignee is in default, the commissioner of revenue may instruct the county board of the county in which the land is located to cancel said certificate of sale in the manner provided by subdivision 5, provided that upon recommendation of the county board, and where the circumstances are such that the commissioner of revenue after investigation is satisfied that the purchaser has made every effort reasonable to make payment of both the annual installment and said taxes, and that there has been no willful neglect on the part of the purchaser in meeting these obligations, then the commissioner of revenue may extend the time for the payment for such period as the commissioner may deem warranted, not to exceed one year. On payment in full of the purchase price, appropriate conveyance in fee, in such form as may be prescribed by the attorney general, shall be issued by the commissioner of revenue, which conveyance must be recorded by the county and shall have the force and effect of a patent from the state subject to easements and restrictions of record at the date of the tax judgment sale, including, but without limitation, permits for telephone and electric power lines either by underground cable or conduit or otherwise, sewer and water lines, highways, railroads, and pipe lines for gas, liquids, or solids in suspension.

(b) The commissioner of revenue shall issue an appropriate conveyance in fee (1) upon the approval from the county auditor, or (2) when approval from the county auditor is given based upon written confirmation from a licensed closing agent, title insurer, or title insurance agent as specified in section 82.641. For purposes of this paragraph, "written confirmation" means a written commitment or approval that the funding for the conveyance is held in an escrow account available for disbursement upon delivery of a conveyance. The county recorder or registrar of titles must not record or file a conveyance issued under this paragraph unless the conveyance contains a certification signed by the county auditor where the land is located that the recorder or registrar of titles can accept the conveyance for recording or filing. The conveyance issued by the commissioner of revenue shall not be effective as a conveyance until it is recorded. The conveyance shall be issued to the county auditor where the land is located. Upon receipt of the conveyance, the county auditor shall hold the conveyance until the conveyance is requested from a licensed closing agent, title insurer, or title insurance agent to settle and close on the conveyance. If a request for the conveyance is not made within 30 days of the date the conveyance is issued by the commissioner of revenue, the county auditor shall return the conveyance to the commissioner. If the conveyance is delivered to the licensed closing agent, title insurer, or title insurance agent and the closing does not occur within ten days of the request, the licensed closing agent, title insurer, or title insurance agent shall immediately return the conveyance to the county auditor and, upon receipt, the county auditor shall return the conveyance to the commissioner of revenue. The commissioner of revenue shall cancel and destroy all conveyances returned by the county auditor pursuant to this subdivision. The licensed closing agent, title insurer, or title insurance agent must promptly record the conveyance after the closing and must deliver an attested or certified copy to the county auditor and to the grantee or grantees named on the conveyance.

EFFECTIVE DATE. This section is effective for conveyances issued by the commissioner of revenue after December 31, 2019.

Sec. 27. Minnesota Statutes 2018, section 290A.03, subdivision 13, is amended to read:

Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year, and after any refund claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the year that the property tax is payable. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. Regardless of the limitations in section 280A(c)(5) of the Internal Revenue Code, "property taxes payable" must be apportioned or reduced for the use of a portion of the claimant's homestead for a business purpose if the claimant deducts any business depreciation expenses for the use of a portion of the homestead or deducts expenses under section 280A of the Internal Revenue Code for a business operated in the claimant's homestead. For homesteads which are manufactured homes as defined in section 273.125, subdivision 8, ~~and for homesteads which are including~~ manufactured homes located in a manufactured home community owned by a cooperative organized under chapter 308A or 308B, and park trailers taxed as manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall also include 17 percent of the gross rent paid in the preceding year for the site on which the homestead is located. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree,

the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year in which the tax is payable and (i) the property must have been classified as homestead property pursuant to section 273.124, on or before December 15 of the assessment year to which the "property taxes payable" relate; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made on or before December 15 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

EFFECTIVE DATE. This section is effective beginning with claims for taxes payable in 2020.

Sec. 28. **[2990.01] FIRE PROTECTION SPECIAL TAXING DISTRICTS.**

Subdivision 1. Definitions. (a) For purposes of this section, the following terms have the meanings given unless the context clearly requires otherwise.

(b) "City" means a statutory or home rule charter city.

(c) "Governing body" means for a city, its city council; for a county, its county board; and for a town, the board of supervisors.

(d) "Political subdivision" means a county, a city, or a township organized to provide town government.

Subd. 2. Authority to establish. (a) Two or more political subdivisions may establish, by resolution of their governing bodies, a special taxing district to provide fire protection or emergency medical services, or both, in the area of the district, comprising the jurisdiction of each of the political subdivisions forming the district. For a county that participates in establishing a district, the county's jurisdiction comprises the unorganized territory of the county that it designates in its resolution for inclusion in the district. The area of the special taxing district does not need to be contiguous or its boundaries continuous.

(b) Before establishing a district under this section, the participating political subdivisions must enter into an agreement that specifies how any liabilities, other than debt issued under subdivision 6, and assets of the district will be distributed if the district is dissolved. The agreement may also include other terms, including a method for apportioning the levy of the district among participating political subdivisions under subdivision 4, paragraph (b), as the political subdivisions determine appropriate. The agreement must be adopted no later than upon passage of the resolution establishing the district under paragraph (a), but may be later amended by agreement of each of the political subdivisions participating in the district.

Subd. 3. Board. The special taxing district established under this section is governed by a board made up initially of representatives of each participating political subdivision in the proportions set out in the establishing resolution, subject to change as provided in the district's charter, if any, or in the district's bylaws. Each participating political subdivision's representative must be an elected member of the governing body of the political subdivision and serves at the pleasure of that participant's governing body.

Subd. 4. **Property tax levy.** (a) The board may levy a tax on the taxable real and personal property in the district. The tax levy may not exceed 0.096 percent of the estimated market value of the district, or \$1,100,000, whichever is less. The proceeds of the levy must be used as provided in subdivision 5. The board shall certify the levy at the times provided under section 275.07. The board shall provide the county with information as necessary to identify the property that is located within the district. If the boundaries include a part of a parcel, the entire parcel is included in the district. The county auditors must spread, collect, and distribute the proceeds of the tax at the same time and in the same manner as provided by law for all other property taxes.

(b) As an alternative to paragraph (a), the board may apportion its levy among the political subdivisions that are members of the district under a formula or method, such as population, number of service calls, cost of providing service, the market value of improvements, or other measure or measures, that was approved by the governing body of each of the political subdivisions that is a member of the district. The amount of the levy allocated to each political subdivision must be added to that political subdivision's levy and spread at the same time and in the same manner as provided by law for other taxes. The proceeds of the levy must be collected and remitted to the district and used as provided in subdivision 5.

Subd. 5. **Use of levy proceeds.** The proceeds of property taxes levied under this section must be used to provide fire protection or emergency medical services to residents of the district and property located in the district, as well as to pay debt issued under subdivision 6. Services may be provided by employees of the district or by contracting for services provided by other governmental or private entities.

Subd. 6. **Debt.** (a) The district may incur debt under chapter 475 when the board determines doing so is necessary to accomplish its duties.

(b) In addition, the board of the district may issue certificates of indebtedness or capital notes under section 412.301 to purchase capital equipment. In applying section 412.301, paragraph (e), to the district the following rules apply:

(1) the taxable property of the entire district must be used to calculate the percent of estimated market value; and

(2) "the number of voters at the last municipal election" means the sum of the number of voters at the last municipal election for each of the cities that is a member of the district plus the number of registered voters in each town that is a participating member of the district.

Subd. 7. **Powers.** (a) In addition to authority expressly granted in this section, a special taxing district may exercise any power that may be exercised by any of its participating political subdivisions and that is necessary or reasonable to support the services set out in subdivision 5. The district may only levy the taxes authorized in subdivision 4. These powers include, without limitation, the authority to participate in state programs and to enforce or carry out state laws related to fire protection or emergency medical services, including programs providing state aid, reimbursement or funding of employee benefits, authorizing local enforcement of state standards, and similar. These include but are not limited to fire protection related programs and political subdivision powers or responsibilities under chapters 299A and 424A; sections 6.495, 69.011, and 353.64; and any administrative rules related to the fire code.

(b) To the extent that the district's authority under this subdivision overlaps with or may conflict with the authority of the participating political subdivision, the agreement under subdivision 2, paragraph (b), must provide for allocation of those powers or responsibilities between the participating political subdivisions and the district and may provide for resolution of conflicts in the exercise of those powers.

Subd. 8. **Additions and withdrawals.** (a) Additional eligible political subdivisions may be added to a special taxing district under this section as provided by the board of the district and agreed to in a resolution of the governing body of the political subdivision proposed to be added.

(b) A political subdivision may withdraw from a special taxing district under this section by resolution of its governing body. The political subdivision must notify the board of the special taxing district of the withdrawal by providing a copy of the resolution at least two years in advance of the proposed withdrawal. The taxable property of the withdrawing member is subject to the property tax levy under subdivision 4 for the two taxes payable years following the notice of the withdrawal, unless the board and the withdrawing member agree otherwise by a resolution adopted by each of their governing bodies. If a political subdivision withdraws from a district for which debt was issued under subdivision 6 when the political subdivision was a participating member of the district and which is outstanding when the political subdivision withdraws from the district, the taxable property of the withdrawing political subdivision remains subject to the special taxing district debt levy until that outstanding debt has been paid or defeased. If the district's property levy to repay the debt was apportioned among the political subdivisions under an alternative formula or method under subdivision 4, paragraph (b), the withdrawing political subdivision is subject to the same percentage of the debt levy as applied in the taxes payable year immediately before its withdrawal from the district.

(c) Notwithstanding subdivision 2, a special taxing district comprised of two political subdivisions continues to exist even if one of the political subdivisions withdraws.

Subd. 9. **Dissolution.** The special taxing district may be dissolved by resolution approved by majority vote of the board. If the special taxing district is dissolved, the assets and liabilities may be assigned to a successor entity, if any, or otherwise disposed of for public purposes as provided in the agreement adopted under subdivision 2, paragraph (b), or otherwise agreed to by the participating political subdivisions. A district may not be dissolved until all debt issued under subdivision 6 has been paid or defeased.

EFFECTIVE DATE. (a) Subdivisions 1 to 3, and 5 to 9, are effective the day following final enactment.

(b) Subdivision 4 shall be effective beginning with property taxes payable in 2020 and thereafter.

Sec. 29. Minnesota Statutes 2018, section 473H.08, subdivision 1, is amended to read:

Subdivision 1. **Till expiration started.** Agricultural preserves shall continue until ~~either~~ the landowner ~~or~~ the authority, or a state agency or governmental unit initiates expiration as provided in this section.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to any agricultural preserve where the previously required eight-year termination period under Minnesota Statutes, section 473H.08, has not yet expired.

Sec. 30. Minnesota Statutes 2018, section 473H.08, is amended by adding a subdivision to read:

Subd. 3a. **Expiration for park and trail purposes.** (a) An agricultural preserve expires immediately when a state agency or other governmental unit purchases the property or obtains an easement over the property for the purpose of creating or expanding a public trail or public park. This subdivision applies only to the portion of the agricultural preserve acquired for trail or park purposes, and any portion of the property not acquired for trail or park purposes shall remain an agricultural preserve, even if the total acreage is reduced below 40 acres.

(b) The acquiring state agency or governmental unit shall give notice to the authority as provided in subdivision 4. The notice must specify the portion of the property being removed from the agricultural preserve and the date on which that portion expires.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to any agricultural preserve where the previously required eight-year termination period under Minnesota Statutes, section 473H.08, has not yet expired.

Sec. 31. Minnesota Statutes 2018, section 473H.08, subdivision 4, is amended to read:

Subd. 4. **Notice to others.** Upon receipt of the notice provided in subdivision 2 or 3a, or upon notice served by the authority as provided in subdivision 3, the authority shall forward the original notice to the county recorder for recording, or to the registrar of titles if the land is registered, and shall notify the county auditor, county assessor, the Metropolitan Council, and the county soil and water conservation district of the date of expiration. Designation as an agricultural preserve and all benefits and limitations accruing through sections 473H.02 to 473H.17 for the preserve shall cease on the date of expiration. The restrictive covenant contained in the application shall terminate on the date of expiration.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to any agricultural preserve where the previously required eight-year termination period under Minnesota Statutes, section 473H.08, has not yet expired.

Sec. 32. Minnesota Statutes 2018, section 473H.09, is amended by adding a subdivision to read:

Subd. 3. **Approval of authority.** Termination of an agricultural preserve earlier than the date derived through the application in section 473H.08 may be requested by the owner eight years after commencement of the preserve. An owner seeking termination under this subdivision must provide notice to the authority exercising planning and zoning authority for the land on a form provided by the commissioner of agriculture. The notice must describe the property for which termination is desired and the date of termination. Termination of the agricultural preserve and covenant pursuant to this subdivision shall become effective only upon approval by a majority vote of the authority.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to any agricultural preserve where the previously required eight-year termination period under Minnesota Statutes, section 473H.08, has not expired.

Sec. 33. Laws 2008, chapter 366, article 5, section 33, the effective date, as amended by Laws 2013, chapter 143, article 4, section 35, is amended to read:

EFFECTIVE DATE. This section is effective for taxes levied in 2008, payable in 2009, and is repealed effective for taxes levied in ~~2018~~ 2023, payable in ~~2019~~ 2024, and thereafter.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2019.

Sec. 34. Laws 2009, chapter 88, article 2, section 46, subdivision 1, as amended by Laws 2013, chapter 143, article 4, section 36, is amended to read:

Subdivision 1. **Agreement.** The city of Cloquet and Perch Lake Township, by resolution of each of their governing bodies, may establish the Cloquet Area Fire and Ambulance Special Taxing District for the purpose of providing fire or ambulance services, or both, throughout the district. In this section, "municipality" means home rule charter and statutory cities, towns, and Indian tribes. The district may exercise all the powers relating to fire and ambulance services of the municipalities that receive fire or ambulance services, or both, from the district. Upon application, any other municipality may join the district with the agreement of the municipalities that comprise the district at the time of its application to join.

EFFECTIVE DATE. This section is effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 35. Laws 2009, chapter 88, article 2, section 46, subdivision 2, is amended to read:

Subd. 2. **Board.** The Cloquet Area Fire and Ambulance Special Taxing District Board is governed by a board made up initially of one or more elected officials of the governing body of each participating municipality in the proportions set out in the establishing resolution, subject to change as provided in the district's charter, if any, or in the district's bylaws. Each municipality's representatives serve at the pleasure of that municipality's governing body.

EFFECTIVE DATE. This section is effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 36. Laws 2009, chapter 88, article 2, section 46, subdivision 3, as amended by Laws 2013, chapter 143, article 4, section 37, is amended to read:

Subd. 3. **Tax.** The district board may impose a property tax on taxable property as provided in this subdivision to pay the costs of providing fire or ambulance services, or both, throughout the district. The board shall annually determine the total amount of the levy that is attributable to the cost of providing fire services and the cost of providing ambulance services within the primary service area. For those municipalities that only receive ambulance services, the costs for the provision of ambulance services shall be levied against taxable property within those municipalities at a rate necessary not to exceed 0.019 percent of the estimated market value. For those municipalities that receive both fire and ambulance services, the tax shall be imposed at a rate that does not exceed 0.2835 percent of estimated market value.

When a member municipality opts to receive fire service from the district or an additional municipality becomes a member of the district, the cost of providing fire services to that community shall be determined by the board and added to the maximum levy amount.

Each county auditor of a county that contains a municipality subject to the tax under this section must collect the tax and pay it to the Fire and Ambulance Special Taxing District. The district may also impose other fees or charges as allowed by law for the provision of fire and ambulance services.

EFFECTIVE DATE. This section is effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 37. Laws 2009, chapter 88, article 2, section 46, subdivision 4, is amended to read:

Subd. 4. **Public indebtedness.** The district may incur debt in the manner provided for in Minnesota Statutes, chapter 475, and the district is a municipality by Minnesota Statutes, chapter 475, when necessary to accomplish its duties., as defined in Minnesota Statutes, sections 475.51, subdivision 2, and 475.521, subdivision 1, paragraph (c), and may issue certificates of indebtedness or capital notes as provided for a city under Minnesota Statutes, section 412.301, when necessary to accomplish its duties. Any tax levied to pay debt of the district must be levied in the amounts required and in accordance with Minnesota Statutes, section 475.61. The debt service for debt, the proceeds of which financed capital costs for ambulance service, must be levied against taxable property within those municipalities in the primary service area. The debt service for debt, the proceeds of which financed capital costs for fire service, must be levied against taxable property within those municipalities receiving fire services.

EFFECTIVE DATE. This section is effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 38. Laws 2009, chapter 88, article 2, section 46, subdivision 5, is amended to read:

Subd. 5. **Withdrawal.** Notice of intent to withdraw from participation in the district may be given only in the month of January, with a minimum of twelve months notice of intent to withdraw. Withdrawal becomes effective for taxes levied under subdivision 3 in the year when the notice is given. A property tax levied by the district on taxable property located in a withdrawing municipality to make debt service payments for obligations issued by the district under subdivision 4 remains in effect until the obligations outstanding on the date of withdrawal are satisfied, including any property tax levied in connection with a refunding of the obligations. The district and its members may develop and agree upon other continuing obligations after withdrawal of a municipality.

EFFECTIVE DATE. This section is effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 39. Laws 2017, First Special Session chapter 1, article 10, section 4, the effective date, is amended to read:

EFFECTIVE DATE; APPLICATION. This section is effective for applications and certifications made in 2018 and thereafter, except the repeal of the exclusion of land under item (iii) is effective retroactively for payments due under Minnesota Statutes, section 290C.08, beginning for payments due to be made in 2014. In order to qualify for retroactive payments, the following requirements must be met: (1) the owner of land exceeding 60,000 acres that is subject to a single conservation easement funded under Minnesota Statutes, section 97A.056 or a comparable permanent easement conveyed to a governmental or nonprofit entity, must submit an application to the commissioner of revenue, in a form and manner and at a time acceptable to the commissioner, establishing that the affected property and its use met the requirement of Minnesota Statutes, chapter 290C, as amended by this section; (2) the owner and each county in which the land is located must certify to the commissioner that no petitions challenging the market value of the property are pending under Minnesota Statutes, chapter 278; and (3) the requirements of clauses (1) and (2) must be satisfied by October 1, 2017. No interest accrues on payment under this section for periods before November 1, 2017.

EFFECTIVE DATE. This section is effective retroactively for certifications made in 2018 and thereafter.

Sec. 40. **PLACEMENT OF LAND INTO FEDERAL TRUST; REPORT.**

Subdivision 1. County certification. By October 1, 2019, each county must certify to the commissioner of revenue the following:

(1) the parcel identification number, property classification, and parcel size for each parcel of property in the county that was placed into trust by the United States Department of the Interior Bureau of Indian Affairs between January 1, 2009, and January 1, 2019;

(2) the amount of property tax paid on each parcel to each taxing jurisdiction in the county in the year prior to the parcel being placed into trust;

(3) the total percentage of land in the county placed into trust as of October 1, 2019; and

(4) the parcel identification number, property classification, parcel size, and the amount of property tax paid to each taxing jurisdiction for the most recent taxes payable year for each parcel in the county for which an application for placement into trust was filed between January 1, 2019, and July 1, 2019.

Subd. 2. Verification. The commissioner of revenue may request additional information from each county that the commissioner deems necessary to verify the certifications as reported by each county pursuant to subdivision 1.

Subd. 3. Report. By February 15, 2020, the commissioner of revenue must issue a report and provide a copy of the report to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes. The report must include the following:

(1) a listing, by each county, of each parcel of property in the county that was placed into trust by the United States Department of the Interior Bureau of Indian Affairs between January 1, 2009, and January 1, 2019, including the parcel's identification number, property classification, and total parcel size;

(2) the amount of property tax paid on each parcel to each taxing jurisdiction in the county in the year prior to the parcel being placed into trust;

(3) the total percentage of land in each county placed into trust as of October 1, 2019, and the total percentage of land placed into trust statewide as of October 1, 2019; and

(4) a listing, by each county, of each parcel, including its identification number, property classification, parcel size, and the amount of property tax paid for the most recent taxes payable year for which an application for placement into trust was filed between January 1, 2019, and July 1, 2019.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 5

AIDS AND CREDITS

Section 1. Minnesota Statutes 2018, section 126C.17, subdivision 6, is amended to read:

Subd. 6. **Referendum equalization levy.** (a) A district's referendum equalization levy equals the sum of the first tier referendum equalization levy, the second tier referendum equalization levy, and the third tier referendum equalization levy.

(b) A district's first tier referendum equalization levy equals the district's first tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to ~~\$880,000~~ \$900,000.

(c) A district's second tier referendum equalization levy equals the district's second tier referendum equalization revenue times the lesser of (1) one ~~or~~, (2) the ratio of the district's referendum market value per resident pupil unit to ~~\$510,000~~ \$550,000, or (3) the ratio of the district's referendum market value per adjusted pupil unit to \$550,000.

(d) A district's third tier referendum equalization levy equals the district's third tier referendum equalization revenue times the lesser of (1) one ~~or~~, (2) the ratio of the district's referendum market value per resident pupil unit to ~~\$290,000~~ \$440,000, or (3) the ratio of the district's referendum market value per adjusted pupil unit to \$440,000.

EFFECTIVE DATE. This section is effective for revenue in fiscal year 2021 and later.

Sec. 2. Minnesota Statutes 2018, section 290A.03, subdivision 3, is amended to read:

Subd. 3. **Income.** (a) "Income" means the sum of the following:

(1) federal adjusted gross income as defined in the Internal Revenue Code; and

(2) the sum of the following amounts to the extent not included in clause (1):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, Supplemental Security Income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

(vii) workers' compensation;

(viii) nontaxable strike benefits;

(ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

(x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for the claimant and spouse;

(xii) to the extent not included in federal adjusted gross income, distributions received by the claimant or spouse from a traditional or Roth style retirement account or plan;

~~(xiii) nontaxable scholarship or fellowship grants;~~

~~(xiv)~~ the amount of deduction allowed under section 199 of the Internal Revenue Code;

~~(xv)~~ (xiv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;

~~(xvi)~~ (xv) the amount deducted for tuition expenses under section 222 of the Internal Revenue Code; and

~~(xvii)~~ (xvi) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(b) "Income" does not include:

(1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

(2) amounts of any pension or annuity which was exclusively funded by the claimant or spouse and which funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(3) to the extent included in federal adjusted gross income, amounts contributed by the claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed the retirement base amount reduced by the amount of contributions excluded from federal adjusted gross income, but not less than zero;

(4) surplus food or other relief in kind supplied by a governmental agency;

(5) relief granted under this chapter;

(6) child support payments received under a temporary or final decree of dissolution or legal separation; ~~or~~

(7) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16;
or

(8) nontaxable scholarship or fellowship grants, or the cash value of any tuition discount provided by a postsecondary education institution.

(c) The sum of the following amounts may be subtracted from income:

(1) for the claimant's first dependent, the exemption amount multiplied by 1.4;

(2) for the claimant's second dependent, the exemption amount multiplied by 1.3;

(3) for the claimant's third dependent, the exemption amount multiplied by 1.2;

(4) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

(5) for the claimant's fifth dependent, the exemption amount; and

(6) if the claimant or claimant's spouse was disabled or attained the age of 65 on or before December 31 of the year for which the taxes were levied or rent paid, the exemption amount.

(d) For purposes of this subdivision, the "exemption amount" means the exemption amount under section 151(d) of the Internal Revenue Code for the taxable year for which the income is

reported; "retirement base amount" means the deductible amount for the taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for inflation as provided in section 219(b)(5)(C) of the Internal Revenue Code, without regard to whether the claimant or spouse claimed a deduction; and "traditional or Roth style retirement account or plan" means retirement plans under sections 401, 403, 408, 408A, and 457 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective beginning with refunds based on property taxes payable in 2020 and rent paid in 2019.

Sec. 3. Minnesota Statutes 2018, section 469.169, is amended by adding a subdivision to read:

Subd. 21. Additional border city allocations. (a) In addition to the tax reductions authorized in subdivisions 12 to 20, the commissioner shall allocate \$2,000,000 for tax reductions to border city enterprise zones in cities located on the western border of the state. The commissioner shall allocate this amount among cities on a per capita basis. Allocations under this subdivision may be used for tax reductions under sections 469.171, 469.1732, and 469.1734, or for other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary to retain a business within or attract a business to the zone.

(b) The allocations under this subdivision do not cancel or expire, but remain available until used by the city.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 4. Minnesota Statutes 2018, section 477A.0126, subdivision 6, is amended to read:

Subd. 6. Indian Child Welfare Act compliance system review. (a) By January 1, 2018, the commissioner of human services, in consultation with counties and tribes, shall develop a system to review county compliance with the Indian Child Welfare Act and the Minnesota Indian Family Preservation Act. The system may include, but is not limited to, the cases to be reviewed, the criteria to be reviewed to demonstrate compliance, the rate of noncompliance and the coordinating penalty, the program improvement plan, and training.

(b) The commissioner of human services shall provide continuous review of cases reported by counties for aid payments under this section for compliance with the Indian Child Welfare Act and the Minnesota Indian Family Preservation Act.

(c) The commissioner of human services must initiate a contested case proceeding under chapter 14 if a county notifies the commissioner that the county disputes the determination made by the commissioner of human services regarding a county's compliance or noncompliance with the Indian Child Welfare Act and the Minnesota Indian Family Preservation Act ~~shall be final.~~

EFFECTIVE DATE. This section is effective beginning with aids payable in calendar year 2020 and thereafter.

Sec. 5. Minnesota Statutes 2018, section 477A.0126, subdivision 7, is amended to read:

Subd. 7. **Appropriation.** (a) ~~\$5,000,000~~ \$7,000,000 is annually appropriated to the commissioner of revenue from the general fund to pay aid under this section.

(b) \$390,000 is appropriated annually from the general fund to the commissioner of human services to implement subdivision 6.

EFFECTIVE DATE. This section is effective beginning with aids payable in calendar year 2020 and thereafter.

Sec. 6. **LOCAL GOVERNMENT GRANTS.**

\$1,255,000 in fiscal year 2020 only is appropriated from the general fund to the commissioner of revenue for grants that shall be paid by August 1, 2019, and allocated as follows:

(1) \$750,000 to Mahnomen County. Of this amount, \$250,000 must be used by the county for the Mahnomen Health Center, and \$250,000 must be paid from the county to the White Earth Band of Ojibwe to reimburse the band for costs of delivering child welfare services;

(2) \$500,000 to Otter Tail County to be used by the county for debt service on a building located in the city of Fergus Falls and formerly leased by the state to provide residential treatment services; and

(3) \$2,600 to the city of Mazeppa and \$2,400 to Wabasha County, to be used by the city and county for property tax abatements and other costs incurred by public and private entities as a result of a fire in the city of Mazeppa on March 11, 2018.

The appropriations under this section are onetime and are not added to the base.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 7. **APPROPRIATION OF LAPSED AMOUNTS; FIRE REMEDIATION GRANTS.**

(a) \$643,729 in fiscal year 2020 is appropriated from the general fund to the commissioner of public safety for grants to remediate the effects of fires in the city of Melrose on September 8, 2016. The grants shall be paid by August 1, 2019. This appropriation represents the amounts that lapsed by the terms of the appropriation in Laws 2017, First Special Session chapter 1, article 4, section 31.

(b) A grant recipient must use the money appropriated under this section for remediation costs, including disaster recovery, infrastructure, reimbursement for emergency personnel costs, reimbursement for equipment costs, and reimbursements for property tax abatements, incurred by public or private entities as a result of the fires. This is a onetime appropriation and is available until June 30, 2021.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 8. **APPROPRIATION.**

For fiscal year 2021, \$14,850,000 is appropriated from the general fund to the Department of Education for referendum equalization aid under Minnesota Statutes, section 126C.17. This amount is in addition to other appropriations for the same purpose.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 6

LOCAL SALES TAXES

Section 1. Minnesota Statutes 2018, section 297A.99, subdivision 1, is amended to read:

Subdivision 1. **Authorization; scope.** (a) A political subdivision of this state may impose a general sales tax (1) under section 297A.992, (2) under section 297A.993, (3) if permitted by special law, or (4) if the political subdivision enacted and imposed the tax before January 1, 1982, and its predecessor provision.

(b) This section governs the imposition of a general sales tax by the political subdivision. The provisions of this section preempt the provisions of any special law:

(1) enacted before June 2, 1997, or

(2) enacted on or after June 2, 1997, that does not explicitly exempt the special law provision from this section's rules by reference.

(c) This section does not apply to or preempt a sales tax on motor vehicles ~~or~~. Beginning July 1, 2019, no political subdivision may impose a special excise tax on motor vehicles under this section.

(d) A political subdivision may not advertise or expend funds for the promotion of a referendum to support imposing a local ~~option~~ sales tax:

(e) Notwithstanding paragraph (d), a political subdivision may expend funds to, and may only spend funds related to imposing a local sales tax to:

(1) conduct the referendum;

(2) disseminate information included in the resolution adopted under subdivision 2, but only if the disseminated information includes a list of specific projects and the expected cost of each individual project;

(3) provide notice of, and conduct public forums at which proponents and opponents on the merits of the referendum are given equal time to express their opinions on the merits of the referendum;

(4) provide facts and data on the impact of the proposed local sales tax on consumer purchases; and

(5) provide facts and data related to ~~the programs and projects~~ each individual project to be funded with the local sales tax.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2018, section 297A.99, is amended by adding a subdivision to read:

Subd. 1a. **Requirements.** Local sales taxes may be used instead of traditional local revenues only for construction and rehabilitation of capital projects when a clear regional benefit beyond the taxing jurisdiction can be demonstrated. To impose a local sales tax, a political subdivision must have a population of at least 1,000 as of the date the resolution under subdivision 2 is adopted.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2018, section 297A.99, subdivision 2, is amended to read:

Subd. 2. **Local resolution before application for authority.** (a) Before the governing body of a political subdivision requests legislative approval of to impose a local sales tax authorized by a special law for a local sales tax that is administered under this section, it shall adopt a resolution indicating its approval of the tax. The resolution must include, at a minimum, the following information on:

(1) the proposed tax rate, how the revenues will be used;

(2) a detailed description of no more than five capital projects that will be funded with revenue from the tax;

(3) documentation of the regional significance of each project, including the share of the economic benefit to or use of each project by persons residing, or businesses located, outside of the jurisdiction;

(4) the amount of local sales tax revenue that would be used for each project and the estimated time needed to raise that amount of revenue; and

(5) the total revenue that will be raised for all projects before the tax expires, and the estimated length of time that the tax will be in effect. This subdivision applies to local laws enacted after June 30, 1998 if all proposed projects are funded.

(b) The jurisdiction seeking authority to impose a local sales tax by special law must submit the resolution in paragraph (a) along with underlying documentation indicating how the benefits under paragraph (a), clause (3), were determined, to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes no later than January 31 of the year in which the jurisdiction is seeking a special law authorizing the tax.

(c) The special legislation granting local sales tax authority is not required to allow funding for all projects listed in the resolution with the revenue from the local sales tax, but must not include any projects not contained in the resolution.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to all local sales taxes not authorized by the legislature before July 1, 2019.

Sec. 4. Minnesota Statutes 2018, section 297A.99, subdivision 3, is amended to read:

Subd. 3. **Requirements for adoption, use, termination.** (a) Imposition of a local sales tax is subject to approval by voters of the political subdivision at a general election. The election must be conducted no more than four years before the governing body of the political subdivision requests legislative approval of the tax. The question put to voters must include:

(1) the specific project or projects to be funded with the local sales tax;

(2) the amount of local sales tax revenue that would be used for each project and, if more than one project is proposed, the total amount of revenue raised for all projects, and the estimated length of time that tax will be imposed; and

(3) the notice in boldface type: "BY VOTING YES ON THIS BALLOT QUESTION, YOU MAY BE VOTING FOR A PROPERTY TAX INCREASE."

(b) The proceeds of the tax must be dedicated exclusively to payment of the ~~cost of a construction~~ and rehabilitation costs and associated bonding costs related to the specific capital improvement ~~which is designated at least 90 days before the referendum on imposition of the tax is conducted~~ projects approved by the voters under paragraph (a).

(c) The tax must terminate after ~~the improvement designated under paragraph (b) has been completed~~ the revenues raised are sufficient to fund the projects approved by the voters under paragraph (a).

(d) After a sales tax imposed by a political subdivision has expired or been terminated, the political subdivision is prohibited from imposing a local sales tax for a period of one year. ~~Notwithstanding subdivision 13, this paragraph applies to all local sales taxes in effect at the time of or imposed after May 26, 1999.~~

(e) After a tax has terminated, any amount collected by the political subdivision that is greater than the average quarterly revenues collected over the immediately preceding 12 calendar months must be remitted to the commissioner for deposit to the general fund.

EFFECTIVE DATE. (a) The changes to paragraphs (a) to (d) are effective the day following final enactment and apply to all local sales taxes not authorized by the legislature before July 1, 2019.

(b) The addition of paragraph (e) is effective the day following final enactment and applies retroactively to all currently imposed local sales taxes.

Sec. 5. Minnesota Statutes 2018, section 477A.016, is amended to read:

477A.016 NEW TAXES PROHIBITED.

(a) No county, city, town or other taxing authority shall increase a present tax or impose a new tax on sales or income.

(b) No county, city, town, or other taxing authority shall increase a present excise tax or fee or impose a new excise tax or fee on either:

(1) the manufacture, distribution, wholesale, or retail sale of food, based on volume of product sold, product sales value, or the type of product manufactured, distributed, or sold; or

(2) any container or instrument used for transporting, protecting, or consuming food.

(c) For purposes of this section:

(1) "food" has the meaning given in section 34A.01, subdivision 4; and

(2) "container or instrument" means a bottle, cup, can, bag, drinking straw, or other packaging that is made from plastic, aluminum, glass, paper, cardboard, or other material.

(d) This section does not apply to reasonable license fees lawfully imposed by a county, city, town, or other licensing authority in the exercise of its regulatory authority to license a trade, profession, or business.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 6. Laws 1980, chapter 511, section 1, subdivision 1, is amended to read:

Subdivision 1. (a) Minnesota Statutes, section ~~477A.01, Subdivision 18~~ 477A.016, shall not be deemed to prohibit the city of Duluth from amending its sales and use tax ordinances so as to impose a sales ~~or~~ and use tax at the rate of one percent upon any or all sales or uses which are taxed by the state of Minnesota pursuant to Minnesota Statutes, chapter 297A ~~or 297B~~.

(b) Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, pursuant to the approval of the voters at the election on November 7, 2017, the city of Duluth may impose by ordinance an additional sales and use tax of one-half of one percent for the purposes specified in paragraph (c). The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the taxes authorized under this paragraph. The tax may not be imposed until the city complies with the provisions of section 31.

(c) Revenues received from the tax authorized by paragraph (b) must be used to pay all or part of the capital and administrative costs of street, curb, gutter, sidewalk, and bridge improvements including related lighting and signals in the city of Duluth as outlined in the Duluth Street Improvement Program 2017, developed by the engineer of the city of Duluth as designated August 8, 2017.

(d) The city of Duluth, pursuant to the approval of the voters at the November 7, 2017, referendum authorizing the imposition of the taxes in this section, may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects described in paragraph (c), until the tax terminates as provided in paragraph (e). A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(e) The tax authorized under this subdivision terminates at the earlier of: (1) 25 years after the date of initial imposition of the tax; or (2) when the city council determines that sufficient funds have been raised from the tax to finance the capital and administrative costs of the improvements described in paragraph (c), plus the additional amount needed to pay the costs related to issuance

of bonds under paragraph (d), including interest bonds. Any funds remaining after completion of the projects specified in paragraph (c) and retirement or redemption of bonds in paragraph (d) shall be placed in the general fund of the city. The tax imposed under paragraph (b) may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 7. Laws 1986, chapter 396, section 5, as amended by Laws 2001, First Special Session chapter 5, article 12, section 87, and Laws 2012, chapter 299, article 3, section 3, is amended to read:

Sec. 5. LIQUOR, LODGING, AND RESTAURANT TAXES.

The city may, by resolution, levy in addition to taxes authorized by other law:

(1) a sales tax of not more than three percent on the gross receipts on retail on-sales of intoxicating liquor and fermented malt beverages when sold at licensed on-sale liquor establishments located within the downtown taxing area, provided that this tax may not be imposed if sales of intoxicating liquor and fermented malt beverages are exempt from taxation under chapter 297A;

(2) a sales tax of not more than three percent on the gross receipts from the furnishing for consideration of lodging for a period of less than 30 days at a hotel, motel, rooming house, tourist court, or trailer camp located within the city by a hotel or motel which has more than 50 rooms available for lodging; the tax imposed under this clause shall be at a rate that, when added to the sum of the rate of the sales tax imposed under Minnesota Statutes, chapter 297A, the rate of the sales tax imposed under section 4, and the rate of any other taxes on lodging in the city of Minneapolis, equals ~~13~~ 13.875 percent; and

(3) a sales tax of not more than three percent on the gross receipts on all sales of food primarily for consumption on or off the premises by restaurants and places of refreshment as defined by resolution of the city that occur within the downtown taxing area.

The taxes authorized by this section must not be terminated before January 1, 2047. The taxes shall be imposed and may be adjusted periodically by the city council such that the rates imposed produce revenue sufficient, together with the tax imposed under section 4, to finance the purposes described in Minnesota Statutes, section 297A.994, and section 4, subdivisions 3 and 4. These taxes shall be applied, first, as provided in Minnesota Statutes, section 297A.994, subdivision 3, clauses (1) to (3), and then, solely to pay, secure, maintain, and fund the payment of any principal of, premium on, and interest on any bonds or any other purposes in section 4, subdivision 3 or 4. The commissioner of revenue may enter into appropriate agreements with the city to provide for the collection of these taxes by the state on behalf of the city. These taxes shall be subject to the same interest, penalties, and enforcement provisions as the taxes imposed under Minnesota Statutes, chapter 297A.

EFFECTIVE DATE. This section is effective for sales and purchases made after September 30, 2019.

Sec. 8. Laws 1986, chapter 462, section 31, as amended by Laws 1991, chapter 291, article 8, section 24, and Laws 2011, chapter 112, article 4, section 6, is amended to read:

Sec. 31. AUTHORITY FOR TAXATION.

Notwithstanding Minnesota Statutes, section 477A.016, or any other law, and supplemental to the tax imposed by Laws 1982, chapter 523, article 25, section 1, the city of St. Paul may impose, by ordinance, a tax, at a rate not greater than ~~three~~ four percent, on the gross receipts from the furnishing for consideration of lodging and related services at a hotel, rooming house, tourist court, motel, or resort, other than the renting or leasing of space for a continuous period of 30 days or more. The tax does not apply to the furnishing of lodging and related services by a business having less than 50 lodging rooms. The tax shall be collected by and its proceeds paid to the city. Ninety-five percent of the revenues generated by this tax shall be used to fund a convention bureau to market and promote the city as a tourist or convention center.

EFFECTIVE DATE. This section is effective the first day of the calendar quarter beginning at least 30 days after the governing body of the city of St. Paul and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 9. Laws 1994, chapter 587, article 9, section 11, is amended to read:

Sec. 11. TWO HARBORS LODGING TAX.

Notwithstanding Minnesota Statutes, section 477A.016, or other law, in addition to a tax authorized in Minnesota Statutes, section 469.190, the city of Two Harbors may impose, by ordinance, a tax of up to one percent on the gross receipts subject to the lodging tax under Minnesota Statutes, section 469.190. The proceeds of the tax shall be dedicated and used to provide preservation, display, and interpretation of the tug boat Edna G. The total tax imposed by the city under this section, by Lake County under section 24, and under Minnesota Statutes, section 469.190, shall not exceed ~~three~~ five percent.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Two Harbors and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 10. Laws 1998, chapter 389, article 8, section 45, subdivision 1, is amended to read:

Subdivision 1. **Sales and use taxes.** (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters of the city at the next general election held after the date of final enactment of this act, the city of Two Harbors may impose by ordinance, a sales and use tax at a rate of up to one-half of one percent for the purposes specified in subdivision 3, paragraph (a).

(b) In addition to the tax in paragraph (a) and notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the November 6, 2018, general election, the city of Two Harbors may, by ordinance, impose an additional sales and use tax at a rate of one-half of one percent for the purposes specified in subdivision 3, paragraph (b).

(c) The provisions of Minnesota Statutes, section ~~297A.48~~ 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Two Harbors and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 11. Laws 1998, chapter 389, article 8, section 45, subdivision 3, as amended by Laws 2008, chapter 366, article 7, section 11, is amended to read:

Subd. 3. **Use of revenues.** (a) Revenues received from the taxes authorized under subdivision 1, paragraph (a), must be used for sanitary sewer separation, wastewater treatment, water system improvements, and harbor refuge development projects.

(b) Revenues from the tax authorized under subdivision 1, paragraph (b), must be used by the city of Two Harbors to pay the costs of collecting and administering the tax and to finance the capital and administrative costs of water and sewer infrastructure projects including gravity-fed sewer mains, water mains, drain tile, service lines, street patching, acquiring property, related engineering, and construction expenses.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Two Harbors and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 12. Laws 1998, chapter 389, article 8, section 45, subdivision 4, is amended to read:

Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects under subdivision 1, paragraph (a). An election to approve the bonds under Minnesota Statutes, section 475.58, may be held in combination with the election to authorize imposition of the tax under subdivision 1, paragraph (a). Whether to permit imposition of the tax and issuance of bonds may be posed to the voters as a single question. The question must state that the sales tax revenues are pledged to pay the bonds, but that the bonds are general obligations and will be guaranteed by the city's property taxes.

(b) The city may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects described in subdivision 3, paragraph (b), in an amount that does not exceed \$30,000,000. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(c) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60.

~~(e)~~ (d) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

The aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements under subdivision 3, paragraph (a), may not exceed \$20,000,000, plus an amount equal to the costs related to issuance of the bonds.

~~(d)~~ (e) The taxes may be pledged to and used for the payment of the bonds and any bonds issued to refund them, only if the bonds and any refunding bonds are general obligations of the city.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Two Harbors and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 13. Laws 1998, chapter 389, article 8, section 45, subdivision 5, is amended to read:

Subd. 5. **Termination of taxes.** (a) The authority granted under subdivision 1, paragraph (a), to the city of Two Harbors to impose sales and use taxes expires when the costs of the projects described in subdivision 3, paragraph (a), have been paid.

(b) The authority granted under subdivision 1, paragraph (b), expires at the earlier of: (1) 25 years after the tax is first imposed; or (2) when the city council determines that the amount of revenues received from the taxes first equals or exceeds \$30,000,000, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 4, paragraph (b), including interest on the bonds. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivision 1, paragraph (b), may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Two Harbors and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 14. Laws 2011, First Special Session chapter 7, article 4, section 10, subdivision 3, is amended to read:

Subd. 3. **Use of revenues.** Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for the following projects:

(1) \$4,500,000 for construction and completion of park improvement projects, including St. Louis River riverfront improvements; Veteran's Park construction and improvements; improvements to the Hilltop Park soccer complex and Braun Park baseball complex; capital equipment and building and grounds improvements at the Pine Valley Park/Pine Valley Hockey Arena/Cloquet Area Recreation Center; and development of pedestrian trails within the city;

(2) \$5,800,00 for extension of utilities and the construction of all improvements associated with the development of property adjacent to Highway 33 and Interstate Highway 35, including payment of all debt service on bonds issued for these; and

(3) \$6,200,000 for engineering and construction of infrastructure improvements, including, but not limited to, storm sewer, sanitary sewer, and water in areas identified as part of the city's comprehensive land use plan.

Authorized expenses include, but are not limited to, acquiring property and paying construction expenses related to these improvements, and paying debt service on bonds or other obligations issued to finance acquisition and construction of these improvements. Notwithstanding the revenue allocations in clauses (1) and (3), if the amount spent for the improvements under clause (2) are less

than the \$5,800,000 allowed under that clause, the total amount spent for the purposes listed in clauses (1) and (3) may be increased by the difference between \$5,800,000 and the amount actually spent under clause (2). However, the total expenditures for projects under this subdivision may not exceed \$16,500,000, excluding any costs related to issuance of bonds under subdivision 4.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Cloquet and its chief clerical officer comply with the provisions of section 645.021, subdivisions 2 and 3.

Sec. 15. **CITY OF AVON; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax; authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city charter, the city of Avon, pursuant to approval by the voters at the general election on November 6, 2018, may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. The tax may not be imposed until the city complies with the provisions of section 31.

Subd. 2. **Use of revenues.** Revenues received from taxes authorized by subdivision 1 must be used by the city to:

(1) pay the costs of collecting and administering the tax;

(2) pay the capital and administrative costs of transportation improvement projects as adopted in the city of Avon's street priority improvement plan; and

(3) pay debt service on bonds issued under subdivision 3 or other obligations issued to finance the improvements listed in this subdivision in the city.

Subd. 3. **Bonding authority.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to pay the costs of the projects authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed \$1,500,000 plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** (a) The tax imposed under subdivision 1 expires at the earlier of: (1) December 31, 2045; or (2) when the city council determines that \$1,500,000 has been received from the tax to pay for the cost of the projects authorized under subdivision 2, plus an amount sufficient to pay the costs related to issuance of the bonds authorized under subdivision 3, including interest on the bonds.

(b) Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 16. **CITY OF BLUE EARTH; LOCAL TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the general election of November 6, 2018, the city of Blue Earth may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. The tax may not be imposed until the city complies with the provisions of section 31.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Blue Earth to pay the costs of collecting and administering the tax and to finance the capital and administrative costs of constructing and funding sewer plant improvements, street reconstruction projects, and recreational amenities. The total that may be raised from the tax to pay for these projects is limited to \$5,000,000, plus the costs related to the issuance and paying debt service on bonds for these projects.

Subd. 3. **Bonding authority.** (a) The city of Blue Earth may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the projects authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed \$5,000,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Blue Earth, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of Blue Earth, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 25 years after the tax is first imposed; or (2) when the city council determines that \$5,000,000, plus an amount sufficient to pay the costs related to issuing the bonds authorized under subdivision 3, including interest on the bonds, has been received from the tax to pay for the cost of the projects authorized under subdivision 2. Any funds remaining after payment of all such costs and retirement or redemption of the bonds due to timing of the termination under Minnesota Statutes, section 297A.99, shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Blue Earth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 17. **CITY OF CAMBRIDGE; TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the November 6, 2018, general election, the city of Cambridge may impose, by ordinance, a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. The tax may not be imposed until the city complies with the provisions of section 31 as it relates to funding of the street improvements in subdivision 2, clause (2).

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Cambridge to pay the costs of collecting and administering the tax and paying for the following infrastructure projects in the city, including securing and paying debt service on bonds issued to finance all or part of the following projects:

(1) \$8,000,000 plus associated bonding costs for construction of a new facility to house the Cambridge Public Library and the East Central Regional Library Headquarters; and

(2) \$14,000,000 plus associated bonding costs for street improvements outlined in the Street Capital Improvement Program approved by the city council as of January 22, 2019, and outdoor park improvements described in the park master plan as of January 22, 2019.

Subd. 3. **Bonding authority.** (a) The city of Cambridge may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the projects authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed: (1) \$8,000,000 for the project listed in subdivision 2, clause (1), plus an amount applied to the payment of costs of issuing the bonds; and (2) \$14,000,000 for the projects listed in subdivision 2, clause (2), plus an amount applied to the payment of costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Cambridge, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) December 31, 2043; or (2) when the city council determines that the city has received from this tax \$22,000,000 to fund the projects listed in subdivision 2 plus an amount sufficient to pay costs, including interest costs, related to the issuance of the bonds authorized in subdivision 3. Any funds remaining after payment of the allowed costs due to timing of the termination under Minnesota Statutes, section 297A.99, shall be placed in the city's general fund. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Cambridge and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 18. **CITY OF DETROIT LAKES; LOCAL SALES AND USE TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the November 6, 2018, general election, the city of Detroit Lakes may impose, by ordinance, a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Detroit Lakes to pay the costs of collecting and administering the tax, and construction of a new police department facility in the city, including securing and paying debt service on bonds issued to finance all or part of this project. The total amount of the police department facility to be funded with the tax imposed under subdivision 1 shall not exceed \$6,700,000, excluding associated debt service costs.

Subd. 3. **Bonding authority.** (a) The city of Detroit Lakes may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the project authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed \$6,700,000, plus an amount applied to the payment of costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Detroit Lakes, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not subject to any provisions of the home rule charter of the city of Detroit Lakes and are not included in computing any debt limitation applicable to the city. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) ten years after the tax is first imposed; or (2) when the city council determines that the city has received \$6,700,000 from this tax to fund the projects listed in subdivision 2 plus an amount sufficient to pay costs, including interest costs, related to the issuance of the bonds authorized in subdivision 3. Any funds remaining after payment of the allowed costs due to timing of the termination under Minnesota Statutes, section 297A.99, shall be placed in the city's general fund. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Detroit Lakes and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 19. **CITY OF ELK RIVER; TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law or ordinance, and as approved by the voters at the November 6, 2018, general election, the city of Elk River may impose, by ordinance, a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise

provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** (a) The revenues derived from the tax authorized under subdivision 1 must be used by the city of Elk River to:

(1) pay the costs of collecting and administering the tax;

(2) pay the capital and administrative costs of various recreational facility and park improvements including any or all of the following: a multipurpose recreational facility such as an ice arena, a community meeting and activity space, and a synthetic turf field house; senior center facility improvements; Lion John Weicht Park improvements, Lions Park Center space improvements, and a community picnic pavilion addition; youth athletic complex improvements; Orono Park improvements; dredging Lake Orono; and citywide trail connection improvements; and

(3) secure and pay debt service on bonds issued to finance all or part of the projects listed in clause (2).

(b) The total that may be raised from the tax to pay for these projects is limited to \$35,000,000, plus the costs related to the issuance and paying debt service on bonds for these projects.

Subd. 3. **Bonding authority.** (a) The city of Elk River may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the project authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed \$35,000,000, plus an amount applied to the payment of costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Elk River, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 25 years after the tax is first imposed; or (2) when the city council determines that the city has received \$35,000,000 from this tax to fund the projects listed in subdivision 2 plus an amount sufficient to pay costs, including interest costs, related to the issuance of the bonds authorized in subdivision 3. Any funds remaining after payment of the allowed costs due to timing of the termination under section 297A.99 shall be placed in the city's general fund. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Elk River and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 20. **CITY OF EXCELSIOR; LOCAL SALES AND USE TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city charter, the city of Excelsior may impose, by ordinance, a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2, as approved by the voters at the November 4, 2014, general election. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Excelsior to pay the costs of collecting and administering the tax and to finance the capital and administrative costs of improvements to the commons as indicated in the Commons Master Plan as adopted by the city council on November 20, 2017. Authorized expenses include, but are not limited to, improvements for walkability and accessibility, enhancement of beach area and facilities, prevention and management of shoreline erosion, redesign of the port and band shell, improvement of playground equipment, and securing and paying debt service on bonds issued under subdivision 3 or other obligations issued to the improvements listed in this subdivision in the city of Excelsior.

Subd. 3. **Bonding authority.** (a) If the imposition of the tax is approved by the voters under subdivision 1, the city of Excelsior may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the projects authorized in subdivision 2, without a second vote. The aggregate principal amount of bonds issued under this subdivision may not exceed \$7,000,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Excelsior, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of Excelsior, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 25 years after the tax is first imposed; or (2) when the city council determines that \$7,000,000 has been received from the tax to pay for the cost of the projects authorized under subdivision 2, plus an amount sufficient to pay the costs related to issuance of the bonds authorized under subdivision 3, including interest on the bonds. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Excelsior and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 21. CITY OF GLENWOOD; TAX AUTHORIZED.

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the November

6, 2018, general election, the city of Glenwood may impose, by ordinance, a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. The tax may not be imposed until the city complies with the provisions of section 31.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Glenwood to pay the costs of collecting and administering the tax and to finance, including securing and paying debt service on, all or part of the following projects:

(1) the capital costs of the Phases II and III improvements to 2nd Street SE as set forth in the city's capital improvement plan;

(2) the development and expansion of, and improvements to, city parks, trails, and recreational facilities; and

(3) improvements to Glenwood City Hall and police station.

Subd. 3. **Bonding authority.** (a) The city of Glenwood may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the project authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed \$2,800,000, plus an amount applied to the payment of costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Glenwood, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not subject to any provisions of the home rule charter of the city of Glenwood and are not included in computing any debt limitation applicable to the city. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 20 years after the tax is first imposed; or (2) when the city council determines that the city has received \$2,800,000 from this tax to fund the projects listed in subdivision 2 plus an amount sufficient to pay costs, including interest costs, related to the issuance of the bonds authorized in subdivision 3. Any funds remaining after payment of the allowed costs due to timing of the termination under Minnesota Statutes, section 297A.99, shall be placed in the city's general fund. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Glenwood and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 22. **CITY OF INTERNATIONAL FALLS; TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, and as approved

by the voters at the November 6, 2018, general election, the city of International Falls may impose, by ordinance, a sales and use tax of up to one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. The tax may not be imposed until the city complies with the provisions of section 31.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of International Falls to pay the costs of collecting and administering the tax, and paying for transportation and other public infrastructure projects in the city, including securing and paying debt service on bonds issued to finance all or part of these projects. The total amount of transportation and other public infrastructure projects to be funded with the tax imposed under subdivision 1 shall not exceed \$30,000,000, excluding associated debt service costs.

Subd. 3. **Bonding authority.** (a) The city of International Falls may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the project authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed \$30,000,000, plus an amount applied to the payment of costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of International Falls, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not subject to any provisions of the home rule charter of the city of International Falls and are not included in computing any debt limitation applicable to the city. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 30 years after the tax is first imposed; or (2) when the city council determines that the city has received \$30,000,000 from this tax to fund the projects listed in subdivision 2 plus an amount sufficient to pay costs, including interest costs, related to the issuance of the bonds authorized in subdivision 3. Any funds remaining after payment of the allowed costs due to timing of the termination under section 297A.99 shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of International Falls and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 23. **CITY OF LA CRESCENT; LOCAL LODGING TAX AUTHORIZED.**

Notwithstanding Minnesota Statutes, section 477A.016, or other law, in addition to a tax authorized in Minnesota Statutes, section 469.190, the city of La Crescent may impose by ordinance a tax of up to two percent on the gross receipts subject to the lodging tax under Minnesota Statutes, section 469.190. The proceeds of the tax must be used for the same purposes as required under Minnesota Statutes, section 469.190. The total tax imposed under this section, and under Minnesota Statutes, section 469.190, must not exceed five percent.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of La Crescent and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 24. **LAKE COUNTY; LOCAL LODGING TAX AUTHORIZED.**

Subdivision 1. **Lodging tax.** (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the Board of Commissioners of Lake County may impose, by ordinance, a tax of up to four percent on the gross receipts subject to the lodging tax under Minnesota Statutes, section 469.190. This tax is in addition to any tax imposed under Minnesota Statutes, section 469.190. The total tax imposed by the county under this section, by the city of Two Harbors under Laws 1994, chapter 587, article 9, section 11, and under Minnesota Statutes, section 469.190, must not exceed seven percent.

(b) No other city or town located in Lake County that did not impose a local lodging tax under Minnesota Statutes, section 469.190, prior to May 1, 2019, may impose a tax under Minnesota Statutes, section 469.190, while a tax is in effect under this section.

Subd. 2. **Allowed use of revenues.** The revenues derived from the taxes imposed in subdivision 1 must be used to fund a new Lake County Event and Visitors Bureau as established by or contracted with the Board of Commissioners of Lake County. The Board of Commissioners must use 75 percent of revenues for marketing the county and 25 percent of revenues to fund and promote community events and festivals in the county. The Board of Commissioners of Lake County must annually review the budget of the Lake County Event and Visitors Bureau. The event and visitors bureau may not receive revenues raised from the taxes imposed in subdivision 1 until the Board of Commissioners approves the annual budget.

EFFECTIVE DATE. This section is effective the day after the governing body of Lake County and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 25. **CITY OF NORTH MANKATO; LOCAL FOOD AND BEVERAGE TAX AUTHORIZED.**

Subdivision 1. **Food and beverage tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the city of North Mankato may, by ordinance, impose a sales tax of up to one percent on the gross receipts on all sales of food and beverages by a restaurant or place of refreshment, as defined by resolution of the city, that are located within the city. For purposes of this section, "food and beverages" includes retail on-sale of intoxicating liquor and fermented malt beverages.

Subd. 2. **Use of proceeds from tax.** (a) The proceeds of any tax imposed under subdivision 1 shall be used by the city to pay all or a portion of the expenses of:

(1) operation, maintenance, and capital expenses for the Caswell Park Regional Sporting Complex; and

(2) for costs related to regional tourism events.

(b) Authorized capital expenses include securing or paying debt service on bonds or other obligations issued to finance the construction of the Caswell Park Regional Sporting Complex facilities.

Subd. 3. **Collection, administration, and enforcement.** If the city desires, it may enter into an agreement with the commissioner of revenue to administer, collect, and enforce the taxes authorized under subdivisions 1 and 2. If the commissioner agrees to collect the tax, the provisions of Minnesota Statutes, section 297A.99, related to collection, administration, and enforcement apply.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of North Mankato and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 26. CITY OF PERHAM; LOCAL SALES AND USE TAX AUTHORIZED.

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law or ordinance, and based on the approval by the voters at the November 6, 2018, election, the city of Perham may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Perham to:

(1) pay the costs of collecting and administering the tax;

(2) finance the capital costs of site preparation, redevelopment, renovation, and construction of buildings, land, and infrastructure at the site of the Perham Area Community Center; and

(3) pay debt service on bonds issued under subdivision 3 or other obligations issued to the improvements listed in this subdivision in the city of Perham.

Subd. 3. **Bonding authority.** (a) The city of Perham may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the projects authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed \$5,200,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Perham, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of Perham, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 20 years after the tax is first imposed; or (2) when the city council determines that \$5,200,000

has been received from the tax to pay for the cost of the projects authorized under subdivision 2, plus an amount sufficient to pay the costs related to issuance of the bonds authorized under subdivision 3, including interest on the bonds. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Perham and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 27. **CITY OF ROGERS; LOCAL TAXES AUTHORIZED.**

Subdivision 1. Sales and use tax authorization. Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any other law or ordinance, and as approved by the voters at the general election of November 6, 2018, the city of Rogers may impose, by ordinance, a sales and use tax of one-quarter of one percent for the purposes specified in subdivision 3. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the taxes authorized under this subdivision.

Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, or ordinance, the city of Rogers may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city of Rogers in the business of selling motor vehicles at retail.

Subd. 3. Use of sales and use tax and excise tax revenues. (a) The revenues derived from the taxes authorized under subdivisions 1 and 2 must be used by the city of Rogers to pay the costs of collecting and administering the taxes and the capital and administrative costs of any or all of the following projects:

(1) trail and pedestrian facilities including an I-94 pedestrian crossing, a County Road 144 pedestrian tunnel, and other new trails and trail connections;

(2) aquatics facilities consisting of either or both of a splash pad and any contribution toward the community portion of a school pool; and

(3) community athletic facilities including construction of South Community park, site improvements for future recreation facilities, and a multipurpose indoor turf facility.

(b) The total that may be raised from the taxes to pay for these projects is limited to \$16,500,000, plus the costs related to the issuance and paying debt service on bonds for these projects.

Subd. 4. Bonding authority. (a) The city of Rogers may issue bonds under Minnesota Statutes, chapter 475, pursuant to approval by the voters at the general election of November 6, 2018, to finance all or a portion of the costs of the projects authorized in subdivision 3. The aggregate principal amount of bonds issued under this subdivision may not exceed \$16,500,000, plus an amount equal to interest on and the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Rogers, including the taxes authorized under subdivisions 1 and 2.

(b) The bonds are not included in computing any debt limitation applicable to the city of Rogers, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2 expire at the earlier of: (1) 20 years after the taxes are first imposed; or (2) when the city council determines that \$16,500,000, plus an amount sufficient to pay interest on and the costs of issuing the bonds authorized under subdivision 4, has been received from the taxes to pay for the cost of the projects authorized under subdivision 3. Any funds remaining after payment of all such costs and payment of the bonds in full shall be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Rogers and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 28. **CITY OF SARTELL; LOCAL TAXES AUTHORIZED.**

Subdivision 1. **Food and beverage tax authorized.** Notwithstanding Minnesota Statutes, section 297A.99 or 477A.016, or any ordinance or other provision of law, the city of Sartell may, by ordinance, impose a sales tax of up to 1-1/2 percent on the gross receipts of all food and beverages sold by a restaurant or place of refreshment, as defined by ordinance of the city, that is located within the city. For purposes of this section, "food and beverages" include retail on-sale of intoxicating liquor and fermented malt beverages.

Subd. 2. **Use of proceeds from authorized taxes.** The proceeds of the taxes imposed under subdivision 1 must be used by the city to fund capital or operational costs for new and existing recreational facilities and related amenities within the city. Authorized expenses include securing or paying debt service on bonds or other obligations issued to finance construction and improvement projects.

Subd. 3. **Termination of taxes.** The tax imposed under subdivision 1 expires five years after the tax is first imposed.

Subd. 4. **Collection, administration, and enforcement.** The city may enter into an agreement with the commissioner of revenue to administer, collect, and enforce the taxes under subdivision 1. If the commissioner agrees to collect the tax, the provisions of Minnesota Statutes, sections 270C.171 and 297A.99, related to collection, administration, and enforcement apply.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Sartell and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 29. **CITY OF SAUK CENTRE; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city charter, the city of Sauk Centre, pursuant to approval by the voters at the general election on November 6, 2018,

may impose by ordinance a sales and use tax of up to one-half of one percent and a \$20 motor vehicle excise tax for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of revenues.** Revenues received from taxes authorized by subdivision 1 must be used by the city to:

(1) pay the costs of collecting and administering the tax;

(2) pay the capital costs of city infrastructure improvement projects directly related to the reconstruction of Trunk Highway 71; and

(3) pay debt service on bonds issued under subdivision 3 or other obligations issued to finance the improvements listed in this subdivision in the city.

Subd. 3. **Bonding authority.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to pay the costs of the projects authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed \$10,000,000 plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) December 31, 2045; or (2) when the city council determines that \$10,000,000 has been received from the tax to pay for the cost of the projects authorized under subdivision 2, plus an amount sufficient to pay the costs related to issuance of the bonds authorized under subdivision 3, including interest on the bonds. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Sauk Centre and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 30. **CITY OF SCANLON; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax; authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 3, paragraph (b), or 477A.016, or any other law or ordinance, the city of Scanlon, pursuant to approval by the voters at the general election on November 6, 2018, may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of revenues.** Revenues received from taxes authorized by subdivision 1 must be used by the city to:

(1) pay the costs of collecting and administering the tax;

(2) pay the capital and administrative costs of city street improvements and utility infrastructure, including storm sewer and sanitary sewer improvements; and

(3) pay debt service on bonds issued under subdivision 3 or other obligations issued to finance the improvements listed in this subdivision in the city.

Subd. 3. **Bonding authority.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to pay the costs of the projects authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed \$400,000 plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** (a) The tax imposed under subdivision 1 expires at the earlier of: (1) ten years after the tax is first imposed; or (2) when the city council determines that \$400,000 has been received from the tax to pay for the cost of the projects authorized under subdivision 2, plus an amount sufficient to pay the costs related to issuance of the bonds authorized under subdivision 3, including interest on the bonds.

(b) Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Scanlon and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 31. CITY OF VIRGINIA; LOCAL SALES AND USE TAX AUTHORIZED.

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the November 6, 2018, general election, the city of Virginia may impose, by ordinance, a sales and use tax of up to one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Virginia to pay the costs of collecting and administering

the tax, and to finance the costs of renovation, reconstruction, expansion, and improvements of the Miner's Memorial recreation complex and convention center. Authorized costs include engineering and construction costs and associated bond issuance costs.

Subd. 3. **Bonding authority.** (a) The city of Virginia may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the project authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed \$30,000,000, plus an amount applied to the payment of costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Virginia, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not subject to any provisions of the home rule charter of the city of Virginia and are not included in computing any debt limitation applicable to the city. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 20 years after the tax is first imposed; or (2) when the city council determines that the city has received \$30,000,000 from this tax to fund the projects listed in subdivision 2 plus an amount sufficient to pay costs, including interest costs, related to the issuance of the bonds authorized in subdivision 3. Any funds remaining after payment of the allowed costs due to timing of the termination under section 297A.99 shall be placed in the city's general fund. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Virginia and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 32. CITY OF WEST ST. PAUL; LOCAL TAX AUTHORIZED.

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the general election of November 6, 2018, the city of West St. Paul may impose, by ordinance, a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of West St. Paul to pay the costs of collecting and administering the tax and to finance the capital and administrative costs of rebuilding and repair of essential transportation corridors and related ancillary roads within the city, including but not limited to Annapolis Street which borders both Ramsey and Dakota County, the cultural corridor of Smith Avenue, historic Dodd Road, and other essential corridors. The total that may be raised from the tax to pay for these projects is limited to \$28,000,000, plus the costs related to the issuance and paying debt service on bonds for these projects.

Subd. 3. **Bonding authority.** (a) The city of West St. Paul may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the facilities authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed \$28,000,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of West St. Paul, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of West St. Paul, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 20 years after the tax is first imposed; or (2) when the city council determines that \$28,000,000, plus an amount sufficient to pay the costs related to issuing the bonds authorized under subdivision 3, including interest on the bonds, has been received from the tax to pay for the cost of the projects authorized under subdivision 2. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of West St. Paul and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 33. CITY OF WILLMAR; TAX AUTHORIZED.

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the November 6, 2018, general election, the city of Willmar may impose, by ordinance, a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Willmar may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city of Willmar in the business of selling motor vehicles at retail.

Subd. 3. **Use of revenues.** (a) The revenues derived from the taxes authorized under subdivisions 1 and 2 must be used by the city of Willmar to pay the costs of collecting and administering the taxes, and to pay for the projects listed in this subdivision, including securing and paying debt service on bonds issued to finance all or part of these projects. The total amount of projects to be funded with the taxes imposed under subdivisions 1 and 2 shall not exceed \$30,000,000 plus the costs related to the issuance and paying debt service on bonds for these projects. The amount that may be spent on each project is limited to:

- (1) \$2,000,000 for a community center replacement;
- (2) \$6,000,000 for new athletic fields;
- (3) \$3,000,000 for infrastructure improvements at Robins Island Regional Park;
- (4) \$2,000,000 for a new playground and spectator amenities at Swansson Field Regional Park;
- (5) \$7,000,000 for storm water management infrastructure improvements; and
- (6) \$10,000,000 for a new recreation and event center.

(b) Notwithstanding the limits listed in paragraph (a) the city may by ordinance reallocate up to ten percent of the funds designated for one or more projects listed in that paragraph to other projects listed in that paragraph.

Subd. 4. **Bonding authority.** (a) The city of Willmar may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the projects authorized in subdivision 3. The aggregate principal amount of bonds issued under this subdivision may not exceed \$30,000,000, plus an amount applied to the payment of costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Willmar, including the taxes authorized under subdivisions 1 and 2. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not subject to any provisions of the home rule charter of the city of Willmar and are not included in computing any debt limitation applicable to the city. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2 expire at the earlier of: (1) 13 years after the taxes are first imposed; or (2) when the city council determines that the city has received \$30,000,000 from this tax to fund the projects listed in subdivision 3 plus an amount sufficient to pay interest on and the costs of the issuance of the bonds authorized in subdivision 4. Any funds remaining after payment of the allowed costs due to timing of the termination under Minnesota Statutes, section 297A.99, shall be placed in the city's general fund. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Willmar and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 34. CITY OF WORTHINGTON; TAX AUTHORIZED.

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the November 6, 2018, general election, the city of Worthington may impose, by ordinance, a sales and use tax of one-half of one percent for the purposes specified in subdivision

3. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. The taxes under this subdivision and subdivision 2 may not be imposed until the city complies with the provisions of section 31.

Subd. 2. **Use of tax revenues.** (a) The revenues derived from the taxes authorized under subdivision 1 must be used by the city of Worthington to pay the costs of collecting and administering the tax and paying for the projects listed in this subdivision, including securing and paying debt service on bonds issued to finance all or part of the following projects:

- (1) improvements to the aquatic center;
- (2) improvements to the field house;
- (3) improvements to the ice arena;
- (4) other park and recreation capital projects and improvements;
- (5) lake quality improvement; and
- (6) improvements to the 10th Street plaza.

(b) The total amount of projects to be funded with the taxes imposed under subdivisions 1 and 2 shall not exceed \$25,000,000 plus the costs related to the issuance of and paying debt service on bonds for these projects.

Subd. 3. **Bonding authority.** (a) The city of Worthington may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the projects authorized in subdivision 3. The aggregate principal amount of bonds issued under this subdivision may not exceed \$25,000,000 plus an amount applied to the payment of costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Worthington, including the taxes authorized under subdivisions 1 and 2. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not subject to any provisions of the home rule charter of the city of Worthington and are not included in computing any debt limitation applicable to the city. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2 expire at the earlier of: (1) 15 years after the taxes are first imposed; or (2) when the city council determines that the city has received \$25,000,000 from this tax to fund the projects listed in subdivision 3 plus an amount sufficient to pay interest on and the costs of the issuance of the bonds authorized in subdivision 4. Any funds remaining after payment of the allowed costs due to timing of the termination under Minnesota Statutes, section 297A.99, shall be placed in the city's general fund. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Worthington and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

ARTICLE 7

TAX INCREMENT FINANCING

Section 1. Laws 2008, chapter 366, article 5, section 26, as amended by Laws 2013, chapter 143, article 9, section 11, is amended to read:

Sec. 26. **BLOOMINGTON TAX INCREMENT FINANCING; FIVE-YEAR RULE.**

(a) The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, are increased to a ~~15-year~~ 17-year period for the Port Authority of the City of Bloomington's Tax Increment Financing District No. 1-I, Bloomington Central Station.

(b) Notwithstanding the provisions of Minnesota Statutes, section 469.176, or any other law to the contrary, the city of Bloomington and its port authority may extend the duration limits of the district for a period through December 31, 2039.

(c) Effective for taxes payable in 2014, tax increment for the district must be computed using the current local tax rate, notwithstanding the provisions of Minnesota Statutes, section 469.177, subdivision 1a.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Bloomington and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 2. Laws 2014, chapter 308, article 6, section 8, subdivision 1, as amended by Laws 2017, First Special Session chapter 1, article 6, section 11, is amended to read:

Subdivision 1. **Authority to create districts.** (a) The governing body of the city of Edina or its development authority may establish one or more tax increment financing housing districts in the Southeast Edina Redevelopment Project Area, as the boundaries exist on March 31, 2014.

(b) The authority to request certification of districts under this section expires on December 31, ~~2019~~ 2021.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Edina and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 3. **CITY OF ALEXANDRIA; TIF DISTRICT NO. 50; FIVE-YEAR RULE EXTENSION.**

The requirement of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing

district, is considered to be met for TIF District No. 50, administered by the city of Alexandria, or its economic development authority, if the activities are undertaken prior to July 16, 2023.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Alexandria and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 4. CITY OF ANOKA; COMMUTER RAIL TRANSIT VILLAGE TIF DISTRICT; FIVE-YEAR RULE EXTENSION.

The requirement of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, is considered to be met for the Commuter Rail Transit Village tax increment financing district, administered by the city of Anoka, if the activities are undertaken prior to April 7, 2023.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Anoka and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 5. CITY OF CHAMPLIN; MISSISSIPPI CROSSINGS TIF DISTRICT; FIVE-YEAR RULE EXTENSION; DURATION EXTENSION.

Subdivision 1. **Five-year rule.** The requirement of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, is extended to a ten-year period for the Mississippi Crossings Tax Increment Financing District administered by the city of Champlin.

Subd. 2. **Duration.** Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, or any other law to the contrary, the city of Champlin may elect to extend the duration of the Mississippi Crossings Tax Increment Financing District by five years.

EFFECTIVE DATE. This section is effective upon compliance by the governing bodies of the city of Champlin, Hennepin County, and Independent School District No. 11 (Anoka-Hennepin), with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2; and 645.021, subdivisions 2 and 3.

Sec. 6. CITY OF DULUTH; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES AUTHORIZATION.

Subdivision 1. **Establishment.** The city of Duluth or the Duluth Economic Development Authority may establish, by resolution, one redevelopment tax increment financing district located in the city of Duluth, St. Louis County, Minnesota, within the area bordered on the northeast by Slip 3 and the Pier B Resort property line extended northwest to Interstate 35, on the southeast by the Duluth Harbor, on the southwest by the Compass Minerals property line extended northwest to Interstate 35, and on the northwest by Interstate 35, together with adjacent roads and rights-of-way; and such property is deemed to meet the requirements of Minnesota Statutes, section 469.174, subdivision 10.

Subd. 2. **Eligible expenditures.** Expenditures incurred in connection with the development of the property described in subdivision 1 are deemed to meet the requirements of Minnesota Statutes, section 469.176, subdivision 4j. Eligible expenditures for any tax increment financing district established in the area described in subdivision 1 include, without limitation, seawalls and pier facings adjacent to the boundaries of such district.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 7. CITY OF MINNEAPOLIS; UPPER HARBOR TERMINAL REDEVELOPMENT TIF DISTRICT; SPECIAL RULES AUTHORIZATION.

Subdivision 1. **Qualifying rules.** Notwithstanding Minnesota Statutes, section 469.174, subdivision 10, the governing body of the city of Minneapolis may establish, by resolution, one or more redevelopment tax increment financing districts within that portion of the North Washington Industrial Park Redevelopment Project Area as its boundaries existed on January 1, 2019, located north of Lowry Avenue. In each resolution, the city must find that each parcel in the district was part of property that was formerly used as a municipally owned intermodal barge shipping facility that can no longer be used for such purpose due to the closure of the Upper St. Anthony Falls Lock under the federal Water Resources Reform and Development Act of 2014. Except as provided in this section, the provisions of Minnesota Statutes, sections 469.174 to 469.1794, apply to each district created under this section.

Subd. 2. **Use of increments.** Minnesota Statutes, section 469.176, subdivision 4j, does not apply to any district established under this section.

Subd. 3. **Pooling authority.** Notwithstanding Minnesota Statutes, section 469.1763, subdivision 2, the permitted percentage of increments that may be expended on activities outside the district, but within the project area, is increased to 35 percent for districts established under this section.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Minneapolis and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 8. CITY OF ROSEVILLE; HAZARDOUS SUBSTANCE SUBDISTRICT NO. 17A; EXPENDITURE OF TAX INCREMENT.

Notwithstanding Minnesota Statutes, section 469.1763, or any other law to the contrary, the city of Roseville and the Roseville Economic Development Authority may use any or all increment generated from Hazardous Substance Subdistrict No. 17A for the purpose of financing environmental remediation pursuant to one or more response action plans on the parcels within the subdistrict as originally certified, regardless of the date of approval of the response action plan by the Pollution Control Agency.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Roseville and its chief clerical officer comply with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

ARTICLE 8**PUBLIC FINANCE**

Section 1. Minnesota Statutes 2018, section 37.31, subdivision 1, is amended to read:

Subdivision 1. **Bonding authority.** The society may issue negotiable bonds in a principal amount that the society determines necessary to provide sufficient money for achieving its purposes, including the payment of interest on bonds of the society, the establishment of reserves to secure its bonds, the payment of fees to a third party providing credit enhancement, and the payment of all other expenditures of the society incident to and necessary or convenient to carry out its corporate purposes and powers. Bonds of the society may be issued as bonds or notes or in any other form authorized by law. The principal amount of bonds issued and outstanding under this section at any time may not exceed ~~\$20,000,000~~ \$30,000,000, excluding bonds for which refunding bonds or crossover refunding bonds have been issued.

Sec. 2. Minnesota Statutes 2018, section 103E.611, subdivision 2, is amended to read:

Subd. 2. **Interest.** (a) Interest is an additional drainage lien on all property until paid. The interest rate on the drainage lien principal from the date the drainage lien statement is recorded must be set by the board but may not exceed the rate determined by the state court administrator for judgments under section 549.09, or six percent, whichever is greater.

(b) Before the tax lists for the year are given to the county treasurer, the auditor shall compute the interest on the unpaid balance of the drainage lien at the rate set by the board. The amount of interest must be computed on the entire unpaid principal from the date the drainage lien was recorded to August 15 of the next calendar year, and afterwards from August 15 to August 15 of each year.

(c) Interest is due and payable after November 1 of each year the drainage lien principal or interest is due and unpaid.

Sec. 3. Minnesota Statutes 2018, section 123B.595, subdivision 5, is amended to read:

Subd. 5. **Bond authorization.** (a) A school district may issue general obligation bonds under this section to finance facilities plans approved by its board and the commissioner. Chapter 475, except sections 475.58 and 475.59, must be complied with. The authority to issue bonds under this section is in addition to any bonding authority authorized by this chapter or other law. The amount of bonding authority authorized under this section must be disregarded in calculating the bonding or net debt limits of this chapter, or any other law other than section 475.53, subdivision 4.

(b) At least 20 days before the earliest of ~~solicitation of bids,~~ the issuance of bonds, or the final certification of levies under subdivision 6, the district must publish notice of the intended projects, the amount of the bond issue, and the total amount of district indebtedness.

(c) The portion of revenue under this section for bonded debt must be recognized in the debt service fund.

Sec. 4. Minnesota Statutes 2018, section 297A.993, subdivision 1, is amended to read:

Subdivision 1. **Authorization; rates.** Notwithstanding section 297A.99, subdivisions 1, 2, 3, 5, and 13, or 477A.016, or any other law, the board of a county ~~outside the metropolitan transportation area, as defined under section 297A.992, subdivision 1,~~ or more than one county ~~outside the metropolitan transportation area~~ acting under a joint powers agreement, may by resolution of the county board, or each of the county boards, following a public hearing impose (1) a transportation sales tax at a rate of up to one-half of one percent on retail sales and uses taxable under this chapter, and (2) an excise tax of \$20 per motor vehicle, as defined in section 297B.01, subdivision 11, purchased or acquired from any person engaged in the business of selling motor vehicles at retail, occurring within the jurisdiction of the taxing authority.

Sec. 5. Minnesota Statutes 2018, section 297A.993, is amended by adding a subdivision to read:

Subd. 4. **Bonds.** (a) A county may, by resolution, authorize, issue, and sell its bonds, notes, or other obligations for the purposes specified in subdivision 2. The county may also, by resolution, issue bonds to refund the bonds issued pursuant to this subdivision.

(b) The bonds may be limited obligations, payable solely from or secured by taxes levied under this section, and the county may also pledge its full faith, credit, and taxing power as additional security for the bonds. A regional railroad authority within the county may also pledge its taxing powers as additional security for the bonds.

(c) Bonds may be issued in one or more series and sold without an election. The bonds shall be secured, bear the interest rate or rates or a variable rate, have the rank or priority, be executed in the manner, be payable in the manner, mature, and be subject to the defaults, redemptions, repurchases, tender options, or other terms, and shall be sold in such manner as the county may determine.

(d) The county may enter into and perform all contracts deemed necessary or desirable by it to issue and secure the bonds, including an indenture of trust with a trustee within or without the state.

(e) Except as otherwise provided in this subdivision, the bonds must be issued and sold in the manner provided under chapter 475.

Sec. 6. Minnesota Statutes 2018, section 471.831, is amended to read:

471.831 MUNICIPALITY MAY FILE BANKRUPTCY PETITION.

Subdivision 1. **Any relief under bankruptcy code.** A municipality, as defined in subdivision 2, may file a petition and seek any relief available to it under United States Code, title 11, as amended ~~through December 31, 1996.~~

Subd. 2. **Municipality defined.** In this section, "municipality" means a municipality as defined in United States Code, title 11, section 101, as amended ~~through December 31, 1996,~~ but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under chapter 469, a home rule charter, or special law.

Sec. 7. Minnesota Statutes 2018, section 474A.02, subdivision 22b, is amended to read:

Subd. 22b. **Public facilities project.** "Public facilities project" means any publicly owned facility, or a facility ~~owned by a nonprofit organization~~ that is used for district heating or cooling, whether publicly or privately owned, that is eligible to be financed with the proceeds of public facilities bonds as defined under section 474A.02, subdivision 23a.

Sec. 8. Minnesota Statutes 2018, section 475.521, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** For purposes of this section, the following terms have the meanings given.

(a) "Bonds" mean an obligation defined under section 475.51.

(b) "Capital improvement" means acquisition or betterment of public lands, buildings or other improvements for the purpose of a city hall, town hall, library, public safety facility, and public works facility. An improvement must have an expected useful life of five years or more to qualify. Capital improvement does not include light rail transit or any activity related to it, or a park, road, bridge, administrative building other than a city or town hall, or land for any of those facilities. For purposes of this section, "capital improvement" includes expenditures for purposes described in this paragraph that have been incurred by a municipality before approval of a capital improvement plan, if such expenditures are included in a capital improvement plan approved on or before the date of the public hearing under subdivision 2 regarding issuance of bonds for such expenditures.

(c) "Municipality" means a home rule charter or statutory city or a town ~~described in section 368.01, subdivision 1 or 1a.~~

Sec. 9. **REPEALER.**

Minnesota Statutes 2018, section 37.31, subdivision 8, is repealed.

Sec. 10. **EFFECTIVE DATE.**

Sections 1 to 9 are effective July 1, 2019.

ARTICLE 9

MISCELLANEOUS

Section 1. **[270C.075] PRIVATE LETTER RULINGS.**

Subdivision 1. **Program established.** By January 1, 2020, the commissioner shall, by administrative rule adopted under chapter 14, establish and implement a program for issuing private letter rulings to taxpayers to provide guidance as to how the commissioner will apply Minnesota tax law to a specific transaction or proposed transaction, arrangement, or other fact situation of the applying taxpayer. The commissioner must include in each ruling an explanation of the reasoning for the determination. In establishing the terms of the program, the commissioner may provide that rulings will not be issued in specified subject areas, for categories of transactions, or under specified provisions of law, if the commissioner determines doing so is in the best interests of the state and sound tax administration. The program must include a process for the representative of a taxpayer

to apply for a private letter ruling and to communicate with the commissioner regarding the requested ruling.

Subd. 2. **Application procedure; fees.** (a) The commissioner shall establish an application procedure and forms for a taxpayer or the taxpayer's appointed representative to request a private letter ruling. The commissioner may require the taxpayer to provide any supporting factual information and certifications that the commissioner determines necessary or appropriate to issue a private letter ruling. The requirements may vary based on the type of ruling requested.

(b) The commissioner may, in the administrative rule, establish a fee schedule to recover the department's actual cost of preparing private letter rulings. The maximum fee per private letter ruling is \$1,000. The commissioner may require the applicant to pay the required fee for a private letter ruling before the application is considered. If the administrative rule provides for payment of a fee as a condition for providing a private letter ruling, the rule must provide a fee structure that varies the amount of the fee by the complexity of the request or the number and type of issues or both.

(c) If the commissioner fails to issue a ruling to the taxpayer within 90 days after the taxpayer's filing of a completed application, the commissioner must refund the application fee to the taxpayer; however, the commissioner must issue a private letter ruling unless the taxpayer withdraws the request.

(d) Any fees collected under this section must be deposited in the Revenue Department service and recovery special revenue fund established under section 270C.15, and are appropriated to the commissioner to offset the cost of issuing private letter rulings and related administrative costs.

Subd. 3. **Effect.** (a) A private letter ruling is binding on the commissioner with respect to the taxpayer to whom the ruling is issued if:

(1) there was no misstatement or omission of material facts in the application or other information provided to the commissioner;

(2) the facts that subsequently developed were not materially different from the facts upon which the ruling was based;

(3) the applicable statute, administrative rule, federal law referenced by state law, or other relevant law has not changed; and

(4) the taxpayer acted in good faith in applying for and relying on the ruling.

(b) Private letter rulings have no precedential effect and may not be relied upon by a taxpayer other than as provided in paragraph (a).

Subd. 4. **Public access.** The commissioner shall make private letter rulings issued under this section available to the public on the department's website. The commissioner must organize the private letter rulings by tax type and must make them available in a searchable format. The published rulings must redact any information that would permit identification of the requesting taxpayer.

Subd. 5. **Legislative report.** (a) By January 31 of each odd-numbered year, the commissioner shall report in writing to the legislature the following information for the immediately preceding two calendar years:

(1) the number of applications for private letter rulings;

(2) the number of private letter rulings issued, including the number issued within the 90-day time period under subdivision 2, paragraph (c);

(3) the amount of application fees refunded by tax type;

(4) the tax types for which rulings were requested;

(5) the types and characteristics of taxpayers applying for rulings; and

(6) any other information that the commissioner considers relevant to legislative oversight of the private letter ruling program.

(b) The report must be filed as provided in section 3.195, and copies must be provided to the chairs and ranking minority members of the committees of the house of representatives and the senate with jurisdiction over taxes and appropriations to the Department of Revenue.

EFFECTIVE DATE. This section is effective July 1, 2021, except that the first legislative report under subdivision 5 is due January 31, 2024.

Sec. 2. Minnesota Statutes 2018, section 270C.31, is amended by adding a subdivision to read:

Subd. 8. **Authority to request dual examination.** (a) A qualified taxpayer that is subject to an on-site examination or audit under this section of the amount of tax due under chapter 290 or 297A may request in writing that the commissioner conduct the examination or audit of the taxpayer's tax due under both chapters at the same time. The request must be made within days of the receipt of the commissioner's notice of intent to conduct the on-site audit or examination in the form prescribed by the commissioner. If a qualified taxpayer files a timely written request under this subdivision and the commissioner elects to audit or examine the tax due under only one of the two chapters, the commissioner may not audit or examine the tax due under the other chapter for each taxable year or period that includes the taxable year or the period covered by the audit or examination that was conducted.

(b) For purposes of this subdivision, "qualified taxpayer" means a taxpayer that meets each of the following requirements:

(1) the taxpayer has been issued a permit to collect tax under section 297A.84;

(2) the gross receipts of the taxpayer, as reported on the return filed under chapter 290 for the most recent taxable year, is no more than \$..... In applying this clause to a taxpayer that is member of a unitary business, as defined in section 290.17, gross receipts include the gross receipts of all members of the unitary business; and

(3) the commissioner audited or examined the taxpayer's return filed under chapter 290 or 297A or both for a period that ended no more than years prior to the taxable year or the period for

which the qualified taxpayer made the request under this subdivision, and the commissioner determined that no more than the greater of (1) \$1,000 or (2) ... percent of the liability for tax in additional tax was owed by the taxpayer as a result of the audit or examination.

EFFECTIVE DATE. This section is effective for examinations and audits commenced after June 30, 2021.

Sec. 3. Minnesota Statutes 2018, section 270C.33, is amended by adding a subdivision to read:

Subd. 4a. Limitations; sales taxes. (a) The provisions of this subdivision are a limitation on the assessment authority of the commissioner under this section.

(b) The commissioner must not assess additional tax under chapter 297A if each of the following requirements are met:

(1) the tax reported by the taxpayer is consistent with and based on past reporting or other practices of the taxpayer that were fully disclosed to the commissioner and were specifically reviewed by the commissioner, including by issuing an audit assessing no additional tax liability with respect to that item for a prior taxable period; and

(2) effective for a taxable period beginning after the period covered by clause (1), neither the statute or administrative rule on which the reporting or other practice is based has been materially changed, nor has the commissioner issued a revenue notice or directly notified the taxpayer in writing of a change in the commissioner's position as to the proper reporting or other treatment of the relevant income, transaction, deduction, or other item.

(c) For an audit of a prior taxable period by the commissioner, paragraph (b), clause (1), applies only to issues within the scope of and specifically addressed by the audit.

EFFECTIVE DATE. This section is effective for assessments made after June 30, 2021.

Sec. 4. Minnesota Statutes 2018, section 270C.33, is amended by adding a subdivision to read:

Subd. 4b. Limit on assessments; reasonable cause for failure to collect or withhold. (a) An assessment issued under subdivision 4 is reduced or eliminated to the extent that the amount that would otherwise be assessed arose from the taxpayer's failure to collect or withhold a tax from another individual or entity and the taxpayer had reasonable cause for not collecting or withholding the tax. A taxpayer may raise this ground for prohibition of an assessment during an audit, upon appeal from an assessment, or by refund claim following payment of the assessment.

(b) For purposes of this subdivision and section 270C.35, subdivision 4:

(1) ignorance of the law is not reasonable cause;

(2) lack of clarity as to whether the law requires collection or withholding under the circumstances may be reasonable cause; and

(3) failure to collect or withhold in accordance with prior written advice from the commissioner on the specific question of the requirement to collect or withhold under the same or similar circumstances that has not been superseded or preempted by a change in statute or administrative

rule or a subsequent written notice from the commissioner to the taxpayer prior to commencement of the period for which the failure to collect or withhold occurred is reasonable cause.

EFFECTIVE DATE. This section is effective for assessments made after June 30, 2021.

Sec. 5. Minnesota Statutes 2018, section 270C.34, subdivision 1, is amended to read:

Subdivision 1. **Authority.** (a) The commissioner may abate, reduce, or refund any penalty or interest that is imposed by a law administered by the commissioner, or imposed by section 270.0725, subdivision 1 or 2, or 270.075, subdivision 2, as a result of the late payment of tax or late filing of a return, or any part of an additional tax charge under section 289A.25, subdivision 2, or 289A.26, subdivision 4, if the failure to timely pay the tax or failure to timely file the return is due to reasonable cause, or if the taxpayer is located in a presidentially declared disaster or in a presidentially declared state of emergency area or in an area declared to be in a state of emergency by the governor under section 12.31.

(b) The commissioner shall abate any part of a penalty or additional tax charge under section 289A.25, subdivision 2, or 289A.26, subdivision 4, attributable to erroneous advice given to the taxpayer in writing by an employee of the department acting in an official capacity, if the advice:

(1) was reasonably relied on and was in response to a specific written request of the taxpayer; and

(2) was not the result of failure by the taxpayer to provide adequate or accurate information.

(c) In addition to the authority under paragraphs (a) and (b), the commissioner may decline to impose or may abate any penalty under section 289A.60 or other law, or an additional tax charge under section 289A.25, subdivision 2, or 289A.26, subdivision 4.

EFFECTIVE DATE. This section is effective July 1, 2021.

Sec. 6. Minnesota Statutes 2018, section 270C.35, subdivision 4, is amended to read:

Subd. 4. **Time and content for administrative appeal.** Within 60 days after the notice date, the taxpayer must file a written appeal with the commissioner. The appeal need not be in any particular form but must contain the following information:

(1) name and address of the taxpayer;

(2) if a corporation, the state of incorporation of the taxpayer, and the principal place of business of the corporation;

(3) the Minnesota identification number or Social Security number of the taxpayer;

(4) the type of tax involved;

(5) the date;

(6) the tax years or periods involved and the amount of tax involved for each year or period;

(7) the findings in the notice that the taxpayer disputes;

(8) for a request to reduce or eliminate an assessment under section 270C.33, subdivision 4b, a statement of the taxpayer's grounds, along with a brief statement of the supporting facts, for the assertion of reasonable cause for the failure to collect or withhold tax from another individual or entity;

(9) a summary statement that the taxpayer relies on for each exception; and

~~(9)~~ (10) the taxpayer's signature or signature of the taxpayer's duly authorized agent.

EFFECTIVE DATE. This section is effective for assessments made after June 30, 2021.

Sec. 7. Minnesota Statutes 2018, section 289A.40, subdivision 1, is amended to read:

Subdivision 1. **Time limit; generally.** (a) Unless otherwise provided in this chapter, a claim for a refund of an overpayment of state tax must be filed within 3-1/2 years from the date prescribed for filing the return, plus any extension of time granted for filing the return, but only if filed within the extended time, or one year from the date of an order assessing tax under section 270C.33 or an order determining an appeal under section 270C.35, subdivision 8, or one year from the date of a return made by the commissioner under section 270C.33, subdivision 3, upon payment in full of the tax, penalties, and interest shown on the order or return made by the commissioner two years from the time the tax was paid, whichever period expires later. Claims for refund, except for taxes under chapter 297A, filed after the 3-1/2 year period but within the one-year period are limited to the amount of the tax, penalties, and interest on the order or return made by the commissioner and to issues determined by the order or return made by the commissioner.

~~In the case of assessments under section 289A.38, subdivision 5 or 6, claims for refund under chapter 297A filed after the 3-1/2 year period but within the one-year period are limited to the amount of the tax, penalties, and interest on the order or return made by the commissioner that are due for the period before the 3-1/2 year period.~~

(b) For purposes of this subdivision, the amount of a refund is limited as follows:

(1) if the claim was filed by the taxpayer within 3-1/2 years from the date prescribed for filing the return, the refund shall not exceed the tax paid within the 3-1/2 year period immediately preceding the filing of the claim, plus any extension of time granted for filing the return, but only if the claim was filed within the extended time;

(2) if the claim was not filed within 3-1/2 years from the date prescribed for filing the return, the refund shall not exceed the tax paid during the two years immediately preceding the filing of the claim; and

(3) if no claim was filed, the refund shall not exceed the amount which would be allowable under clause (1) or (2), if the claim was filed on the date the refund is allowed.

(c) The prepayment of tax made by withholding of tax at the source or payment of estimated tax before the due date is considered paid on the last day prescribed by law for the payment of the

tax by the taxpayer. A return filed before the due date is considered as filed on the due date. An extended return filed before the extended due date is considered as filed on the extended due date.

EFFECTIVE DATE. This section is effective for claims for refund filed after June 30, 2021.

Sec. 8. Minnesota Statutes 2018, section 289A.60, subdivision 1, is amended to read:

Subdivision 1. **Penalty for failure to pay tax.** (a) If a corporate franchise, fiduciary income, mining company, estate, partnership, S corporation, or nonresident entertainer tax is not paid within the time specified for payment, a penalty of six percent is added to the unpaid tax, except that if a corporation or mining company meets the requirements of section 289A.19, subdivision 2, the penalty is not imposed.

(b) For the taxes listed in paragraph (a), in addition to the penalty in that paragraph, whether imposed or not, if a return or amended return is filed after the due date, without regard to extensions, and any tax reported as remaining due is not remitted with the return or amended return, a penalty of five percent of the tax not paid is added to the tax. If the commissioner issues an order assessing additional tax for a tax listed in paragraph (a), and the tax is not paid within 60 days after the mailing of the order or, if appealed, within 60 days after final resolution of the appeal, a penalty of five percent of the unpaid tax is added to the tax.

(c) If an individual income tax is not paid within the time specified for payment, a penalty of four percent is added to the unpaid tax. There is a presumption of reasonable cause for the late payment if the individual: (i) pays by the due date of the return at least 90 percent of the amount of tax, after credits other than withholding and estimated payments, shown owing on the return; (ii) files the return within six months after the due date; and (iii) pays the remaining balance of the reported tax when the return is filed.

(d) If the commissioner issues an order assessing additional individual income tax, and the tax is not paid within 60 days after the mailing of the order or, if appealed, within 60 days after final resolution of the appeal, a penalty of four percent of the unpaid tax is added to the tax.

(e) If a withholding or sales or use tax is not paid within the time specified for payment, a penalty must be added to the amount required to be shown as tax. The penalty is five percent of the tax not paid on or before the date specified for payment of the tax if the failure is for not more than 30 days, with an additional penalty of five percent of the amount of tax remaining unpaid during each additional 30 days or fraction of 30 days during which the failure continues, not exceeding 15 percent in the aggregate.

(f) No penalty applies under this section if:

(1) the total calculated penalty that would otherwise apply under paragraphs (a) to (e) is less than \$150; or

(2) for an underpayment of individual income tax under chapter 290 or sales tax under chapter 297A, the liability for tax on which the penalty is calculated is less than \$1,000 and the taxpayer timely filed any returns required to be filed during the prior three calendar years and was not subject to a penalty under this section, determined without regard to the provisions of this paragraph, for any taxes on returns due during that three-year period.

EFFECTIVE DATE. This section is effective for penalties imposed after June 30, 2021.

Sec. 9. Minnesota Statutes 2018, section 296A.03, subdivision 3, is amended to read:

Subd. 3. **Form of application; license fee.** An application for a distributor's license shall be made in the form and manner prescribed by the commissioner and must be accompanied by an initial fee of \$25. Once licensed, a distributor must remit a \$25 fee annually to maintain the license.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 10. Minnesota Statutes 2018, section 296A.13, is amended to read:

296A.13 PERSONAL LIABILITY FOR TAX.

Liability for payment of taxes under this chapter includes a responsible person or entity described in the personal liability provisions of section 270C.56~~7~~, except "person" includes but is not limited to directors and officers of corporations, governors and managers of a limited liability company, or members of partnerships who, either individually or jointly with others, have the control, supervision, or responsibility of filing returns and making payment of the amount of tax imposed by this chapter.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 11. Minnesota Statutes 2018, section 297E.02, subdivision 6, is amended to read:

Subd. 6. **Combined net receipts tax.** (a) In addition to the taxes imposed under subdivision 1, a tax is imposed on the combined net receipts of the organization. As used in this section, "combined net receipts" is the sum of the organization's gross receipts from lawful gambling less gross receipts directly derived from the conduct of paper bingo, raffles, and paddlewheels, as defined in section 297E.01, subdivision 8, and less the net prizes actually paid, other than prizes actually paid for paper bingo, raffles, and paddlewheels, for the fiscal year. The combined net receipts of an organization are subject to a tax computed according to the following schedule:

If the combined net receipts for the fiscal year are:	The tax is:
Not over \$87,500	nine <u>eight</u> percent
Over \$87,500, but not over \$122,500	\$7,875 <u>\$7,000</u> plus 18 <u>16</u> percent of the amount over \$87,500, but not over \$122,500
Over \$122,500, but not over \$157,500	\$14,175 <u>\$12,600</u> plus 27 <u>24</u> percent of the amount over \$122,500, but not over \$157,500
Over \$157,500	\$23,625 <u>\$21,000</u> plus 36 <u>32</u> percent of the amount over \$157,500

~~(b) On or before April 1, 2016, the commissioner shall estimate the total amount of revenue, including interest and penalties, that will be collected for fiscal year 2016 from taxes imposed under this chapter. If the amount estimated by the commissioner equals or exceeds \$94,800,000, the commissioner shall certify that effective July 1, 2016, the rates under this paragraph apply in lieu of the rates under paragraph (a) and shall publish a notice to that effect in the State Register and~~

notify each taxpayer by June 1, 2016. If the rates under this section apply, the combined net receipts of an organization are subject to a tax computed according to the following schedule:

If the combined net receipts for the fiscal year are:	The tax is:
Not over \$87,500	8.5 percent
Over \$87,500, but not over \$122,500	\$7,438 plus 17 percent of the amount over \$87,500, but not over \$122,500
Over \$122,500, but not over \$157,500	\$13,388 plus 25.5 percent of the amount over \$122,500, but not over \$157,500
Over \$157,500	\$22,313 plus 34 percent of the amount over \$157,500

(e) (b) Gross receipts derived from sports-themed tipboards are exempt from taxation under this section. For purposes of this paragraph, a sports-themed tipboard means a sports-themed tipboard as defined in section 349.12, subdivision 34, under which the winning numbers are determined by the numerical outcome of a professional sporting event.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 12. Minnesota Statutes 2018, section 297E.021, subdivision 2, is amended to read:

Subd. 2. **Determination of revenue increase.** By March 15 of each fiscal year, the commissioner of management and budget, in consultation with the commissioner, shall determine the estimated increase in revenues received from taxes imposed under this chapter over ~~the estimated revenues under the February 2012 state budget forecast for that fiscal year.~~ For fiscal years after fiscal year 2015, the commissioner of management and budget shall use the February 2012 state budget forecast for fiscal year 2015 as the a baseline of \$26,500,000. All calculations under this subdivision must be made net of estimated refunds of the taxes required to be paid.

Sec. 13. Minnesota Statutes 2018, section 298.17, is amended to read:

298.17 OCCUPATION TAXES TO BE APPORTIONED; TRANSFERRED.

(a) All occupation taxes paid by persons, copartnerships, companies, joint stock companies, corporations, and associations, however or for whatever purpose organized, engaged in the business of mining or producing iron ore or other ores, when collected shall be apportioned and distributed in accordance with the Constitution of the state of Minnesota, article X, section 3, in the manner following: 90 percent shall be deposited in the state treasury and credited to the general fund of which four-ninths shall be used for the support of elementary and secondary schools; and ten percent of the proceeds of the tax imposed by this section shall be deposited in the state treasury and credited to the general fund for the general support of the university.

(b) Of the money apportioned to the general fund by this section, the following appropriations must be made:

(1) there is annually appropriated and credited to the mining environmental and regulatory account in the special revenue fund an amount equal to that which would have been generated by a 2-1/2 cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar

year. Money in the mining environmental and regulatory account is appropriated annually to the commissioner of natural resources to fund agency staff to work on environmental issues and provide regulatory services for ferrous and nonferrous mining operations in this state. Payment to the mining environmental and regulatory account shall be made by July 1 annually. The commissioner of natural resources shall execute an interagency agreement with the Pollution Control Agency to assist with the provision of environmental regulatory services such as monitoring and permitting required for ferrous and nonferrous mining operations;

(2) there is annually appropriated and credited to the Iron Range resources and rehabilitation account in the special revenue fund an amount equal to that which would have been generated by a 1.5 cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar year, to be expended for the purposes of section 298.22. The money appropriated shall be used (i) to provide environmental development grants to local governments located within any county in region 3 as defined in governor's executive order number 60, issued on June 12, 1970, which does not contain a municipality qualifying pursuant to section 273.134, paragraph (b), or (ii) to provide economic development loans or grants to businesses located within any such county, provided that the county board or an advisory group appointed by the county board to provide recommendations on economic development shall make recommendations to the commissioner of Iron Range resources and rehabilitation regarding the loans. Of the money allocated to Koochiching County, one-third must be paid to the Koochiching County Economic Development Commission. Payment to the Iron Range resources and rehabilitation account shall be made by May 15 annually; and

(3) there is annually appropriated and credited to the Iron Range resources and rehabilitation account in the special revenue fund for transfer to the Iron Range school consolidation and cooperatively operated school account under section 298.28, subdivision 7a, an amount equal to that which would have been generated by a six cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar year. Payment to the Iron Range resources and rehabilitation account shall be made by May 15 annually.

~~(c) The money appropriated pursuant to paragraph (b), clause (2), shall be used (i) to provide environmental development grants to local governments located within any county in region 3 as defined in governor's executive order number 60, issued on June 12, 1970, which does not contain a municipality qualifying pursuant to section 273.134, paragraph (b), or (ii) to provide economic development loans or grants to businesses located within any such county, provided that the county board or an advisory group appointed by the county board to provide recommendations on economic development shall make recommendations to the commissioner of Iron Range resources and rehabilitation regarding the loans. Payment to the Iron Range resources and rehabilitation account shall be made by May 15 annually. After all appropriations are made pursuant to paragraph (b), any amount remaining in the general fund, of the money credited to the general fund under paragraph (a) in the current fiscal year, shall be transferred by the commissioner of management and budget to the taconite economic development fund under section 298.227. Transfer to the taconite economic development fund shall be made by July 15 annually;~~

~~(d) Of the money allocated to Koochiching County, one-third must be paid to the Koochiching County Economic Development Commission. The maximum amount that shall be transferred each year under this paragraph shall be \$4,000,000. If there are insufficient funds remaining in the general fund in any year after all appropriations are made pursuant to paragraph (b), transfer of funds to the taconite economic development fund pursuant to this paragraph shall not be made.~~

EFFECTIVE DATE. This section is effective beginning with distributions made in 2020 and thereafter.

Sec. 14. Minnesota Statutes 2018, section 298.227, is amended to read:

298.227 TACONITE ECONOMIC DEVELOPMENT FUND.

An amount equal to that distributed pursuant to each taconite producer's taxable production and qualifying sales under section 298.28, subdivision 9a; and an amount equal to each taconite producer's share of the amount transferred under section 298.17, paragraph (c), shall be held by the commissioner of Iron Range resources and rehabilitation in a separate taconite economic development fund for each taconite and direct reduced ore producer. The amount of each taconite producer's share of the amount transferred under section 298.17, paragraph (c), shall be equal to the amount of tax paid under section 298.01 in the current year by that producer in proportion to the total amount of tax paid under section 298.01 in the current year by all producers. Money from the fund for each producer shall be released by the commissioner after review by a joint committee consisting of an equal number of representatives of the salaried employees and the nonsalaried production and maintenance employees of that producer. The District 11 director of the United States Steelworkers of America, on advice of each local employee president, shall select the employee members. In nonorganized operations, the employee committee shall be elected by the nonsalaried production and maintenance employees. The review must be completed no later than six months after the producer presents a proposal for expenditure of the funds to the committee. The funds held pursuant to this section may be released only for workforce development, concurrent reclamation, plant and stationary mining equipment, facilities for the producer, or for research and development in Minnesota on new mining, taconite, iron, or steel production technology, but only if the producer provides a matching expenditure equal to the amount of the distribution to be used for the same purpose. If a proposed expenditure is not approved by the commissioner, after consultation with the advisory board, the funds must be deposited in the taconite environmental protection fund under sections 298.222 to 298.225. If a taconite production facility is sold after operations at the facility had ceased, any money remaining in the fund for the former producer may be released to the purchaser of the facility on the terms otherwise applicable to the former producer under this section. If a producer fails to provide matching funds for a proposed expenditure within six months after the commissioner approves release of the funds, the funds may be released by the commissioner for deposit in the taconite area environmental protection fund created in section 298.223. Any portion of the fund which is not released by the commissioner within one year of its deposit in the fund shall be distributed to the taconite environmental protection fund.

EFFECTIVE DATE. This section is effective beginning with distributions made in 2020 and thereafter.

Sec. 15. Minnesota Statutes 2018, section 349.15, subdivision 1, is amended to read:

Subdivision 1. **Expenditure restrictions, requirements, and civil penalties.** (a) Gross profits from lawful gambling may be expended only for lawful purposes or allowable expenses as authorized by the membership of the conducting organization at a monthly meeting of the organization's membership.

(b) For each 12-month period beginning July 1, a licensed organization will be evaluated by the board to determine a rating based on the percentage of annual lawful purpose expenditures when compared to available gross profits for the same period. The rating will be used to determine the organization's profitability percent and is not a rating of the organization's lawful gambling operation. An organization will be evaluated according to the following criteria:

(1) an organization that expends ~~50~~ 70 percent or more of gross profits on lawful purposes will receive a five-star rating;

(2) an organization that expends ~~40~~ 55 percent or more but less than ~~50~~ 70 percent of gross profits on lawful purposes will receive a four-star rating;

(3) an organization that expends ~~30~~ 40 percent or more but less than ~~40~~ 55 percent of gross profits on lawful purposes will receive a three-star rating;

(4) an organization that expends ~~20~~ 25 percent or more but less than ~~30~~ 40 percent of gross profits on lawful purposes will receive a two-star rating; and

(5) an organization that expends less than 20 percent of gross profits on lawful purposes will receive a one-star rating.

(c) An organization that fails to expend a minimum of ~~30~~ 40 percent annually of gross profits on lawful purposes, or ~~20~~ 25 percent annually for organizations that conduct lawful gambling in a location where the primary business is bingo, is automatically on probation effective July 1 for a period of one year. The organization must increase its rating to the required minimum or be subject to sanctions by the board. If an organization fails to meet the minimum after a one-year probation, the board may suspend the organization's license or impose a civil penalty as follows:

(1) in determining any suspension or penalty for a violation of this paragraph, the board must consider any unique factors or extraordinary circumstances that caused the organization to not meet the minimum rate of profitability. Unique factors or extraordinary circumstances include, but are not limited to, the purchase of capital assets necessary to conduct lawful gambling; road or other construction causing impaired access to the lawful gambling premises; and flood, tornado, or other catastrophe that had a direct impact on the continuing lawful gambling operation; and

(2) notwithstanding section 349.151, subdivision 4, paragraph (a), clause (10), the board may impose a civil penalty under this subdivision up to \$10,000.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 16. Minnesota Statutes 2018, section 349.151, subdivision 4, is amended to read:

Subd. 4. **Powers and duties.** (a) The board has the following powers and duties:

(1) to regulate lawful gambling to ensure it is conducted in the public interest;

(2) to issue licenses to organizations and gambling managers, and to issue licenses and renewals to distributors, distributor salespersons, manufacturers, and linked bingo game providers;

(3) to collect and deposit fees due under this chapter;

(4) to receive reports required by this chapter and inspect all premises, records, books, and other documents of organizations, distributors, manufacturers, and linked bingo game providers to insure compliance with all applicable laws and rules;

(5) to make rules authorized by this chapter;

(6) to register gambling equipment and issue registration stamps;

(7) to provide by rule for the mandatory posting by organizations conducting lawful gambling of rules of play and the odds and/or house percentage on each form of lawful gambling;

(8) to report annually to the governor and legislature on its activities and on recommended changes in the laws governing gambling, including an annual report that provides a tabulation of the number of compliance reviews completed, the percentage of organizations reviewed, an average of the number of months between reviews, the number, location, and organization of site inspections, and the number of allegations awaiting investigation by the board;

(9) to report annually to the governor and legislature a financial summary for each licensed organization identifying the gross receipts, prizes paid, allowable expenses, lawful purpose expenditures including charitable contributions and all taxes and fees as per section 349.12, subdivision 25, paragraph (a), clauses (8) and (18), and the percentage of annual gross profit used for lawful purposes;

(10) to impose civil penalties of not more than \$1,000 per violation on organizations, distributors, distributor salespersons, manufacturers, linked bingo game providers, and gambling managers for violating or failing to comply with any provision of this chapter, chapter 297E, or any rule or order of the board;

(11) to issue premises permits to organizations licensed to conduct lawful gambling;

(12) to delegate to the director the authority to issue or deny license and premises permit applications and renewals under criteria established by the board;

(13) to delegate to the director the authority to approve or deny fund loss requests, contribution of gambling funds to another licensed organization, and property expenditure requests under criteria established by the board;

(14) to suspend or revoke licenses and premises permits of organizations, distributors, distributor salespersons, manufacturers, linked bingo game providers, or gambling managers as provided in this chapter;

(15) to approve or deny requests from licensees for:

(i) waivers from fee requirements as provided in section 349.16, subdivision 6; and

(ii) variances from Gambling Control Board rules under section 14.055; and

(16) to register employees of organizations licensed to conduct lawful gambling;

(17) to require fingerprints from persons determined by board rule to be subject to fingerprinting;

(18) to delegate to a compliance review group of the board the authority to investigate alleged violations, issue consent orders, and initiate contested cases on behalf of the board;

(19) to order organizations, distributors, distributor salespersons, manufacturers, linked bingo game providers, and gambling managers to take corrective actions; and

(20) to take all necessary steps to ensure the integrity of and public confidence in lawful gambling.

(b) The board, or director if authorized to act on behalf of the board, may by citation assess any organization, distributor, distributor salesperson, manufacturer, linked bingo game provider, or gambling manager a civil penalty of not more than \$1,000 per violation for a failure to comply with any provision of this chapter, chapter 297E, or any rule adopted or order issued by the board. Any organization, distributor, distributor salesperson, gambling manager, linked bingo game provider, or manufacturer assessed a civil penalty under this paragraph may request a hearing before the board. Appeals of citations imposing a civil penalty are not subject to the provisions of the Administrative Procedure Act.

(c) All penalties received by the board must be deposited in the general fund.

(d) All fees imposed by the board under sections 349.16 to 349.167 must be deposited in the state treasury and credited to a lawful gambling regulation account in the special revenue fund. Receipts in this account are available for the operations of the board up to the amount authorized in biennial appropriations from the legislature.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 17. Minnesota Statutes 2018, section 462A.38, is amended to read:

462A.38 WORKFORCE AND AFFORDABLE HOMEOWNERSHIP DEVELOPMENT PROGRAM.

Subdivision 1. **Establishment.** A workforce and affordable homeownership development program is established to award homeownership development grants and loans to cities, tribal governments, nonprofit organizations, cooperatives created under chapter 308A or 308B, and community land trusts created for the purposes outlined in section 462A.31, subdivision 1, for development of workforce and affordable homeownership projects. The purpose of the program is to increase the supply of workforce and affordable, owner-occupied multifamily or single-family housing throughout Minnesota.

Subd. 2. **Use of funds.** (a) Grant funds and loans awarded under this program may be used for:

(1) development costs;

(2) rehabilitation;

(3) land development; and

(4) residential housing, including storm shelters and related community facilities.

(b) A project funded through ~~the grant~~ this program shall serve households that meet the income limits as provided in section 462A.33, subdivision 5, unless a project is intended for the purpose outlined in section 462A.02, subdivision 6.

Subd. 3. **Application.** The commissioner shall develop forms and procedures for soliciting and reviewing applications for grants and loans under this section. The commissioner shall consult with interested stakeholders when developing the guidelines and procedures for the program. In making grants and loans, the commissioner shall establish semiannual application deadlines in which grants and loans will be authorized from all or part of the available appropriations.

Subd. 4. **Awarding grants and loans.** Among comparable proposals, preference must be given to proposals that include contributions from nonstate resources for the greatest portion of the total development cost.

Subd. 5. **Statewide program.** The agency shall attempt to make grants and loans in approximately equal amounts to applicants outside and within the metropolitan area, as defined under section 473.121, subdivision 2.

Subd. 6. **Report.** Beginning January 15, ~~2018~~ 2020, the commissioner must annually submit a report to the chairs and ranking minority members of the senate and house of representatives committees having jurisdiction over housing and workforce development specifying the projects that received grants and loans under this section and the specific purposes for which the grant or loan funds were used.

Subd. 7. **Workforce and affordable homeownership development account.** A workforce and affordable homeownership development account is established in the housing development fund. Money in the account, including interest, is appropriated to the commissioner of the Housing Finance Agency for the purposes of this section. The amount appropriated under this section must supplement traditional sources of funding for this purpose and must not be used as a substitute or to pay debt service on bonds.

Subd. 8. **Deposits; determination of funding amount.** (a) In fiscal years 2020 to 2030, the commissioner of revenue shall annually deposit, by September 15, an amount equal to the increment determined under paragraph (b) into the workforce and affordable homeownership account in the housing development fund.

(b) By September 1, 2019, and each year thereafter through 2029, the commissioner of revenue must determine the total amount of the proceeds of the mortgage registry tax imposed under section 287.035 and the deed tax imposed under section 287.21 that was collected during the fiscal year ending in that calendar year and must determine the increment that exceeds the amount collected in the previous fiscal year. The increment calculated under this paragraph must not be less than \$0, but must not exceed \$4,000,000.

(c) All loan repayments received under this section are to be deposited into the workforce and affordable homeownership development account in the housing development fund.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 18. **REPEALER.**

(a) Minnesota Statutes 2018, sections 296A.03, subdivision 5; 296A.04, subdivision 2; 296A.05, subdivision 2; and 349.213, subdivision 3, are repealed.

(b) Minnesota Rules, part 8125.0410, subpart 1, is repealed.

EFFECTIVE DATE. This section is effective July 1, 2019.

ARTICLE 10

PARTNERSHIP AUDITS

Section 1. Minnesota Statutes 2018, section 270C.445, subdivision 6, is amended to read:

Subd. 6. **Enforcement; administrative order; penalties; cease and desist.** (a) The commissioner may impose an administrative penalty of not more than \$1,000 per violation of subdivision 3 or 5, or section 270C.4451, provided that a penalty may not be imposed for any conduct for which a tax preparer penalty is imposed under section 289A.60, subdivision 13. The commissioner may terminate a tax preparer's authority to transmit returns electronically to the state, if the commissioner determines the tax preparer engaged in a pattern and practice of violating this section. Imposition of a penalty under this paragraph is subject to the contested case procedure under chapter 14. The commissioner shall collect the penalty in the same manner as the income tax. There is no right to make a claim for refund under section 289A.50 of the penalty imposed under this paragraph. Penalties imposed under this paragraph are public data.

(b) In addition to the penalty under paragraph (a), if the commissioner determines that a tax preparer has violated subdivision 3 or 5, or section 270C.4451, the commissioner may issue an administrative order to the tax preparer requiring the tax preparer to cease and desist from committing the violation. The administrative order may include an administrative penalty provided in paragraph (a).

(c) If the commissioner issues an administrative order under paragraph (b), the commissioner must send the order to the tax preparer addressed to the last known address of the tax preparer.

(d) A cease and desist order under paragraph (b) must:

(1) describe the act, conduct, or practice committed and include a reference to the law that the act, conduct, or practice violates; and

(2) provide notice that the tax preparer may request a hearing as provided in this subdivision.

(e) Within 30 days after the commissioner issues an administrative order under paragraph (b), the tax preparer may request a hearing to review the commissioner's action. The request for hearing must be made in writing and must be served on the commissioner at the address specified in the order. The hearing request must specifically state the reasons for seeking review of the order. The date on which a request for hearing is served by mail is the postmark date on the envelope in which the request for hearing is mailed.

(f) If a tax preparer does not timely request a hearing regarding an administrative order issued under paragraph (b), the order becomes a final order of the commissioner and is not subject to review by any court or agency.

(g) If a tax preparer timely requests a hearing regarding an administrative order issued under paragraph (b), the hearing must be commenced within ten days after the commissioner receives the request for a hearing.

(h) A hearing timely requested under paragraph (e) is subject to the contested case procedure under chapter 14, as modified by this subdivision. The administrative law judge must issue a report containing findings of fact, conclusions of law, and a recommended order within ten days after the completion of the hearing, the receipt of late-filed exhibits, or the submission of written arguments, whichever is later.

(i) Within five days of the date of the administrative law judge's report issued under paragraph (h), any party aggrieved by the administrative law judge's report may submit written exceptions and arguments to the commissioner. Within 15 days after receiving the administrative law judge's report, the commissioner must issue an order vacating, modifying, or making final the administrative order.

(j) The commissioner and the tax preparer requesting a hearing may by agreement lengthen any time periods prescribed in paragraphs (g) to (i).

(k) An administrative order issued under paragraph (b) is in effect until it is modified or vacated by the commissioner or an appellate court. The administrative hearing provided by paragraphs (e) to (i) and any appellate judicial review as provided in chapter 14 constitute the exclusive remedy for a tax preparer aggrieved by the order.

(l) The commissioner may impose an administrative penalty, in addition to the penalty under paragraph (a), up to \$5,000 per violation of a cease and desist order issued under paragraph (b). Imposition of a penalty under this paragraph is subject to the contested case procedure under chapter 14. Within 30 days after the commissioner imposes a penalty under this paragraph, the tax preparer assessed the penalty may request a hearing to review the penalty order. The request for hearing must be made in writing and must be served on the commissioner at the address specified in the order. The hearing request must specifically state the reasons for seeking review of the order. The cease and desist order issued under paragraph (b) is not subject to review in a proceeding to challenge the penalty order under this paragraph. The date on which a request for hearing is served by mail is the postmark date on the envelope in which the request for hearing is mailed. If the tax preparer does not timely request a hearing, the penalty order becomes a final order of the commissioner and is not subject to review by any court or agency. A penalty imposed by the commissioner under this paragraph may be collected and enforced by the commissioner as an income tax liability. There is no right to make a claim for refund under section 289A.50 of the penalty imposed under this paragraph. A penalty imposed under this paragraph is public data.

(m) If a tax preparer violates a cease and desist order issued under paragraph (b), the commissioner may terminate the tax preparer's authority to transmit returns electronically to the state. Termination under this paragraph is public data.

(n) A cease and desist order issued under paragraph (b) is public data when it is a final order.

(o) Notwithstanding any other law, the commissioner may impose a penalty or take other action under this subdivision against a tax preparer, with respect to a return, within the period to assess tax on that return as provided by ~~section~~ sections 289A.38 to 289A.384.

(p) Notwithstanding any other law, the imposition of a penalty or any other action against a tax preparer under this subdivision, other than with respect to a return, must be taken by the commissioner within five years of the violation of statute.

EFFECTIVE DATE. This section is effective for federal adjustments that have a final determination date after June 30, 2019.

Sec. 2. Minnesota Statutes 2018, section 289A.31, subdivision 1, is amended to read:

Subdivision 1. **Individual income, fiduciary income, mining company, corporate franchise, and entertainment taxes.** (a) Individual income, fiduciary income, mining company, and corporate franchise taxes, and interest and penalties, must be paid by the taxpayer upon whom the tax is imposed, except in the following cases:

(1) the tax due from a decedent for that part of the taxable year in which the decedent died during which the decedent was alive and the taxes, interest, and penalty due for the prior years must be paid by the decedent's personal representative, if any. If there is no personal representative, the taxes, interest, and penalty must be paid by the transferees, as defined in section 270C.58, subdivision 3, to the extent they receive property from the decedent;

(2) the tax due from an infant or other incompetent person must be paid by the person's guardian or other person authorized or permitted by law to act for the person;

(3) the tax due from the estate of a decedent must be paid by the estate's personal representative;

(4) the tax due from a trust, including those within the definition of a corporation, as defined in section 290.01, subdivision 4, must be paid by a trustee; and

(5) the tax due from a taxpayer whose business or property is in charge of a receiver, trustee in bankruptcy, assignee, or other conservator, must be paid by the person in charge of the business or property so far as the tax is due to the income from the business or property.

(b) Entertainment taxes are the joint and several liability of the entertainer and the entertainment entity. The payor is liable to the state for the payment of the tax required to be deducted and withheld under section 290.9201, subdivision 7, and is not liable to the entertainer for the amount of the payment.

(c) The taxes imposed under sections 289A.35, paragraph (b), 289A.383, subdivision 3, and 290.0922 on partnerships are the joint and several liability of the partnership and the general partners.

EFFECTIVE DATE. This section is effective for federal adjustments that have a final determination date after June 30, 2019.

Sec. 3. Minnesota Statutes 2018, section 289A.37, subdivision 2, is amended to read:

Subd. 2. **Erroneous refunds.** (a) Except as provided in paragraph (b), an erroneous refund occurs when the commissioner issues a payment to a person that exceeds the amount the person is entitled to receive under law. An erroneous refund is considered an underpayment of tax on the date issued.

(b) To the extent that the amount paid does not exceed the amount claimed by the taxpayer, an erroneous refund does not include the following:

(1) any amount of a refund or credit paid pursuant to a claim for refund filed by a taxpayer, including but not limited to refunds of claims made under section 290.06, subdivision 23; 290.067; 290.0671; 290.0672; 290.0674; 290.0675; 290.0677; 290.068; 290.0681; or 290.0692; or chapter 290A; or

(2) any amount paid pursuant to a claim for refund of an overpayment of tax filed by a taxpayer.

(c) The commissioner may make an assessment to recover an erroneous refund at any time within two years from the issuance of the erroneous refund. If all or part of the erroneous refund was induced by fraud or misrepresentation of a material fact, the assessment may be made at any time.

(d) Assessments of amounts that are not erroneous refunds under paragraph (b) must be conducted under ~~section~~ sections 289A.38 to 289A.384.

EFFECTIVE DATE. This section is effective for federal adjustments that have a final determination date after June 30, 2019.

Sec. 4. Minnesota Statutes 2018, section 289A.38, subdivision 10, is amended to read:

Subd. 10. **Incorrect determination of federal adjusted gross income.** Notwithstanding any other provision of this chapter, if a taxpayer whose net income is determined under section 290.01, subdivision 19, omits from income an amount that will under the Internal Revenue Code extend the statute of limitations for the assessment of federal income taxes, or otherwise incorrectly determines the taxpayer's federal adjusted gross income resulting in adjustments by the Internal Revenue Service, then the period of assessment and determination of tax will be that under the Internal Revenue Code. When a change is made to federal income during the extended time provided under this subdivision, the provisions under ~~subdivisions 7 to 9~~ sections 289A.381 to 289A.384 regarding additional extensions apply.

EFFECTIVE DATE. This section is effective for federal adjustments that have a final determination date after June 30, 2019.

Sec. 5. **[289A.381] DEFINITIONS; PARTNERSHIPS; FEDERAL ADJUSTMENTS.**

Subdivision 1. **Definitions relating to federal adjustments.** Unless otherwise specified, the definitions in this section apply for the purposes of sections 289A.381 to 289A.385.

Subd. 2. **Administrative adjustment request.** "Administrative adjustment request" means an administrative adjustment request filed by a partnership under section 6227 of the Internal Revenue Code.

Subd. 3. **Audited partnership.** "Audited partnership" means a partnership subject to a federal adjustment resulting from a partnership-level audit.

Subd. 4. **Corporate partner.** "Corporate partner" means a partner that is subject to tax under section 290.02.

Subd. 5. **Direct partner.** "Direct partner" means a partner that holds an immediate legal ownership interest in a partnership or pass-through entity.

Subd. 6. **Exempt partner.** "Exempt partner" means a partner that is exempt from taxes on its net income under section 290.05, subdivision 1.

Subd. 7. **Federal adjustment.** "Federal adjustment" means any change in an amount calculated under the Internal Revenue Code, whether to income, gross estate, a credit, an item of preference, or any other item that is used by a taxpayer to compute a tax administered under this chapter for the reviewed year whether that change results from action by the Internal Revenue Service or other competent authority, including a partnership-level audit, or the filing of an amended federal return, federal refund claim, or an administrative adjustment request by the taxpayer.

Subd. 8. **Federal adjustments report.** "Federal adjustments report" includes a method or form prescribed by the commissioner for use by a taxpayer to report federal adjustments, including an amended Minnesota tax return or a uniform multistate report.

Subd. 9. **Federal partnership representative.** "Federal partnership representative" means the person the partnership designates for the taxable year as the partnership's representative, or the person the Internal Revenue Service has appointed to act as the partnership representative, pursuant to section 6223(a) of the Internal Revenue Code.

Subd. 10. **Final determination date.** "Final determination date" means:

(1) for a federal adjustment arising from an audit by the Internal Revenue Service or other competent authority, the first day on which no federal adjustment arising from that audit remains to be finally determined, whether by agreement, or, if appealed or contested, by a final decision with respect to which all rights of appeal have been waived or exhausted;

(2) for a federal adjustment arising from the filing of an amended federal return, a federal refund claim, or the filing by a partnership of an administrative adjustment request, the day which the amended return, refund claim, or administrative adjustment request was filed; or

(3) for agreements required to be signed by the Internal Revenue Service and the taxpayer, the date on which the last party signed the agreement.

Subd. 11. **Final federal adjustment.** "Final federal adjustment" means a federal adjustment for which the final determination date for that federal adjustment has passed.

Subd. 12. **Indirect partner.** "Indirect partner" means either:

(1) a partner in a partnership or pass-through entity that itself holds an immediate legal ownership interest in another partnership or pass-through entity; or

(2) a partner in a partnership or pass-through entity that holds an indirect interest in another partnership or pass-through entity through another indirect partner.

Subd. 13. **Partner.** "Partner" means a person that holds an interest directly or indirectly in a partnership or other pass-through entity.

Subd. 14. **Partnership.** The term "partnership" has the meaning provided under section 7701(a)(2) of the Internal Revenue Code.

Subd. 15. **Partnership-level audit.** "Partnership-level audit" means an examination by the Internal Revenue Service at the partnership level pursuant to subtitle F, chapter 63, subchapter C, of the Internal Revenue Code, which results in federal adjustments and adjustments to partnership-related items.

Subd. 16. **Pass-through entity.** "Pass-through entity" means an entity, other than a partnership, that is not subject to the tax imposed under section 290.02. The term pass-through entity includes but is not limited to S corporations, estates, and trusts other than grantor trusts.

Subd. 17. **Resident partner.** "Resident partner" means an individual direct partner or individual indirect partner who is a resident of Minnesota under section 290.01, subdivision 7 for the relevant tax period.

Subd. 18. **Reviewed year.** "Reviewed year" means the taxable year of a partnership that is subject to a partnership-level audit from which federal adjustments arise.

Subd. 19. **Tiered partner.** "Tiered partner" means any partner that is a partnership or pass-through entity.

Subd. 20. **Unrelated business taxable income.** "Unrelated business taxable income" has the same meaning as defined in section 512 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for federal adjustments that have a final determination date after June 30, 2019.

Sec. 6. **[289A.382] REPORTING FEDERAL ADJUSTMENTS; GENERAL RULE.**

(a) Within 180 days of a final determination date, a taxpayer must file a federal adjustments report with the commissioner reporting all final federal adjustments by the Internal Revenue Service or other competent authority.

(b) Within 180 days of a final determination date, a taxpayer must file a federal adjustments report with the commissioner reporting any federal adjustments reported by the taxpayer to the Internal Revenue Service, including but not limited to:

(1) federal refund claims;

(2) a change reported on a timely filed amended federal income tax return; and

(3) a change reported on an amended return filed pursuant to section 6225(c) of the Internal Revenue Code.

(c) In the case of a final federal adjustment arising from a partnership-level audit or an administrative adjustment request filed by a partnership under section 6227 of the Internal Revenue Code, a taxpayer must report adjustments as provided for under section 289A.383, and not this section.

EFFECTIVE DATE. This section is effective for federal adjustments that have a final determination date after June 30, 2019.

Sec. 7. **[289A.383] REPORTING AND PAYMENT REQUIREMENTS.**

Subdivision 1. **State partnership representative.** (a) With respect to an action required or permitted to be taken by a partnership under this section, or in a proceeding under section 270C.35 or 271.06, the state partnership representative for the reviewed year shall have the sole authority to act on behalf of the partnership, and its direct partners and indirect partners shall be bound by those actions.

(b) The state partnership representative for the reviewed year is the partnership's federal partnership representative unless the partnership, in a form and manner prescribed by the commissioner, designates another person as its state partnership representative.

Subd. 2. **Reporting and payment requirements for partnerships and tiered partners.** (a) Unless an audited partnership makes the election in subdivision 3, then, for all final federal adjustments the audited partnership must comply with paragraph (b) and each direct partner of the audited partnership, other than a tiered partner, must comply with paragraph (c).

(b) No later than 90 days after the final determination date, the audited partnership must:

(1) file a completed federal adjustments report, including all partner-level information required under section 289A.12, subdivision 3, with the commissioner;

(2) notify each of its direct partners of their distributive share of the adjustments;

(3) file an amended composite report for all direct partners who were included in a composite return under section 289A.08, subdivision 7, in the reviewed year, and pay the additional amount that would have been due had the federal adjustments been reported properly as required; and

(4) file amended withholding reports for all direct partners who were or should have been subject to nonresident withholding under section 290.92, subdivision 4b, in the reviewed year, and pay the additional amount that would have been due had the federal adjustments been reported properly as required.

(c) No later than 180 days after the final determination date, each direct partner, other than a tiered partner, that is subject to a tax administered under this chapter, other than the sales tax, must:

(1) file a federal adjustments report reporting their distributive share of the adjustments reported to them under paragraph (b), clause (2); and

(2) pay any additional amount of tax due as if the final federal adjustment had been properly reported, plus any penalty and interest due under this chapter, and less any credit for related amounts

paid or withheld and remitted on behalf of the direct partner under paragraph (b), clauses (3) and (4).

Subd. 3. **Election; partnership or tiered partners pay.** (a) An audited partnership may make an election under this subdivision to pay its assessment at the entity level. If an audited partnership makes an election to pay its assessment at the entity level it must:

(1) no later than 90 days after the final determination date, file a completed federal adjustments report, including the residency information for all individual direct partners, and information pertaining to all other direct partners as prescribed by the commissioner, and notify the commissioner that it is making the election under this subdivision; and

(2) no later than 180 days after the final determination date, pay an amount, determined as follows, in lieu of taxes on partners:

(i) exclude from final federal adjustments the distributive share of these adjustments made to a direct exempt partner that is not unrelated business taxable income;

(ii) exclude from final federal adjustments the distributive share of these adjustments made to a direct partner that has filed a federal adjustments report and paid the applicable tax, as required under subdivision 2, for the distributive share of adjustments reported on a federal return under section 6225(c) of the Internal Revenue Code;

(iii) allocate and apportion at the partnership level using sections 290.17 to 290.20 the total distributive share of the remaining final federal adjustments for the reviewed year attributed to direct corporate partners and direct exempt partners, multiply the total by the highest tax rate in section 290.06, subdivision 1, for the reviewed year, and calculate interest and penalties as applicable under this chapter;

(iv) allocate at the partnership level using section 290.17, subdivision 1, the total distributive share of all final federal adjustments attributable to resident direct partners for the reviewed year, multiply the total by the highest tax rate in section 290.06, subdivision 2c, for the reviewed year, and calculate interest and penalties as applicable under this chapter;

(v) allocate and apportion at the partnership level using sections 290.17 to 290.20 the total distributive share of the remaining final federal adjustments attributable to nonresident individual direct partners and direct partners who are an estate or a trust for the reviewed year, and multiply the total by the highest tax rate in section 290.06, subdivision 2c, for the reviewed year, and calculate interest and penalties as applicable under this chapter;

(vi) for the total distributive share of the remaining final federal adjustments reported to tiered partners:

(A) determine the amount of the adjustments which are of a type that would be subject to sourcing under section 290.17 for a nonresident partner, and then determine the portion of this amount which would be sourced to this state;

(B) determine the amount of the adjustments which are of a type which are fully sourced to the taxpayer's state of residency under section 290.17, subdivision 2;

(C) determine the portion of the amount determined in subitem (B) that can be established, as determined by the commissioner, to be properly allocable to nonresident indirect partners or other partners not subject to tax on the adjustments; and

(D) multiply the total of the amounts determined in subitems (A) and (B) reduced by the amount determined in subitem (C) by the highest tax rate in section 290.06, subdivision 2c, for the reviewed year, and calculate interest and penalties as applicable under this chapter; and

(vii) add the amounts determined in items (iii) to (vi), and pay all applicable taxes, penalties, and interest to the commissioner.

(b) An audited partnership may not make an election under this subdivision to report:

(1) a federal adjustment that results in unitary business income to a corporate partner required to file as a member of a combined report under section 290.17, subdivision 4; or

(2) any final federal adjustments resulting from an administrative adjustment request.

(c) An audited partnership not otherwise subject to any reporting or payment obligation to this state may not make an election under this subdivision.

Subd. 4. Tiered partners and indirect partners. The direct and indirect partners of an audited partnership that are tiered partners, and all of the partners of those tiered partners that are subject to tax under chapter 290 are subject to the reporting and payment requirements contained in subdivision 2 and the tiered partners are entitled to make the elections provided in subdivisions 3 and 7. The tiered partners or their partners shall make required reports and payments no later than 90 days after the time for filing and furnishing of statements to tiered partners and their partners as established under section 6226 of the Internal Revenue Code. If the commissioner determines by a preponderance of the evidence that the primary purpose of a tiered partnership was that it was structured to allow an indirect individual partner who is a Minnesota resident to avoid paying Minnesota income tax, resulting from a partnership-level audit, as a Minnesota resident, the partnership is not permitted to make the election under subdivision 3 and is instead subject to the reporting and payment requirements under subdivision 2. The commissioner must notify the partnership when this determination is made. The date of the notice issued by the commissioner shall be deemed to be the final determination date for purposes of determining the due date for the reporting provisions in subdivision 2.

Subd. 5. Effects of election by partnership or tiered partner and payment of amount due.

(a) Unless the commissioner determines otherwise, the election under subdivision 3 is irrevocable.

(b) If an audited partnership or tiered partner properly reports and pays an amount determined in subdivision 3 or 7, the amount will be treated as paid in lieu of taxes owed by the partnership's direct partners and indirect partners, to the extent applicable, on the same final federal adjustments. The direct partners or indirect partners of the partnership may not take any deduction or credit for this amount or claim a refund of the amount in this state.

(c) Nothing in this subdivision precludes resident direct partners from claiming a credit against taxes paid under section 290.06, on any amounts paid by the audited partnership or tiered partners on the resident partner's behalf to another state or local tax jurisdiction.

Subd. 6. **Failure of partnership or tiered partner to report or pay.** Nothing in this section prevents the commissioner from assessing direct partners or indirect partners for taxes they owe, using the best information available, in the event that, for any reason, a partnership or tiered partner fails to timely make any report or payment required by this section.

Subd. 7. **Modified reporting and payment method.** An audited partnership or tiered partner may enter into an agreement with the commissioner to utilize an alternative reporting and payment method, including applicable time requirements or any other provision of this section. The audited partnership or tiered partner must demonstrate that the requested method will reasonably provide for the reporting and payment of taxes, penalties, and interest due under the provisions of this section. Application for approval of an alternative reporting and payment method must be made by the audited partnership or tiered partner within the time for making an election as provided in subdivision 3 or 4, as appropriate.

EFFECTIVE DATE. This section is effective for federal adjustments that have a final determination date after June 30, 2019.

Sec. 8. **[289A.384] ASSESSMENT OF TAX, INTEREST, PENALTIES, AND ADDITIONAL AMOUNTS.**

Subdivision 1. **Assessment of additional tax, interest, and penalties.** The commissioner may assess, in accordance with subdivisions 2 and 3, additional tax, interest, and penalties following a final federal adjustment:

- (1) arising from an audit by the Internal Revenue Service, including a partnership-level audit;
- (2) reported by the taxpayer on an amended federal tax return; or
- (3) as part of an administrative adjustment request on or before the dates provided in this section.

Subd. 2. **Timely and untimely reported federal adjustments.** If a taxpayer files a federal adjustments report, within or after the periods prescribed in section 289A.382 or 289A.383, the commissioner may assess additional Minnesota amounts related to the federal adjustments including in-lieu-of amounts, taxes, interest, and penalties at the later of:

- (1) the expiration of the period of limitations in section 289A.38; or
- (2) the expiration of the one-year period following the date of the filing with the commissioner of the federal adjustments report.

Subd. 3. **Unreported reported federal adjustments.** If the taxpayer fails to file a federal adjustments report, the commissioner may assess additional amounts related to the federal adjustments including in-lieu-of amounts, taxes, penalties, and interest, at the later of:

- (1) the expiration of the period of limitations in section 289A.38; or
- (2) the expiration of the six-year period following the final determination date.

Subd. 4. **Estimated tax payments during the course of a federal audit.** A taxpayer may make estimated payments to the commissioner of the tax expected to result from a pending audit by the

Internal Revenue Service. The taxpayer may make estimated payments prior to the due date of the federal adjustments report without the taxpayer having to file the report with the commissioner. The commissioner must credit the estimated tax payments against any tax liability of the taxpayer ultimately found to be due to the commissioner. The estimated payments limit the accrual of further statutory interest on that amount. If the estimated tax payments exceed the final tax liability and statutory interest ultimately determined to be due, the taxpayer is entitled to a refund or credit for the excess, provided the taxpayer files a federal adjustments report or claim for refund or credit of tax pursuant to section 289A.385.

EFFECTIVE DATE. This section is effective for federal adjustments that have a final determination date after June 30, 2019.

Sec. 9. [289A.385] CLAIMS FOR REFUND OR CREDITS OF STATE TAX ARISING FROM FINAL FEDERAL ADJUSTMENTS MADE BY THE INTERNAL REVENUE SERVICE.

Notwithstanding the general period of limitations on claims for refund in section 289A.40, taxpayers subject to the reporting requirements of sections 289A.382 and 289A.383 may file claims for refund related to federal adjustments made by the Internal Revenue Service on or before the last day for the assessment of tax under section 289A.384.

EFFECTIVE DATE. This section is effective for federal adjustments that have a final determination date after June 30, 2019.

Sec. 10. Minnesota Statutes 2018, section 289A.42, is amended to read:

289A.42 CONSENT TO EXTEND STATUTE.

Subdivision 1. **Extension agreement.** If before the expiration of time prescribed in sections 289A.38 to 289A.384 and 289A.40 for the assessment of tax or the filing of a claim for refund, both the commissioner and the taxpayer have consented in writing to the assessment or filing of a claim for refund after that time, the tax may be assessed or the claim for refund filed at any time before the expiration of the agreed-upon period. The period may be extended by later agreements in writing before the expiration of the period previously agreed upon. The taxpayer and the commissioner may also agree to extend the period for collection of the tax. The time periods provided in sections 289A.382 and 289A.383 may be extended automatically, upon written notice to the commissioner, by 60 days for an audited partnership or tiered partner which has 10,000 or more direct partners.

Subd. 2. **Federal extensions.** When a taxpayer consents to an extension of time for the assessment of federal withholding or income taxes, the period in which the commissioner may recompute the tax is also extended, notwithstanding any period of limitations to the contrary, ~~as follows:~~

~~(1) for the periods adjustments provided in section 289A.38, subdivisions 8 and 9; 289A.384, subdivisions 2 and 3.~~

~~(2) for six months following the expiration of the extended federal period of limitations when no change is made by the federal authority. If no change is made by the federal authority, and, but for this subdivision, the commissioner's time period to adjust the tax has expired, and if the commissioner has completed a field audit of the taxpayer, no additional changes resulting in additional~~

tax due or a refund may be made. For purposes of this subdivision, "field audit" has the meaning given it in ~~section 289A.38, subdivision 9.~~

EFFECTIVE DATE. This section is effective for federal adjustments that have a final determination date after June 30, 2019.

Sec. 11. Minnesota Statutes 2018, section 289A.60, subdivision 24, is amended to read:

Subd. 24. **Penalty for failure to notify of federal change.** If a person fails to report to the commissioner a change or correction of the person's federal return in the manner and time prescribed in ~~section 289A.38, subdivision 7~~ sections 289A.382 and 289A.383, there must be added to the tax an amount equal to ten percent of the amount of any underpayment of Minnesota tax attributable to the federal change.

EFFECTIVE DATE. This section is effective for federal adjustments that have a final determination date after June 30, 2019.

Sec. 12. Minnesota Statutes 2018, section 290.31, subdivision 1, is amended to read:

Subdivision 1. **Partners, not partnership, subject to tax.** Except as provided under ~~section~~ sections 289A.35, paragraph (b), and 289A.383, subdivision 3, a partnership as such shall not be subject to the income tax imposed by this chapter, but is subject to the tax imposed under section 290.0922. Persons carrying on business as partners shall be liable for income tax only in their separate or individual capacities.

EFFECTIVE DATE. This section is effective for federal adjustments that have a final determination date after June 30, 2019.

Sec. 13. Minnesota Statutes 2018, section 297F.17, subdivision 6, is amended to read:

Subd. 6. **Time limit for bad debt refund.** Claims for refund must be filed with the commissioner during the one-year period beginning with the timely filing of the taxpayer's federal income tax return containing the bad debt deduction that is being claimed. Claimants under this subdivision are subject to the notice requirements of ~~section 289A.38, subdivision 7~~ sections 289A.382 and 289A.383.

EFFECTIVE DATE. This section is effective for federal adjustments that have a final determination date after June 30, 2019.

Sec. 14. Minnesota Statutes 2018, section 297G.16, subdivision 7, is amended to read:

Subd. 7. **Time limit for a bad debt deduction.** Claims for refund must be filed with the commissioner within one year of the filing of the taxpayer's income tax return containing the bad debt deduction that is being claimed. Claimants under this subdivision are subject to the notice requirements of ~~section 289A.38, subdivision 7~~ sections 289A.38 to 289A.384.

EFFECTIVE DATE. This section is effective for federal adjustments that have a final determination date after June 30, 2019.

Sec. 15. Minnesota Statutes 2018, section 469.319, subdivision 4, is amended to read:

Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under chapter 290 or 297A or local taxes collected pursuant to section 297A.99, a business must file an amended return with the commissioner of revenue and pay any taxes required to be repaid within 30 days after becoming subject to repayment under this section. The amount required to be repaid is determined by calculating the tax for the period or periods for which repayment is required without regard to the exemptions and credits allowed under section 469.315.

(b) For the repayment of taxes imposed under chapter 297B, a business must pay any taxes required to be repaid to the motor vehicle registrar, as agent for the commissioner of revenue, within 30 days after becoming subject to repayment under this section.

(c) For the repayment of property taxes, the county auditor shall prepare a tax statement for the business, applying the applicable tax extension rates for each payable year and provide a copy to the business and to the taxpayer of record. The business must pay the taxes to the county treasurer within 30 days after receipt of the tax statement. The business or the taxpayer of record may appeal the valuation and determination of the property tax to the Tax Court within 30 days after receipt of the tax statement.

(d) The provisions of chapters 270C and 289A relating to the commissioner's authority to audit, assess, and collect the tax and to hear appeals are applicable to the repayment required under paragraphs (a) and (b). The commissioner may impose civil penalties as provided in chapter 289A, and the additional tax and penalties are subject to interest at the rate provided in section 270C.40. The additional tax shall bear interest from 30 days after becoming subject to repayment under this section until the date the tax is paid. Any penalty imposed pursuant to this section shall bear interest from the date provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

(e) If a property tax is not repaid under paragraph (c), the county treasurer shall add the amount required to be repaid to the property taxes assessed against the property for payment in the year following the year in which the auditor provided the statement under paragraph (c).

(f) For determining the tax required to be repaid, a reduction of a state or local sales or use tax is deemed to have been received on the date that the good or service was purchased or first put to a taxable use. In the case of an income tax or franchise tax, including the credit payable under section 469.318, a reduction of tax is deemed to have been received for the two most recent tax years that have ended prior to the date that the business became subject to repayment under this section. In the case of a property tax, a reduction of tax is deemed to have been received for the taxes payable in the year that the business became subject to repayment under this section and for the taxes payable in the prior year.

(g) The commissioner may assess the repayment of taxes under paragraph (d) any time within two years after the business becomes subject to repayment under subdivision 1, or within any period of limitations for the assessment of tax under ~~section 289A.38~~ sections 289A.38 to 289A.384, whichever period is later. The county auditor may send the statement under paragraph (c) any time within three years after the business becomes subject to repayment under subdivision 1.

(h) A business is not entitled to any income tax or franchise tax benefits, including refundable credits, for any part of the year in which the business becomes subject to repayment under this section nor for any year thereafter. Property is not exempt from tax under section 272.02, subdivision

64, for any taxes payable in the year following the year in which the property became subject to repayment under this section nor for any year thereafter. A business is not eligible for any sales tax benefits beginning with goods or services purchased or first put to a taxable use on the day that the business becomes subject to repayment under this section.

EFFECTIVE DATE. This section is effective for federal adjustments that have a final determination date after June 30, 2019.

Sec. 16. **REPEALER.**

Minnesota Statutes 2018, section 289A.38, subdivisions 7, 8, and 9, are repealed.

EFFECTIVE DATE. This section is effective for federal adjustments that have a final determination date after June 30, 2019.

ARTICLE 11

DEPARTMENT OF REVENUE INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES; POLICY CHANGES

Section 1. Minnesota Statutes 2018, section 290.0132, subdivision 26, is amended to read:

Subd. 26. **Social Security benefits.** (a) A portion of Social Security benefits is allowed as a subtraction. The subtraction equals the lesser of Social Security benefits or a maximum subtraction subject to the limits under paragraphs (b), (c), and (d).

(b) For married taxpayers filing a joint return and surviving spouses, the maximum subtraction equals \$4,500. The maximum subtraction is reduced by 20 percent of provisional income over \$77,000. In no case is the subtraction less than zero.

(c) For single or head-of-household taxpayers, the maximum subtraction equals \$3,500. The maximum subtraction is reduced by 20 percent of provisional income over \$60,200. In no case is the subtraction less than zero.

(d) For married taxpayers filing separate returns, the maximum subtraction equals ~~\$2,250~~ one-half the maximum subtraction for joint returns under paragraph (b). The maximum subtraction is reduced by 20 percent of provisional income over ~~\$38,500~~ one-half the threshold amount specified in paragraph (b). In no case is the subtraction less than zero.

(e) For purposes of this subdivision, "provisional income" means modified adjusted gross income as defined in section 86(b)(2) of the Internal Revenue Code, plus one-half of the Social Security benefits received during the taxable year, and "Social Security benefits" has the meaning given in section 86(d)(1) of the Internal Revenue Code.

(f) The commissioner shall adjust the maximum subtraction and threshold amounts in paragraphs (b) to (d) by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) of the Internal Revenue Code the word "2016" shall be substituted for the word "1992." For 2018, the commissioner shall then determine the percentage change from the 12 months ending on August 31, 2016, to the 12 months ending on August 31,

2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision must not be considered a rule and is not subject to the Administrative Procedure Act contained in chapter 14, including section 14.386. The maximum subtraction and threshold amounts as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 2. Minnesota Statutes 2018, section 290.0137, is amended to read:

290.0137 ACCELERATED RECOGNITION OF CERTAIN INSTALLMENT SALE GAINS.

(a) In the case of a nonresident individual or a person who becomes a nonresident individual during the tax year, taxable net income shall include the ~~allocable~~ amount realized upon a sale of the assets of, or any interest in, an S corporation or partnership that operated in Minnesota during the year of sale, including any income or gain to be recognized in future years pursuant to an installment sale method of reporting under the Internal Revenue Code.

(1) For the purposes of this paragraph, an individual who becomes a nonresident of Minnesota in any year after an installment sale is required to recognize the full amount of any income or gain described in this paragraph on the individual's final Minnesota resident tax return to the extent that such income has not been recognized in a prior year.

(2) For the purposes of this section, "realized" has the meaning given in section 1001(b) of the Internal Revenue Code.

(3) For the purposes of this section, "installment sale" means any installment sale under section 453 of the Internal Revenue Code and any other sale that is reported utilizing a method of accounting authorized under subchapter E of the Internal Revenue Code that allows taxpayers to delay reporting or recognizing a realized gain until a future year.

~~(4) For the purposes of this section, "allocable amount" means the full amount to be apportioned to Minnesota under section 290.191 or 290.20, or the full amount to be assigned to Minnesota under section 290.17.~~

(b) Notwithstanding paragraph (a), nonresident taxpayers may elect to defer recognizing unrecognized installment sale gains by making an election under this paragraph. The election must be filed on a form to be determined or prescribed by the commissioner and must be filed by the due date of the individual income tax return, including any extension. Electing taxpayers must make an irrevocable agreement to:

(1) file Minnesota tax returns in all subsequent years when gains from the installment sales are recognized and reported to the Internal Revenue Service;

(2) allocate gains to the state of Minnesota as though the gains were realized in the year of sale under section 290.17, 290.191, or 290.20; and

(3) include all relevant federal tax documents reporting the installment sale with subsequent Minnesota tax returns.

(c) Income or gain recognized for Minnesota purposes pursuant to paragraph (a) must be excluded from taxable net income in any future year that the taxpayer files a Minnesota tax return to the extent that the income or gain has already been subject to tax pursuant to paragraph (a).

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2018, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code must be computed by applying to their taxable net income the following schedule of rates:

- (1) On the first \$35,480, 5.35 percent;
- (2) On all over \$35,480, but not over \$140,960, 7.05 percent;
- (3) On all over \$140,960, but not over \$250,000, 7.85 percent;
- (4) On all over \$250,000, 9.85 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts after the adjustment required in subdivision 2d.

(b) The income taxes imposed by this chapter upon unmarried individuals must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first \$24,270, 5.35 percent;
- (2) On all over \$24,270, but not over \$79,730, 7.05 percent;
- (3) On all over \$79,730, but not over \$150,000, 7.85 percent;
- (4) On all over \$150,000, 9.85 percent.

(c) The income taxes imposed by this chapter upon unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first \$29,880, 5.35 percent;
- (2) On all over \$29,880, but not over \$120,070, 7.05 percent;
- (3) On all over \$120,070, but not over \$200,000, 7.85 percent;
- (4) On all over \$200,000, 9.85 percent.

(d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

(e) An individual who is not a Minnesota resident for the entire year must compute the individual's Minnesota income tax as provided in this subdivision. After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code and increased by:

(i) the additions required under ~~section~~ sections 290.0131, subdivisions 2 and 6 to 11, and 290.0137, paragraph (a); and reduced by

(ii) the Minnesota assignable portion of the subtraction for United States government interest under section 290.0132, subdivision 2, ~~and~~ the subtractions under ~~section~~ sections 290.0132, subdivisions 9, 10, 14, 15, 17, and 18, and 290.0137, paragraph (c), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code, increased by:

(i) the ~~amounts specified in section~~ additions required under sections 290.0131, subdivisions 2 and 6 to 11, and 290.0137, paragraph (a); and reduced by

(ii) the ~~amounts specified in section~~ subtractions under sections 290.0132, subdivisions 2, 9, 10, 14, 15, 17, and 18, and 290.0137, paragraph (c).

EFFECTIVE DATE. The amendment to paragraph (a) is effective for taxable years beginning after December 31, 2018. The amendment to paragraph (e) is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2018, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after December 31, 2013, the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, 2012, and before January 1, 2014. The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2012" shall be substituted for the word "1992." For 2014, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the year preceding the taxable year. The commissioner shall determine the rate bracket for married filing separate returns after this adjustment is done. The rate bracket for married filing separate must be one-half of the rate bracket for married filing joint. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

No later than December 15 of each year, the commissioner shall announce the specific percentage that will be used to adjust the tax rate brackets.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

ARTICLE 12

DEPARTMENT OF REVENUE INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES; TECHNICAL CHANGES

Section 1. Minnesota Statutes 2018, section 289A.38, subdivision 7, is amended to read:

Subd. 7. **Federal tax changes.** (a) If the amount of income, items of tax preference, deductions, or credits for any year of a taxpayer, or the wages paid by a taxpayer for any period, as reported to the Internal Revenue Service is changed or corrected by the commissioner of Internal Revenue or other officer of the United States or other competent authority, or where a renegotiation of a contract or subcontract with the United States results in a change in income, items of tax preference, deductions, credits, or withholding tax, or, in the case of estate tax, where there are adjustments to the taxable estate, the taxpayer shall report the change or correction or renegotiation results in writing to the commissioner. The report must be submitted within 180 days after the final determination and must be in the form of either an amended Minnesota estate, withholding tax, corporate franchise tax, or income tax return conceding the accuracy of the federal determination or a letter detailing how the federal determination is incorrect or does not change the Minnesota tax. An amended Minnesota income tax return must be accompanied by an amended property tax refund return, if necessary. A taxpayer filing an amended federal tax return must also file a copy of the amended return with the commissioner of revenue within 180 days after filing the amended return.

(b) For the purposes of paragraph (a), a change or correction includes any case where a taxpayer reaches a closing agreement or compromise with the Internal Revenue Service under section 7121 or 7122 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2018, section 290.92, subdivision 28, is amended to read:

Subd. 28. **Payments to horse racing license holders.** Effective with payments made after April 1, 1988, any holder of a license issued by the Minnesota Racing Commission who makes a payment

for personal or professional services to a holder of a class C license issued by the commission, except an amount paid as a purse, shall deduct from the payment and withhold 6.25 percent of the amount as Minnesota withholding tax when the amount paid to that individual by the same person during the calendar year exceeds \$600. For purposes of the provisions of this section, a payment to any person which is subject to withholding under this subdivision must be treated as if the payment was a wage paid by an employer to an employee. Every individual who is to receive a payment which is subject to withholding under this subdivision shall furnish the license holder with a statement, made under the penalties of perjury, containing the name, address, and Social Security account number of the person receiving the payment. No withholding is required if the individual presents a signed certificate from the individual's employer which states that the individual is an employee of that employer. A nonresident individual who holds a class C license must be treated as an athlete for purposes of applying the provisions of subdivision 4a and section 290.17, subdivision 2(1)(b)(ii)(a)(2)(ii).

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2018, section 462D.03, subdivision 2, is amended to read:

Subd. 2. **Designation of qualified beneficiary.** (a) The account holder must designate a first-time home buyer as the qualified beneficiary of the account by April 15 of the year in a form and manner prescribed by the commissioner following the taxable year in which the account was established. The account holder may be the qualified beneficiary. The account holder may change the designated qualified beneficiary at any time, but no more than one qualified beneficiary may be designated for an account at any one time. For purposes of the one beneficiary restriction, a married couple qualifies as one beneficiary. Changing the designated qualified beneficiary of an account does not affect computation of the ten-year period under section 462D.06, subdivision 2.

(b) The commissioner shall establish a process for account holders to notify the state that permits recording of the account, the account holder or holders, any transfers under section 462D.04, subdivision 2, and the designated qualified beneficiary for each account. This may be done upon filing the account holder's income tax return or in any other way the commissioner determines to be appropriate.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 13

DEPARTMENT OF REVENUE; SALES AND USE TAXES; TECHNICAL CHANGES

Section 1. Minnesota Statutes 2018, section 297A.68, subdivision 17, is amended to read:

Subd. 17. **Ships used in interstate commerce; other vessels.** Repair, replacement, and rebuilding parts and materials, and lubricants, for the following are exempt:

(1) ships or vessels used or to be used principally in interstate or foreign commerce are exempt;
and

(2) vessels with a gross registered tonnage of at least 3,000 tons are exempt.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2018, section 297A.68, subdivision 42, is amended to read:

Subd. 42. **Qualified data centers.** (a) Purchases of enterprise information technology equipment and computer software for use in a qualified data center, or a qualified refurbished data center, are exempt, except that computer software maintenance agreements are exempt for purchases made after June 30, 2013. The tax on purchases exempt under this paragraph must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded after June 30, 2013, in the manner provided in section 297A.75. This exemption includes enterprise information technology equipment and computer software purchased to replace or upgrade enterprise information technology equipment and computer software in a qualified data center, or a qualified refurbished data center.

(b) Electricity used or consumed in the operation of a qualified data center or qualified refurbished data center is exempt.

(c) For purposes of this subdivision, "qualified data center" means a facility in Minnesota:

(1) that is comprised of one or more buildings that consist in the aggregate of at least 25,000 square feet, and that are located on a single parcel or on contiguous parcels, where the total cost of construction or refurbishment, investment in enterprise information technology equipment, and computer software is at least \$30,000,000 within a 48-month period. The 48-month period begins no sooner than July 1, 2012, except that costs for computer software maintenance agreements purchased before July 1, 2013, are not included in determining if the \$30,000,000 threshold has been met;

(2) that is constructed or substantially refurbished after June 30, 2012, where "substantially refurbished" means that at least 25,000 square feet have been rebuilt or modified, including:

(i) installation of enterprise information technology equipment; environmental control, computer software, and energy efficiency improvements; and

(ii) building improvements; and

(3) that is used to house enterprise information technology equipment, where the facility has the following characteristics:

(i) uninterruptible power supplies, generator backup power, or both;

(ii) sophisticated fire suppression and prevention systems; and

(iii) enhanced security. A facility will be considered to have enhanced security if it has restricted access to the facility to selected personnel; permanent security guards; video camera surveillance; an electronic system requiring pass codes, keycards, or biometric scans, such as hand scans and retinal or fingerprint recognition; or similar security features.

In determining whether the facility has the required square footage, the square footage of the following spaces shall be included if the spaces support the operation of enterprise information technology equipment: office space, meeting space, and mechanical and other support facilities.

For purposes of this subdivision, "computer software" includes, but is not limited to, software utilized or loaded at a qualified data center or qualified refurbished data center, including maintenance, licensing, and software customization.

(d) For purposes of this subdivision, a "qualified refurbished data center" means an existing facility that qualifies as a data center under paragraph (c), clauses (2) and (3), but that is comprised of one or more buildings that consist in the aggregate of at least 25,000 square feet, and that are located on a single parcel or contiguous parcels, where the total cost of construction or refurbishment, investment in enterprise information technology equipment, and computer software is at least \$50,000,000 within a 24-month period.

(e) For purposes of this subdivision, "enterprise information technology equipment" means computers and equipment supporting computing, networking, or data storage, including servers and routers. It includes, but is not limited to: cooling systems, cooling towers, and other temperature control infrastructure; power infrastructure for transformation, distribution, or management of electricity used for the maintenance and operation of a qualified data center or qualified refurbished data center, including but not limited to exterior dedicated business-owned substations, backup power generation systems, battery systems, and related infrastructure; and racking systems, cabling, and trays, which are necessary for the maintenance and operation of the qualified data center or qualified refurbished data center.

(f) A qualified data center or qualified refurbished data center may claim the exemptions in this subdivision for purchases made either within 20 years of the date of its first purchase qualifying for the exemption under paragraph (a), or by June 30, 2042, whichever is earlier.

(g) The purpose of this exemption is to create jobs in the construction and data center industries.

(h) This subdivision is effective for sales and purchases made before July 1, 2042.

(i) The commissioner of employment and economic development must certify to the commissioner of revenue, in a format approved by the commissioner of revenue, when a qualified data center has met the requirements under paragraph (c) or a qualified refurbished data center has met the requirements under paragraph (d). The certification must provide the following information regarding each qualified data center or qualified refurbished data center:

(1) the total square footage amount;

(2) the total amount of construction or refurbishment costs and the total amount of qualifying investments in enterprise information technology equipment and computer software; ~~and~~

(3) the beginning and ending of the applicable period under either paragraph (c) or (d) in which the qualifying expenditures and purchases under clause (2) were made, but in no case shall the period begin before July 1, 2012; and

(4) the date upon which the qualified data center first met the requirements under paragraph (c) or a qualified refurbished data center first met the requirements under paragraph (d).

(j) Any refund for sales tax paid on qualifying purchases under this subdivision must not be issued unless the commissioner of revenue has received the certification required under paragraph

(i) ~~either from issued by the commissioner of employment and economic development or the qualified data center or qualified refurbished data center claiming the refund; and.~~

(k) The commissioner of employment and economic development must annually notify the commissioner of revenue of the qualified data centers that are projected to meet the requirements under paragraph (c) and the qualified refurbished data centers that are projected to meet the requirements under paragraph (d) in each of the next four years. The notification must provide the information required under paragraph (i), clauses (1) to ~~(3)~~ (4), for each qualified data center or qualified refurbished data center.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2018, section 297A.68, subdivision 44, is amended to read:

Subd. 44. **Greater Minnesota business expansions.** (a) Purchases and use of tangible personal property or taxable services by a qualified business, ~~as defined in section 116J.8738~~, are exempt if:

(1) the commissioner of employment and economic development certifies to the commissioner of revenue, in a format approved by the commissioner of revenue, that the qualified business meets the requirements under section 116J.8738;

(2) the business subsidy agreement provides that the exemption under this subdivision applies;

~~(3)~~ (3) the property or services are primarily used or consumed at the facility in greater Minnesota identified in the business subsidy agreement; and

~~(4)~~ (4) the purchase was made and delivery received during the duration of the certification of the business as a qualified business under section 116J.8738 business subsidy agreement.

(b) Purchase and use of construction materials and supplies used or consumed in, and equipment incorporated into, the construction of improvements to real property in greater Minnesota are exempt if the improvements after completion of construction are to be used in the conduct of the trade or business of the qualified business, ~~as defined in section 116J.8738~~ and the commissioner of employment and economic development certifies to the commissioner of revenue, in a format approved by the commissioner of revenue, that the qualified business meets the requirements under section 116J.8738. This exemption applies regardless of whether the purchases are made by the business or a contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax.

(d) The tax on purchases imposed under this subdivision must be imposed and collected as if the rate under section 297A.62 applied, and then refunded in the manner provided in section 297A.75. The total amount refunded for a facility over the certification period is limited to the amount listed in the business subsidy agreement. No more than \$7,000,000 may be refunded in a fiscal year for all purchases under this subdivision. Refunds must be allocated on a first-come, first-served basis. If more than \$7,000,000 of eligible claims are made in a fiscal year, claims by qualified businesses carry over to the next fiscal year, and the commissioner of revenue must first allocate refunds to qualified businesses eligible for a refund in the preceding fiscal year. Any portion of the balance of funds allocated for refunds under this paragraph does not cancel and shall be carried forward to and

available for refunds in subsequent fiscal years. Notwithstanding section 297A.75, subdivision 4, for an eligible refund claim that carries over to a subsequent fiscal year, the interest on the amount carried over must be paid on the refund no sooner than from 90 days after July 1 of the fiscal year in which funds are available for the eligible claim.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2018, section 297A.71, subdivision 45, is amended to read:

Subd. 45. **Biopharmaceutical manufacturing facility.** (a) Materials and supplies used or consumed in, capital equipment incorporated into, and privately owned infrastructure in support of the construction, improvement, or expansion of a biopharmaceutical manufacturing facility in the state are exempt if the commissioner of employment and economic development certifies to the commissioner of revenue that the following criteria are met:

(1) the facility is used for the manufacturing of biologics;

(2) the total capital investment made at the facility exceeds \$50,000,000; and

(3) the facility creates and maintains at least 190 full-time equivalent positions at the facility. These positions must be new jobs in Minnesota and not the result of relocating jobs that currently exist in Minnesota.

(b) The tax must be imposed and collected as if the rate under section 297A.62 applied, and refunded in the manner provided in section 297A.75.

(c) To be eligible for a refund, the owner of the biopharmaceutical manufacturing facility must:

(1) initially apply to the ~~Department~~ commissioner of employment and economic development for certification no later than one year from the final completion date of construction, improvement, or expansion of the facility; and

(2) for each year that the owner of the biopharmaceutical manufacturing facility applies for a refund, the ~~owner~~ commissioner of revenue must have received written certification from the ~~Department~~ commissioner of employment and economic development that the facility has met the criteria of paragraph (a).

(d) The refund is to be paid annually at a rate of 25 percent of the total allowable refund payable to date, with the commissioner making annual payments of the remaining refund until all of the refund has been paid.

(e) For purposes of this subdivision, "biopharmaceutical" and "biologics" are interchangeable and mean medical drugs or medicinal preparations produced using technology that uses biological systems, living organisms, or derivatives of living organisms to make or modify products or processes for specific use. The medical drugs or medicinal preparations include but are not limited to proteins, antibodies, nucleic acids, and vaccines.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2018, section 297A.77, is amended by adding a subdivision to read:

Subd. 5. **Records must be kept.** Every person liable for any tax imposed by this chapter, or for the collection thereof, shall keep such records, render such statements, make such returns, and comply with such rules, as the commissioner may from time to time prescribe.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 14

DEPARTMENT OF REVENUE; TOBACCO TAXES; TECHNICAL CHANGES

Section 1. Minnesota Statutes 2018, section 297F.01, subdivision 19, is amended to read:

Subd. 19. **Tobacco products.** (a) "Tobacco products" means any product containing, made, or derived from tobacco that is intended for human consumption, whether chewed, smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, or any component, part, or accessory of a tobacco product, including, but not limited to, cigars; cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking tobacco; snuff; snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing tobacco; shorts; refuse scraps, clippings, cuttings and sweepings of tobacco, and other kinds and forms of tobacco; but does not include cigarettes as defined in this section. Tobacco products includes nicotine solution products. Tobacco products excludes any tobacco product that has been approved by the United States Food and Drug Administration for sale as a tobacco cessation product, as a tobacco dependence product, or for other medical purposes, and is being marketed and sold solely for such an approved purpose.

(b) Except for the imposition of tax under section 297F.05, subdivisions 3 and 4, tobacco products includes a premium cigar, as defined in subdivision 13a.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2018, section 297F.01, is amended by adding a subdivision to read:

Subd. 22b. **Nicotine solution products.** (a) "Nicotine solution products" means any cartridge, bottle, or other package that contains nicotine made or derived from tobacco, that is in a solution that is consumed, or meant to be consumed, through the use of a heating element, power source, electronic circuit, or other electronic, chemical, or mechanical means that produces vapor or aerosol. This paragraph expires December 31, 2019.

(b) Beginning January 1, 2020, "nicotine solution products" means any cartridge, bottle, or other package that contains nicotine, including nicotine made or derived from tobacco or sources other than tobacco, that is in a solution that is consumed, or meant to be consumed, through the use of a heating element, power source, electronic circuit, or other electronic, chemical, or mechanical means that produces vapor or aerosol.

(c) Nicotine solution products includes any electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device, and any batteries, heating elements, or other components, parts, or accessories sold with and meant to be used in the consumption of a solution containing nicotine.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2018, section 297F.01, subdivision 23, is amended to read:

Subd. 23. **Wholesale sales price.** (a) "Wholesale sales price" means the price at which a distributor purchases a tobacco product.

(b) When a distributor sells a cartridge, bottle, or other package of a solution containing nicotine that is part of a kit that also includes a product, device, component, part, or accessory described in subdivision 22b:

(1) the wholesale sales price is the price at which the distributor purchases the kit; except that

(2) if the distributor also separately sells the same package of solution containing nicotine that is sold with the kit and can isolate the cost of the package of solution containing nicotine, then the wholesale sales price includes only the price at which the distributor separately purchases the package of the solution containing nicotine and any taxes, charges, and costs listed in paragraph (c).

(c) Wholesale sales price includes the applicable federal excise tax, freight charges, or packaging costs, regardless of whether they were included in the purchase price.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 15

MINNESOTACARE; TECHNICAL CHANGES

Section 1. Minnesota Statutes 2018, section 295.50, is amended by adding a subdivision to read:

Subd. 2b. **Emergency medical reasons.** "Emergency medical reasons" means a public health emergency declaration pursuant to United States Code, title 42, section 247d; a national security or peacetime emergency declared by the governor pursuant to section 12.31; or a situation involving an action by the commissioner of health pursuant to section 144.4197, 144.4198, or 151.37, subdivisions 2, paragraph (b), and 10, except that, for purposes of this subdivision, a drug shortage not caused by a public health emergency shall not constitute an emergency medical reason.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2018, section 295.50, subdivision 3, is amended to read:

Subd. 3. **Gross revenues.** "Gross revenues" are total amounts received in money or otherwise by:

(1) a hospital for patient services;

(2) a surgical center for patient services;

(3) a health care provider, other than a staff model health ~~carrier~~ plan company, for patient services;

(4) a wholesale drug distributor for sale or distribution of legend drugs that are delivered in Minnesota by the wholesale drug distributor, by common carrier, or by mail, unless the legend drugs

are delivered to another wholesale drug distributor who sells legend drugs exclusively at wholesale. ~~Legend drugs do not include nutritional products as defined in Minnesota Rules, part 9505.0325, and blood and blood components;~~ and

(5) a staff model health plan company as gross premiums for enrollees, co-payments, deductibles, coinsurance, and fees for patient services.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2018, section 295.50, subdivision 4, is amended to read:

Subd. 4. **Health care provider.** (a) "Health care provider" means:

(1) a person whose health care occupation is regulated or required to be regulated by the state of Minnesota furnishing any or all of the following goods or services directly to a patient or consumer: medical, surgical, optical, visual, dental, hearing, nursing services, drugs, laboratory, diagnostic or therapeutic services;

(2) a person who provides goods and services not listed in clause (1) that qualify for reimbursement under the medical assistance program provided under chapter 256B;

(3) a staff model health plan company;

(4) an ambulance service required to be licensed; ~~or~~

(5) a person who sells or repairs hearing aids and related equipment or prescription eyewear;
or

(6) a person providing patient services, who does not otherwise meet the definition of health care provider and is not specifically excluded in clause (b), who employs or contracts with a health care provider as defined in clauses (1) to (5) to perform, supervise, otherwise oversee, or consult with regarding patient services.

(b) Health care provider does not include:

(1) hospitals; medical supplies distributors, except as specified under paragraph (a), clause (5); nursing homes licensed under chapter 144A or licensed in any other jurisdiction; wholesale drug distributors; pharmacies; surgical centers; bus and taxicab transportation, or any other providers of transportation services other than ambulance services required to be licensed; supervised living facilities for persons with developmental disabilities, licensed under Minnesota Rules, parts 4665.0100 to 4665.9900; housing with services establishments required to be registered under chapter 144D; board and lodging establishments providing only custodial services that are licensed under chapter 157 and registered under section 157.17 to provide supportive services or health supervision services; adult foster homes as defined in Minnesota Rules, part 9555.5105; day training and habilitation services for adults with developmental disabilities as defined in section 252.41, subdivision 3; boarding care homes, as defined in Minnesota Rules, part 4655.0100; and adult day care centers as defined in Minnesota Rules, part 9555.9600;

(2) home health agencies as defined in Minnesota Rules, part 9505.0175, subpart 15; a person providing personal care services and supervision of personal care services as defined in Minnesota

Rules, part 9505.0335; a person providing home care nursing services as defined in Minnesota Rules, part 9505.0360; and home care providers required to be licensed under chapter 144A for home care services provided under chapter 144A;

(3) a person who employs health care providers solely for the purpose of providing patient services to its employees;

(4) an educational institution that employs health care providers solely for the purpose of providing patient services to its students if the institution does not receive fee for service payments or payments for extended coverage; and

(5) a person who receives all payments for patient services from health care providers, surgical centers, or hospitals for goods and services that are taxable to the paying health care providers, surgical centers, or hospitals, as provided under section 295.53, subdivision 1, paragraph (b), clause (3) or (4), or from a source of funds that is exempt from tax under this chapter.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2018, section 295.50, is amended by adding a subdivision to read:

Subd. 7a. **Manufacturer.** "Manufacturer" has the meaning provided in section 151.01, subdivision 14a.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2018, section 295.50, subdivision 9b, is amended to read:

Subd. 9b. **Patient services.** (a) "Patient services" means inpatient and outpatient services and other goods and services provided by hospitals, surgical centers, or health care providers. They include the following health care goods and services provided to a patient or consumer:

- (1) bed and board;
 - (2) nursing services and other related services;
 - (3) use of hospitals, surgical centers, or health care provider facilities;
 - (4) medical social services;
 - (5) drugs, biologicals, supplies, appliances, and equipment;
 - (6) other diagnostic or therapeutic items or services;
 - (7) medical or surgical services;
 - (8) items and services furnished to ambulatory patients not requiring emergency care; and
 - (9) emergency services.
- (b) "Patient services" does not include:

- (1) services provided to nursing homes licensed under chapter 144A;
- (2) examinations for purposes of utilization reviews, insurance claims or eligibility, litigation, and employment, including reviews of medical records for those purposes;
- (3) services provided to and by community residential mental health facilities licensed under Minnesota Rules, parts 9520.0500 to 9520.0670, and to and by residential treatment programs for children with severe emotional disturbance licensed or certified under chapter 245A;
- (4) ~~services provided to and by community support programs and family community support programs approved under Minnesota Rules, parts 9535.1700 to 9535.1760, or certified as mental health rehabilitative services under chapter 256B; under the following programs: day treatment services as defined in section 245.462, subdivision 8; assertive community treatment as described in section 256B.0622; adult rehabilitative mental health services as described in section 256B.0623; adult crisis response services as described in section 256B.0624; children's therapeutic services and supports as described in section 256B.0943; and children's mental health crisis response services as described in section 256B.0944;~~
- (5) services provided to and by community mental health centers as defined in section 245.62, subdivision 2;
- (6) services provided to and by assisted living programs and congregate housing programs;
- (7) hospice care services;
- (8) home and community-based waived services under sections 256B.0915, 256B.49, and 256B.501;
- (9) targeted case management services under sections 256B.0621; 256B.0625, subdivisions 20, 20a, 33, and 44; and 256B.094; and
- (10) services provided to the following: supervised living facilities for persons with developmental disabilities licensed under Minnesota Rules, parts 4665.0100 to 4665.9900; housing with services establishments required to be registered under chapter 144D; board and lodging establishments providing only custodial services that are licensed under chapter 157 and registered under section 157.17 to provide supportive services or health supervision services; adult foster homes as defined in Minnesota Rules, part 9555.5105; day training and habilitation services for adults with developmental disabilities as defined in section 252.41, subdivision 3; boarding care homes as defined in Minnesota Rules, part 4655.0100; adult day care services as defined in section 245A.02, subdivision 2a; and home health agencies as defined in Minnesota Rules, part 9505.0175, subpart 15, or licensed under chapter 144A.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 6. Minnesota Statutes 2018, section 295.50, is amended by adding a subdivision to read:

Subd. 10c. Pharmacy benefits manager. "Pharmacy benefits manager" means an entity that performs pharmacy benefits management.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 7. Minnesota Statutes 2018, section 295.50, is amended by adding a subdivision to read:

Subd. 13a. **Third-party purchaser of health care services.** "Third-party purchaser of health care services" includes but is not limited to a health carrier or community integrated service network that pays for health care services on behalf of patients or that reimburses, indemnifies, compensates, or otherwise insures patients for health care services.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 8. Minnesota Statutes 2018, section 295.50, subdivision 14, is amended to read:

Subd. 14. **Wholesale drug distributor.** "Wholesale drug distributor" means ~~a wholesale drug distributor required to be licensed under sections 151.42 to 151.51.~~ any person engaged in wholesale drug distribution including but not limited to manufacturers; repackagers; own-label distributors; jobbers; brokers; warehouses, including manufacturers' and distributors' warehouses, chain drug warehouses, and wholesale drug warehouses; independent wholesale drug traders; and pharmacies that conduct wholesale drug distribution. A wholesale drug distributor does not include a common carrier or individual hired primarily to transport legend drugs.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 9. Minnesota Statutes 2018, section 295.50, subdivision 15, is amended to read:

Subd. 15. **Legend drug.** "Legend drug" means a drug that is required by federal law to bear one of the following statements: "Caution: Federal law prohibits dispensing without prescription" or "Rx only." Legend drugs do not include nutritional products as defined in Minnesota Rules, part 9505.0325, subpart 1, and blood and blood components.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 10. Minnesota Statutes 2018, section 295.50, is amended by adding a subdivision to read:

Subd. 16. **Wholesale drug distribution.** "Wholesale drug distribution" means the sale or distribution of legend drugs to a person other than a consumer or patient, but does not include:

(1) a sale between a division, subsidiary, parent, affiliated, or related company under the common ownership and control of a corporate entity;

(2) the purchase or other acquisition, by a hospital or other health care entity that is a member of a group purchasing organization, of a legend drug for its own use from the organization or from other hospitals or health care entities that are members of such organizations;

(3) the sale, purchase, or trade of a legend drug by a charitable organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1988, to a nonprofit affiliate of the organization to the extent otherwise permitted by law;

(4) the sale, purchase, or trade of a legend drug among hospitals or other health care entities that are under common control;

(5) the sale, purchase, or trade of a legend drug for emergency medical reasons;

(6) the transfer of legend drugs by a retail pharmacy to another retail pharmacy to alleviate a temporary shortage; or

(7) the distribution of legend drug samples by manufacturer representatives.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 11. Minnesota Statutes 2018, section 295.53, subdivision 1, is amended to read:

Subdivision 1. **Exclusions and Exemptions.** (a) The following payments are excluded from the gross revenues subject to the hospital, surgical center, or health care provider taxes under sections 295.50 to 295.59:

~~(1) payments received for services provided under the Medicare program, including payments received from the government, and organizations governed by sections 1833 and 1876 of title XVIII of the federal Social Security Act, United States Code, title 42, section 1395, and enrollee deductibles, coinsurance, and co-payments, whether paid by the Medicare enrollee or by a Medicare supplemental coverage as defined in section 62A.011, subdivision 3, clause (10), or by Medicaid payments under title XIX of the federal Social Security Act. Payments for services not covered by Medicare are taxable;~~

~~(2) payments received for home health care services;~~

~~(3) payments received from hospitals or surgical centers for goods and services on which liability for tax is imposed under section 295.52 or the source of funds for the payment is exempt under clause (1), (7), (10), or (14);~~

~~(4) payments received from health care providers for goods and services on which liability for tax is imposed under this chapter or the source of funds for the payment is exempt under clause (1), (7), (10), or (14);~~

~~(5) amounts paid for legend drugs, other than nutritional products and blood and blood components, to a wholesale drug distributor who is subject to tax under section 295.52, subdivision 3, reduced by reimbursements received for legend drugs otherwise exempt under this chapter;~~

~~(6) (1) payments received by a health care provider or the wholly owned subsidiary of a health care provider for care provided outside Minnesota;~~

~~(7) payments received from the chemical dependency fund under chapter 254B;~~

~~(8) payments received in the nature of charitable donations that are not designated for providing patient services to a specific individual or group;~~

~~(9) payments received for providing patient services incurred through a formal program of health care research conducted in conformity with federal regulations governing research on human subjects. Payments received from patients or from other persons paying on behalf of the patients are subject to tax;~~

~~(10) payments received from any governmental agency for services benefiting the public, not including payments made by the government in its capacity as an employer or insurer or payments~~

~~made by the government for services provided under the MinnesotaCare program or the medical assistance program governed by title XIX of the federal Social Security Act, United States Code, title 42, sections 1396 to 1396v;~~

~~(11) (2) government payments received by the commissioner of human services for state-operated services;~~

~~(12) (3) payments received by a health care provider for hearing aids and related equipment or prescription eyewear delivered outside of Minnesota; and~~

~~(13) (4) payments received by an educational institution from student tuition, student activity fees, health care service fees, government appropriations, donations, or grants, and for services identified in and provided under an individualized education program as defined in section 256B.0625 or Code of Federal Regulations, chapter 34, section 300.340(a). Fee for service payments and payments for extended coverage are taxable;~~

~~(14) payments received under the federal Employees Health Benefits Act, United States Code, title 5, section 8909(f), as amended by the Omnibus Reconciliation Act of 1990. Enrollee deductibles, coinsurance, and co-payments are subject to tax; and~~

~~(15) payments received under the federal TriCare program, Code of Federal Regulations, title 32, section 199.17(a)(7). Enrollee deductibles, coinsurance, and co-payments are subject to tax.~~

(b) The following payments are exempted from the gross revenues subject to hospital, surgical center, or health care provider taxes under sections 295.50 to 295.59:

(1) payments received for services provided under the Medicare program, including payments received from the government and organizations governed by sections 1833, 1853, and 1876 of title XVIII of the federal Social Security Act, United States Code, title 42, section 1395; and enrollee deductibles, co-insurance, and co-payments, whether paid by the Medicare enrollee, by Medicare supplemental coverage as described in section 62A.011, subdivision 3, clause (10), or by Medicaid payments under title XIX of the federal Social Security Act. Payments for services not covered by Medicare are taxable;

(2) payments received for home health care services;

(3) payments received from hospitals or surgical centers for goods and services on which liability for tax is imposed under section 295.52 or the source of funds for the payment is exempt under clauses (1), (6), (9), (10), or (11);

(4) payments received from the health care providers for goods and services on which liability for tax is imposed under this chapter or the source of funds for the payment is exempt under clause (1), (6), (9), (10), or (11);

(5) amounts paid for legend drugs to a wholesale drug distributor who is subject to tax under section 295.52, subdivision 3, reduced by reimbursement received for legend drugs otherwise exempt under this chapter;

(6) payments received from the chemical dependency fund under chapter 254B;

(7) payments received in the nature of charitable donations that are not designated for providing patient services to a specific individual or group;

(8) payments received for providing patient services incurred through a formal program of health care research conducted in conformity with federal regulations governing research on human subjects. Payments received from patients or from other persons paying on behalf of the patients are subject to tax;

(9) payments received from any governmental agency for services benefiting the public, not including payments made by the government in its capacity as an employer or insurer or payments made by the government for services provided under the MinnesotaCare program or the medical assistance program governed by title XIX of the federal Social Security Act, United States Code, title 42, section 1396 to 1396v;

(10) payments received under the federal Employees Health Benefits Act, United States Code, title 5, section 8909(f), as amended by the Omnibus Reconciliation Act of 1990. Enrollee deductibles, co-insurance, and co-payments are subject to tax;

(11) payments received under the federal Tricare program, Code of Federal Regulations, title 32, section 199.17(a)(7). Enrollee deductibles, co-insurance, and co-payments are subject to tax; and

(12) supplemental or enhanced payments authorized under section 256B.196 or 256B.197.

~~(b) (c)~~ Payments received by wholesale drug distributors for legend drugs sold directly to veterinarians or veterinary bulk purchasing organizations are excluded from the gross revenues subject to the wholesale drug distributor tax under sections 295.50 to 295.59.

~~(e) Supplemental or enhanced payments authorized under section 256B.19, subdivision 1e, 256B.196, or 256B.197 are excluded from gross revenues subject to the tax under sections 295.50 to 295.59.~~

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 12. Minnesota Statutes 2018, section 295.57, subdivision 5, is amended to read:

Subd. 5. **Exemption for amounts paid for legend drugs.** If a hospital, surgical center, or health care provider cannot determine the actual cost or reimbursement of legend drugs under the exemption provided in section 295.53, subdivision 1, paragraph ~~(a)~~ (b), clause (5), the following method must be used:

A hospital, surgical center, or health care provider must determine the amount paid for legend drugs used during the month or quarter and multiply that amount by a ratio, the numerator of which is the total amount received for taxable patient services, and the denominator of which is the total amount received for all patient services, including amounts exempt under section 295.53, subdivision 1, paragraph (b). The result represents the allowable exemption for the monthly or quarterly cost of drugs.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 13. Minnesota Statutes 2018, section 295.582, subdivision 1, is amended to read:

Subdivision 1. **Tax expense transfer.** ~~(a) A hospital, surgical center, or health care provider that is subject to a tax under section 295.52, or a pharmacy that has paid additional expense transferred under this section by a wholesale drug distributor, may transfer additional expense generated by section 295.52 obligations on to all third-party contracts for the purchase of health care services on behalf of a patient or consumer. Nothing shall prohibit a pharmacy from transferring the additional expense generated under section 295.52 to a pharmacy benefits manager. The additional expense transferred to the third-party purchaser or a pharmacy benefits manager must not exceed the tax percentage specified in section 295.52 multiplied against the gross revenues received under the third-party contract, and the tax percentage specified in section 295.52 multiplied against co-payments and deductibles paid by the individual patient or consumer. The expense must not be generated on revenues derived from payments that are excluded from the tax under section 295.53. All third-party purchasers of health care services including, but not limited to, third-party purchasers regulated under chapter 60A, 62A, 62C, 62D, 62H, 62N, 64B, 65A, 65B, 79, or 79A, or under section 471.61 or 471.617, and pharmacy benefits managers must pay the transferred expense in addition to any payments due under existing contracts with the hospital, surgical center, pharmacy, or health care provider, to the extent allowed under federal law. A third-party purchaser of health care services includes, but is not limited to, a health carrier or community integrated service network that pays for health care services on behalf of patients or that reimburses, indemnifies, compensates, or otherwise insures patients for health care services. For purposes of this section, a pharmacy benefits manager means an entity that performs pharmacy benefits management. A third-party purchaser or pharmacy benefits manager shall comply with this section regardless of whether the third-party purchaser or pharmacy benefits manager is a for-profit, not-for-profit, or nonprofit entity. A wholesale drug distributor may transfer additional expense generated by section 295.52 obligations to entities that purchase from the wholesaler, and the entities must pay the additional expense. Nothing in this section limits the ability of a hospital, surgical center, pharmacy, wholesale drug distributor, or health care provider to recover all or part of the section 295.52 obligation by other methods, including increasing fees or charges.~~

(a) The tax expense generated by section 295.52 may be transferred as follows:

(1) a hospital, surgical center, or health care provider subject to the tax under section 295.52 may transfer the tax expense to all third-party contracts for the purchase of health care services on behalf of a patient or consumer;

(2) a wholesale drug distributor subject to the tax under section 295.52 may transfer the tax expense to entities that purchase legend drugs from the wholesale drug distributor; and

(3) a pharmacy that has paid the tax expense transferred by a wholesale drug distributor may transfer the tax expense to all third-party contracts for the purchase of health care services on behalf of a patient or consumer. Nothing shall prohibit a pharmacy from transferring the tax expense generated under section 295.52 to a pharmacy benefits manager.

(b) The transfer of the tax expense under paragraph (a) must comply with the following:

(1) the tax expense transferred to the third-party purchaser or a pharmacy benefits manager must not exceed the tax percentage specified in section 295.52 multiplied against:

(i) gross revenues received under the third-party contract; and

(ii) co-payments and deductibles paid by the individual patient or consumer; and

(2) the tax expense must not be generated on revenues derived from payments that are excluded or exempted from the tax under section 295.53.

(c) Payment of the transferred tax expense is required as follows:

(1) all third-party purchasers of health care services, including but not limited to third-party purchasers regulated under chapter 60A, 62A, 62C, 62D, 62H, 62N, 64B, 65A, 65B, 79, or 79A, or under section 471.61 or 471.617, and pharmacy benefits managers must pay the transferred expense. This is in addition to any payments due under existing contracts with the hospital, surgical center, pharmacy, or health care provider, to the extent allowed under federal law; and

(2) all entities that purchase legend drugs from a wholesale drug distributor must pay the transferred expense.

(d) A third-party purchaser or pharmacy benefits manager must comply with this section regardless of whether the third-party purchaser or pharmacy benefits manager is a for-profit, not-for-profit, or nonprofit entity.

(e) Nothing in this section limits the ability of a hospital, surgical center, health care provider, pharmacy, or wholesale drug distributor to recover all or part of the section 295.52 obligation by other methods, including increasing fees or charges.

~~(f)~~ (f) Any hospital, surgical center, or health care provider subject to a tax under section 295.52 or a pharmacy that has paid the additional expense transferred under this section by a wholesale drug distributor may file a complaint with the commissioner responsible for regulating the third-party purchaser if at any time the third-party purchaser fails to comply with ~~paragraph (a)~~ this section.

~~(g)~~ (g) If the commissioner responsible for regulating the third-party purchaser finds at any time that the third-party purchaser has not complied with ~~paragraph (a)~~ this section, the commissioner may take enforcement action against a third-party purchaser which is subject to the commissioner's regulatory jurisdiction and which does not allow a hospital, surgical center, pharmacy, or provider to pass-through the tax expense. The commissioner may by order fine or censure the third-party purchaser or revoke or suspend the certificate of authority or license of the third-party purchaser to do business in this state if the commissioner finds that the third-party purchaser has not complied with this section. The third-party purchaser may appeal the commissioner's order through a contested case hearing in accordance with chapter 14.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 16

DEPARTMENT OF REVENUE; PROPERTY TAX; POLICY

Section 1. Minnesota Statutes 2018, section 162.145, subdivision 3, is amended to read:

Subd. 3. **Administration.** (a) Subject to funds made available by law, the commissioner shall allocate all funds as provided in subdivision 4 and shall ~~notify, by June 1, certify to~~ the commissioner of revenue the amounts to be paid.

(b) Following ~~notification~~ certification from the commissioner ~~of transportation,~~ the commissioner of revenue shall distribute the specified funds to cities in the same manner as local government aid under chapter 477A. An appropriation to the commissioner ~~of transportation~~ under this section is available to the commissioner of revenue for the purposes specified in this paragraph.

(c) Notwithstanding other law to the contrary, in order to receive distributions under this section, a city must conform to the standards in section 477A.017, subdivision 2. A city that receives funds under this section must make and preserve records necessary to show that the funds are spent in compliance with subdivision 4.

EFFECTIVE DATE. This section is effective for aids payable in 2019 and thereafter.

Sec. 2. Minnesota Statutes 2018, section 273.124, subdivision 13, is amended to read:

Subd. 13. **Homestead application.** (a) A person who meets the homestead requirements under subdivision 1 must file a homestead application with the county assessor to initially obtain homestead classification.

(b) The commissioner shall prescribe the content, format, and manner of the homestead application required to be filed under this chapter pursuant to section 270C.30. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to receive homestead treatment.

(c) Every property owner applying for homestead classification must furnish to the county assessor the Social Security number of each occupant who is listed as an owner of the property on the deed of record, the name and address of each owner who does not occupy the property, and the name and Social Security number of ~~each owner's~~ the spouse of each occupying owner. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

If a property owner occupies a homestead, the property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse file with the assessor an affidavit or other proof required by the assessor stating that the property qualifies as a homestead under subdivision 1, paragraph (e).

Owners or spouses occupying residences owned by their spouses and previously occupied with the other spouse, either of whom fail to include the other spouse's name and Social Security number on the homestead application or provide the affidavits or other proof requested, will be deemed to have elected to receive only partial homestead treatment of their residence. The remainder of the residence will be classified as nonhomestead residential. When an owner or spouse's name and Social Security number appear on homestead applications for two separate residences and only one application is signed, the owner or spouse will be deemed to have elected to homestead the residence for which the application was signed.

(d) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The Social Security number of each relative occupying the property and the name and Social Security number of the spouse of a relative occupying the property shall be required on the homestead application filed under this subdivision. If a different relative of the owner subsequently occupies the property, the owner of the property must notify the assessor within 30 days of the change in occupancy. The Social Security number of a relative occupying the property or the spouse of a relative occupying the property is private data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of revenue, or, for the purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

(e) The homestead application shall also notify the property owners that if the property is granted homestead status for any assessment year, that same property shall remain classified as homestead until the property is sold or transferred to another person, or the owners, the spouse of the owner, or the relatives no longer use the property as their homestead. Upon the sale or transfer of the homestead property, a certificate of value must be timely filed with the county auditor as provided under section 272.115. Failure to notify the assessor within 30 days that the property has been sold, transferred, or that the owner, the spouse of the owner, or the relative is no longer occupying the property as a homestead, shall result in the penalty provided under this subdivision and the property will lose its current homestead status.

(f) If a homestead application has not been filed with the county by December 15, the assessor shall classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner may be entitled to receive the homestead classification by proper application under section 375.192.

EFFECTIVE DATE. This section is effective for applications for homestead filed in 2020 and thereafter.

ARTICLE 17

DEPARTMENT OF REVENUE; PROPERTY TAXES; TECHNICAL

Section 1. Minnesota Statutes 2018, section 270C.85, subdivision 2, is amended to read:

Subd. 2. **Powers and duties.** The commissioner shall have and exercise the following powers and duties in administering the property tax laws:

~~(a)~~ (1) confer with, advise, and give the necessary instructions and directions to local assessors and local boards of review throughout the state as to their duties under the laws of the state;

~~(b)~~ (2) direct proceedings, actions, and prosecutions to be instituted to enforce the laws relating to the liability and punishment of public officers and officers and agents of corporations for failure or negligence to comply with the provisions of the property tax laws, and cause complaints to be made against local assessors, members of boards of equalization, members of boards of review, or any other assessing or taxing officer, to the proper authority, for their removal from office for misconduct or negligence of duty;

~~(e)~~ (3) require county attorneys to assist in the commencement of prosecutions in actions or proceedings for removal, forfeiture, and punishment, for violation of the property tax laws in their respective districts or counties;

~~(d)~~ (4) require town, city, county, and other public officers to report and certify information, at the parcel level or in the aggregate, as to the assessment and taxation of real and personal property, and such other information as may be needful in the work of the commissioner, in such form as the commissioner may prescribe. The commissioner shall prescribe the content, format, manner, and time of filing of all required reports and certifications;

~~(e)~~ (5) transmit to the governor, on or before the third Monday in December of each even-numbered year, and to each member of the legislature, on or before November 15 of each even-numbered year, the report of the department for the preceding years, showing all the taxable property subject to the property tax laws and the value of the same, in tabulated form;

~~(f)~~ (6) inquire into the methods of assessment and taxation and ascertain whether the assessors faithfully discharge their duties; and

~~(g)~~ (7) assist local assessors in determining the estimated market value of industrial special-use property. For purposes of this ~~paragraph~~ clause, "industrial special-use property" means property that:

~~(+)~~ (i) is designed and equipped for a particular type of industry;

~~(+)~~ (ii) is not easily adapted to some other use due to the unique nature of the facilities;

~~(+)~~ (iii) has facilities totaling at least 75,000 square feet in size; and

~~(+)~~ (iv) has a total estimated market value of \$10,000,000 or greater based on the assessor's preliminary determination.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2018, section 270C.89, subdivision 1, is amended to read:

Subdivision 1. **Initial report.** Each county assessor shall file ~~by April 1~~ with the commissioner a copy of ~~the abstract~~ preliminary assessment information that the commissioner may require under section 270C.85, subdivision 2, clause (4), that will be acted upon by the local and county boards of review. The abstract must list the real and personal property in the county itemized by assessment districts. The assessor of each county in the state shall file with the commissioner, within ten working days following final action of the local board of review or equalization and within five days following final action of the county board of equalization, any changes made by the local or county board. ~~The information must be filed in the manner prescribed by the commissioner.~~

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2018, section 270C.89, subdivision 2, is amended to read:

Subd. 2. **Final report.** The final ~~abstract of assessments~~ assessment information after adjustments by the State Board of Equalization and inclusion of any omitted property shall be ~~submitted~~ reported

to the commissioner ~~on or before September 1 of each calendar year~~ under section 270C.85, subdivision 2, clause (4). ~~The final abstract must separately report the captured tax capacity of tax increment financing districts under section 469.177, subdivision 2, the areawide net tax capacity contribution values determined under sections 276A.05, subdivision 1, and 473F.07, subdivision 1, and the value subject to the power line credit under section 273.42.~~

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2018, section 270C.91, is amended to read:

270C.91 RECORD OF PROCEEDINGS CHANGING NET TAX CAPACITY; DUTIES OF COUNTY AUDITOR.

A record of all proceedings of the commissioner affecting any change in the net tax capacity of any property, as revised by the State Board of Equalization, shall be kept by the commissioner and a copy thereof, duly certified, shall be mailed each year to the auditor of each county wherein such property is situated, on or before June 30 ~~or 30 days after submission of the abstract required by section 270C.89, whichever is later.~~ This record shall specify the amounts or amount, or both, added to or deducted from the net tax capacity of the real property of each of the several towns and cities, and of the real property not in towns or cities, also the percent or amount of both, added to or deducted from the several classes of personal property in each of the towns and cities, and also the amount added to or deducted from the assessment of any person. The county auditor shall add to or deduct from such tract or lot, or portion thereof, of any real property in the county the required percent or amount, or both, on the net tax capacity thereof as it stood after equalized by the county board, adding in each case a fractional sum of 50 cents or more, and deducting in each case any fractional sum of less than 50 cents, so that no net tax capacity of any separate tract or lot shall contain any fraction of a dollar; and add to, or deduct from, the several classes of personal property in the county the required percent or amount, or both, on the net tax capacity thereof as it stood after equalized by the county board, adding or deducting in manner aforesaid any fractional sum so that no net tax capacity of any separate class of personal property shall contain a fraction of a dollar, and add to or deduct from assessment of any person, as they stood after equalization by the county board, the required amounts to agree with the assessments as returned by the commissioner.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2018, section 273.061, subdivision 9, is amended to read:

Subd. 9. **Additional general duties.** Additional duties of the county assessor ~~shall be~~ are as follows:

(1) to make all assessments, based upon the appraised values reported by the local assessors or assistants and the county assessor's own knowledge of the value of the property assessed;

(2) to personally view and determine the value of any property ~~which~~ that because of its type or character may be difficult for the local assessor to appraise;

(3) to make all changes ordered by the local boards of review, relative to the net tax capacity of the property of any individual, firm or corporation after notice has been given and hearings held as provided by law;

(4) to enter all assessments in the assessment books, furnished by the county auditor, with each book and the tabular statements for each book in correct balance;

(5) to prepare all assessment cards, charts, maps and any other forms prescribed by the commissioner of revenue;

(6) to attend the meeting of the county board of equalization; to investigate and report on any assessment ordered by said board; to enter all changes made by said board in the assessment books and prepare ~~the abstract of assessments for the commissioner of revenue~~ information reported to the commissioner under section 270C.85, subdivision 2, clause (4); to enter all changes made by the State Board of Equalization in the assessment books; to deduct all exemptions authorized by law from each assessment and certify to the county auditor the taxable value of each parcel of land, as described and listed in the assessment books by the county auditor, and the taxable value of the personal property of each person, firm, or corporation assessed;

(7) to investigate and make recommendations relative to all applications for the abatement of taxes or applications for the reduction of the net tax capacity of any property; and

(8) to perform all other duties relating to the assessment of property for the purpose of taxation which may be required by the commissioner of revenue.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 6. Minnesota Statutes 2018, section 273.0755, is amended to read:

273.0755 TRAINING AND EDUCATION OF PROPERTY TAX PERSONNEL.

(a) Beginning with the four-year period starting on July 1, 2000, every person licensed by the state Board of Assessors at the Accredited Minnesota Assessor level or higher, shall successfully complete a weeklong Minnesota laws course sponsored by the Department of Revenue at least once in every four-year period. An assessor need not attend the course if they successfully pass the test for the course.

(b) The commissioner of revenue may require that each county, and each city for which the city assessor performs the duties of county assessor, have ~~(i)~~ (1) a person on the assessor's staff who is certified by the Department of Revenue in sales ratio calculations, ~~(ii)~~ (2) an officer or employee who is certified by the Department of Revenue in tax calculations, and ~~(iii)~~ (3) an officer or employee who is certified by the Department of Revenue in the proper preparation of ~~abstracts of assessment~~. ~~The commissioner of revenue may require that each county have an officer or employee who is certified by the Department of Revenue in the proper preparation of abstracts of tax lists information reported to the commissioner under section 270C.85, subdivision 2, clause (4).~~ information reported to the commissioner under section 270C.85, subdivision 2, clause (4). Certifications under this paragraph expire after four years.

(c) Beginning with the four-year educational licensing period starting on July 1, 2004, every Minnesota assessor licensed by the State Board of Assessors must attend and participate in a seminar that focuses on ethics, professional conduct and the need for standardized assessment practices developed and presented by the commissioner of revenue. This requirement must be met at least once in every subsequent four-year period. This requirement applies to all assessors licensed for one year or more in the four-year period.

(d) When the commissioner of revenue determines that an individual or board that performs functions related to property tax administration has performed those functions in a manner that is not uniform or equitable, the commissioner may require that the individual or members of the board complete supplemental training. The commissioner may not require that an individual complete more than 32 hours of supplemental training pursuant to this paragraph. If the individual is required to complete supplemental training due to that individual's membership on a local or county board of appeal and equalization, the commissioner may not require that the individual complete more than two hours of supplemental training.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 7. Minnesota Statutes 2018, section 273.113, subdivision 3, is amended to read:

Subd. 3. **Reimbursement for lost revenue.** The county auditor shall certify to the commissioner of revenue, ~~as part of the abstracts of tax lists required to be filed with the commissioner~~ under section ~~275.29~~ 270C.85, subdivision 2, clause (4), the amount of tax lost to the county from the property tax credit under subdivision 2. Any prior year adjustments must also be certified ~~in the abstracts of tax lists~~. The commissioner of revenue shall review the certifications to determine their accuracy. The commissioner may make the changes in the certification that are considered necessary or return a certification to the county auditor for corrections. The commissioner shall reimburse each taxing district, other than school districts, for the taxes lost. The payments must be made at the time provided in section 473H.10 for payment to taxing jurisdictions in the same proportion that the ad valorem tax is distributed. Reimbursements to school districts must be made as provided in section 273.1392. The amount necessary to make the reimbursements under this section is annually appropriated from the general fund to the commissioner of revenue.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 8. Minnesota Statutes 2018, section 273.119, subdivision 2, is amended to read:

Subd. 2. **Reimbursement for lost revenue.** The county may transfer money from the county conservation account created in section 40A.152 to the county revenue fund to reimburse the fund for the cost of the property tax credit. The county auditor shall certify to the commissioner of revenue, ~~as part of the abstracts of tax lists required to be filed with the commissioner~~ under section ~~275.29~~ 270C.85, subdivision 2, clause (4), the amount of tax lost to the county from the property tax credit under subdivision 1 and the extent that the tax lost exceeds funds available in the county conservation account. Any prior year adjustments must also be certified ~~in the abstracts of tax lists~~. The commissioner of revenue shall review the certifications to determine their accuracy. The commissioner may make the changes in the certification that are considered necessary or return a certification to the county auditor for corrections. The commissioner shall reimburse each taxing district, other than school districts, from the Minnesota conservation fund under section 40A.151 for the taxes lost in excess of the county account. The payments must be made at the time provided in section 473H.10, subdivision 3, for payment to taxing jurisdictions in the same proportion that the ad valorem tax is distributed.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 9. Minnesota Statutes 2018, section 273.1231, subdivision 3, is amended to read:

Subd. 3. **Disaster or emergency area.** (a) "Disaster or emergency area" means a geographic area for which:

(1)(i) the president of the United States, the secretary of agriculture, or the administrator of the Small Business Administration has determined that a disaster exists pursuant to federal law, or

(ii) a local emergency has been declared pursuant to section 12.29; and

(2) an application by the local unit of government requesting property tax relief under this section has been received by the governor and approved by the executive council.

(b) The executive council must not approve an application unless:

(1) a completed disaster survey is included; and

(2) within the boundaries of the applicant, (i) the average damage for the buildings that are damaged is at least \$5,000, and (ii) either at least 25 taxable buildings were damaged, or the total dollar amount of damage to all taxable buildings equals or exceeds one percent of the total taxable market value of buildings for the applicant as reported to the commissioner of revenue under section ~~270C.89, subdivision 2~~ 270C.85, subdivision 2, clause (4), for the assessment in the year prior to the year of the damage.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 10. Minnesota Statutes 2018, section 273.136, subdivision 2, is amended to read:

Subd. 2. **Reduction amounts submitted to county.** The commissioner of revenue shall determine, not later than April 1 of each year, the amount of reduction resulting from section 273.135 in each county containing a tax relief area as defined by section 273.134, paragraph (b), basing determinations on a review of ~~abstracts of tax lists submitted by the county auditors pursuant to section 275.29~~ information reported to the commissioner under section 270C.85, subdivision 2, clause (4). The commissioner may make changes ~~in the abstracts of tax lists~~ as deemed necessary. The commissioner of revenue, after such review, shall submit to the St. Louis County auditor, on or before April 15, the amount of the first half payment payable hereunder and on or before September 15 the amount of the second half payment.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 11. Minnesota Statutes 2018, section 273.1384, subdivision 3, is amended to read:

Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions allowed under subdivision 2 within the county for each taxes payable year and shall certify that amount to the commissioner of revenue ~~as a part of the abstracts of tax lists submitted by the county auditors under section 275.29~~ under section 270C.85, subdivision 2, clause (4). Any prior year adjustments shall also be certified ~~on the abstracts of tax lists~~. The commissioner shall review the certifications for accuracy, and may make such changes as are deemed necessary, or return the certification to the county auditor for correction. The credit under this section must be used to proportionately reduce the net tax capacity-based property tax payable to each local taxing jurisdiction as provided in section 273.1393.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 12. Minnesota Statutes 2018, section 273.1387, subdivision 3, is amended to read:

Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions allowed under this section within the county for each taxes payable year and shall certify that amount to the commissioner of revenue ~~as a part of the abstracts of tax lists submitted under section 275.29~~ under section 270C.85, subdivision 2, clause (4). Any prior year adjustments shall also be certified ~~on the abstracts of tax lists.~~ The commissioner shall review the certifications for accuracy, and may make such changes as are deemed necessary, or return the certification to the county auditor for correction. The credit under this section must be used to reduce the school district net tax capacity-based property tax as provided in section 273.1393.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 13. Minnesota Statutes 2018, section 273.18, is amended to read:

273.18 LISTING, VALUATION, AND ASSESSMENT OF EXEMPT PROPERTY BY COUNTY AUDITORS.

(a) In every sixth year after the year 2010, the county auditor shall enter the description of each tract of real property exempt by law from taxation, with the name of the owner, and the assessor shall value and assess the same in the same manner that other real property is valued and assessed, and shall designate in each case the purpose for which the property is used.

(b) ~~For purposes of the apportionment of fire state aid under section 69.021, subdivision 7,~~ The county auditor shall include ~~on the abstract of assessment of exempt real property filed under this section~~ in the exempt property information that the commissioner may require under section 270C.85, subdivision 2, clause (4), the total number of acres of all natural resources lands for which in lieu payments are made under sections 477A.11 to 477A.14. The assessor shall estimate its market value, provided that if the assessor is not able to estimate the market value of the land on a per parcel basis, the assessor shall furnish the commissioner of revenue with an estimate of the average value per acre of this land within the county.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 14. Minnesota Statutes 2018, section 274.14, is amended to read:

274.14 LENGTH OF SESSION; RECORD.

The board must meet after the second Friday in June on at least one meeting day and may meet for up to ten consecutive meeting days. The actual meeting dates must be contained on the valuation notices mailed to each property owner in the county as provided in section 273.121. For this purpose, "meeting days" is defined as any day of the week excluding Sunday. At the board's discretion, "meeting days" may include Saturday. No action taken by the county board of review after June 30 is valid, except for corrections permitted in sections 273.01 and 274.01. The county auditor shall keep an accurate record of the proceedings and orders of the board. The record must be published like other proceedings of county commissioners. A copy of the published record must be sent to the

commissioner of revenue, ~~with the abstract of assessment required by section 274.16~~ within five days following final action of the county board of equalization.

For counties that conduct either regular board of review meetings or open book meetings, at least one of the meeting days must include a meeting that does not end before 7:00 p.m. For counties that require taxpayer appointments for the board of review, appointments must include some available times that extend until at least 7:00 p.m. The county may have a Saturday meeting in lieu of, or in addition to, the extended meeting times under this paragraph.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 15. Minnesota Statutes 2018, section 274.16, is amended to read:

274.16 CORRECTED LISTS, ~~ABSTRACTS.~~

The county assessor or, in Ramsey County, the official designated by the board of county commissioners shall calculate the changes of the assessment lists determined by the county board of equalization, and make corrections accordingly, in the real or personal lists, or both, and shall make ~~duplicate abstracts~~ duplicates of them. One must be filed in the assessor's office, and one must be forwarded to the commissioner of revenue as provided in section 270C.89.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 16. Minnesota Statutes 2018, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **Levy amount.** The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined in this section. The state general levy for commercial-industrial property is \$784,590,000 for taxes payable in 2018 and thereafter. The state general levy for seasonal-recreational property is \$44,190,000 for taxes payable in 2018 and thereafter. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F.

The commissioner shall increase or decrease the preliminary or final rate for a year as necessary to account for errors and tax base changes that affected a preliminary or final rate for either of the two preceding years. Adjustments are allowed to the extent that the necessary information is available to the commissioner at the time the rates for a year must be certified, and for the following reasons:

- (1) an erroneous report of taxable value by a local official;
- (2) an erroneous calculation by the commissioner; and

(3) an increase or decrease in taxable value for commercial-industrial or seasonal residential recreational property reported ~~on the abstracts of tax lists submitted under section 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89~~ to the commissioner under section 270C.85, subdivision 2, clause (4), for the same year.

The commissioner may, but need not, make adjustments if the total difference in the tax levied for the year would be less than \$100,000.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 17. Minnesota Statutes 2018, section 290B.09, subdivision 1, is amended to read:

Subdivision 1. **Determination; payment.** The county auditor shall determine the total current year's deferred amount of property tax under this chapter in the county, and ~~submit report~~ those amounts ~~as part of the abstracts of tax lists submitted by the county auditors under section 275.29 to the commissioner under section 270C.85, subdivision 2, clause (4).~~ The commissioner may make changes ~~in the abstracts of tax lists~~ as deemed necessary. The commissioner of revenue, after such review, shall pay the deferred amount of property tax to each county treasurer on or before August 31.

The county treasurer shall distribute as part of the October settlement the funds received as if they had been collected as a part of the property tax.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 18. Minnesota Statutes 2018, section 469.177, subdivision 1, is amended to read:

Subdivision 1. **Original net tax capacity.** (a) Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original net tax capacity of the tax increment financing district and that portion of the district overlying any subdistrict as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original net tax capacity has increased or decreased as a result of a change in tax exempt status of property within the district and any subdistrict, reduction or enlargement of the district or changes pursuant to subdivision 4. The auditor shall certify the amount within 30 days after receipt of the request and sufficient information to identify the parcels included in the district. The certification relates to the taxes payable year as provided in subdivision 6.

(b) If the classification under section 273.13 of property located in a district changes to a classification that has a different assessment ratio, the original net tax capacity of that property must be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed.

(c) The amount to be added to the original net tax capacity of the district as a result of previously tax exempt real property within the district becoming taxable equals the net tax capacity of the real property as most recently assessed pursuant to ~~section 273.18~~ information reported to the commissioner under section 270C.85, subdivision 2, clause (4), or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If improvements are made to tax exempt property after the municipality approves the district and before the parcel becomes taxable, the assessor shall, at the request of the authority, separately assess the estimated market value of the improvements. If the property becomes taxable, the county auditor shall add to original net tax capacity, the net tax capacity of the parcel, excluding the separately assessed improvements. If substantial taxable improvements were made to a parcel after certification of the district and if the property later becomes tax exempt, in whole or part, as a result of the authority acquiring the property through foreclosure or exercise of remedies under a lease or other revenue agreement or as a result of tax forfeiture, the amount to be added to the original net tax capacity of the district as a result of the property again becoming taxable is the amount of the parcel's value that was included in original

net tax capacity when the parcel was first certified. The amount to be added to the original net tax capacity of the district as a result of enlargements equals the net tax capacity of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4.

(d) If the net tax capacity of a property increases because the property no longer qualifies under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act, chapter 473H, the Rural Preserve Property Tax Program under section 273.114, or because platted, unimproved property is improved or market value is increased after approval of the plat under section 273.11, subdivision 14a or 14b, the increase in net tax capacity must be added to the original net tax capacity. If the net tax capacity of a property increases because the property no longer qualifies for the homestead market value exclusion under section 273.13, subdivision 35, the increase in net tax capacity must be added to original net tax capacity if the original construction of the affected home was completed before the date the assessor certified the original net tax capacity of the district.

(e) The amount to be subtracted from the original net tax capacity of the district as a result of previously taxable real property within the district becoming tax exempt or qualifying in whole or part for an exclusion from taxable market value, or a reduction in the geographic area of the district, shall be the amount of original net tax capacity initially attributed to the property becoming tax exempt, being excluded from taxable market value, or being removed from the district. If the net tax capacity of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original net tax capacity of the district when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured net tax capacity of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

(f) If a parcel of property contained a substandard building or improvements described in section 469.174, subdivision 10, paragraph (e), that were demolished or removed and if the authority elects to treat the parcel as occupied by a substandard building under section 469.174, subdivision 10, paragraph (b), or by improvements under section 469.174, subdivision 10, paragraph (e), the auditor shall certify the original net tax capacity of the parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated market value of the parcel for the year in which the building or other improvements were demolished or removed, but applying the classification rates for the current year.

(g) For a redevelopment district qualifying under section 469.174, subdivision 10, paragraph (a), clause (4), as a qualified disaster area, the auditor shall certify the value of the land as the original tax capacity for any parcel in the district that contains a building that suffered substantial damage as a result of the disaster or emergency.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 19. **REPEALER.**

Minnesota Statutes 2018, section 275.29, is repealed.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 18

FIRE STATE AID; TECHNICAL CHANGES

Section 1. [477B.01] DEFINITIONS.

Subdivision 1. **Scope.** Unless the language or context clearly indicates that a different meaning is intended, the following words and terms, for the purposes of this chapter and chapters 423A and 424A, have the meanings given to them.

Subd. 2. **Commissioner.** "Commissioner" means the commissioner of revenue.

Subd. 3. **Company or insurance company.** "Company" or "insurance company" has the meaning given in section 60A.02, subdivision 4.

Subd. 4. **Estimated market value.** "Estimated market value" has the meaning given in section 272.03, subdivision 14.

Subd. 5. **Fire department.** "Fire department" includes a municipal fire department and an independent nonprofit firefighting corporation.

Subd. 6. **Fire department service area.** "Fire department service area" means the area serviced by a qualifying fire department that meets the requirements of section 477B.02.

Subd. 7. **Independent nonprofit firefighting corporation.** "Independent nonprofit firefighting corporation" means an independent nonprofit firefighting corporation that meets the criteria in section 424A.094, subdivision 1, paragraph (a).

Subd. 8. **Minnesota Fire Premium Report.** "Minnesota Fire Premium Report" means a form for reporting by insurance companies of (1) gross direct fire, lightning, sprinkler leakage, and extended coverage premiums received upon risks located or to be performed in this state less return premiums and dividends, and (2) other facts that the commissioner may require.

Subd. 9. **Municipal clerk.** "Municipal clerk" means the person elected or appointed to the position of municipal clerk or, if there is no such person, the chief financial official, the chief administrative official, or the person primarily responsible for managing the finances of a municipality.

Subd. 10. **Municipality.** (a) "Municipality" means:

(1) a home rule charter or statutory city;

(2) an organized town;

(3) a park district subject to chapter 398;

(4) the University of Minnesota; and

(5) an American Indian tribal government entity located within a federally recognized American Indian reservation.

(b) This subdivision only applies to chapter 477B.

Subd. 11. **Secretary.** "Secretary" means the secretary of an independent nonprofit firefighting corporation that has a subsidiary incorporated firefighters' relief association or whose firefighters participate in the voluntary statewide volunteer firefighter retirement plan.

Subd. 12. **Voluntary statewide volunteer firefighter retirement plan.** "Voluntary statewide volunteer firefighter retirement plan" means the retirement plan established under chapter 353G.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 2. **[477B.02] QUALIFYING FOR FIRE STATE AID.**

Subdivision 1. **Qualifications for fire state aid.** A municipality or independent nonprofit firefighting corporation qualifies to receive fire state aid if all the requirements of this section are met.

Subd. 2. **Establishment of fire department.** (a) An independent nonprofit firefighting corporation must be created under the nonprofit corporation act of this state operating for the exclusive purpose of firefighting, or the governing body of a municipality must officially establish a fire department.

(b) The fire department must have provided firefighting services for at least one calendar year.

Subd. 3. **Personnel and benefits requirements.** (a) A fire department must have a minimum of ten paid or volunteer firefighters, including a fire chief and assistant fire chief.

(b) The fire department must have regular scheduled meetings and frequent drills that include instructions in firefighting tactics and in the use, care, and operation of all fire apparatus and equipment.

(c) The fire department must have a separate subsidiary incorporated firefighters' relief association that provides retirement benefits or must participate in the voluntary statewide volunteer firefighter retirement plan; or if the municipality solely employs full-time firefighters as defined in section 299N.03, subdivision 5, retirement coverage must be provided by the public employees police and fire retirement plan.

(d) Notwithstanding paragraph (c), a municipality without a relief association as described under section 424A.08, paragraph (a), may still qualify to receive fire state aid if all other requirements of this section are met.

Subd. 4. **Equipment requirements.** The fire department must have all of the following equipment, or the equivalent as determined by the state fire marshal, by December 31 of the year preceding the certification required in subdivision 8:

- (1) a motorized fire truck equipped with:
 - (i) a motorized pump;
 - (ii) a 250-gallon or larger water tank;
 - (iii) 300 feet of one inch or larger fire hose in two lines with combination spray and straight stream nozzles;
 - (iv) five-gallon hand pumps - tank extinguisher or equivalent;
 - (v) a dry chemical extinguisher or equivalent;
 - (vi) ladders;
 - (vii) extension ladders;
 - (viii) pike poles;
 - (ix) crowbars;
 - (x) axes;
 - (xi) lanterns; and
 - (xii) fire coats, helmets, and boots;
- (2) the items in clause (1) suitably housed in a building of good construction with facilities for care of hoses and equipment;
- (3) a reliable and adequate method of receiving fire alarms by telephone or with electric siren and suitable means of sounding an alarm; and
- (4) if response is to be provided outside the corporate limits of the municipality where the fire department is located, another piece of motorized apparatus to make the response.

Subd. 5. Fire service contract or agreement; apportionment agreement filing requirement.

(a) Every municipality or independent nonprofit firefighting corporation must file a copy of any duly executed and valid fire service contract or agreement with the commissioner.

(b) If more than one fire department provides service to a municipality, the fire departments furnishing service must enter into an agreement apportioning among themselves the percentage of the population and the percentage of the estimated market value of each shared service fire department service area. The agreement must be in writing and must be filed with the commissioner.

Subd. 6. Compliance with rules. The fire department must meet all other requirements that the commissioner establishes by rule.

Subd. 7. Financial reporting requirements. The financial reporting requirements of section 424A.014 must be satisfied.

Subd. 8. **PERA certification to commissioner.** On or before February 1 each year, if retirement coverage for a fire department is provided by the voluntary statewide volunteer firefighter retirement plan, the executive director of the Public Employees Retirement Association must certify the existence of retirement coverage.

Subd. 9. **Fire department certification to commissioner.** On or before March 15 of each year, the municipal clerk or the secretary, and the fire chief, must jointly certify to the commissioner that the fire department exists and meets the qualification requirements of this section. The certification must be on a form prescribed by the commissioner and must include all other information that the commissioner requires.

Subd. 10. **Penalty for failure to file certification.** (a) If the certification under subdivision 9 is not filed with the commissioner on or before March 15, the commissioner must notify the municipal clerk or the secretary that a penalty equal to a portion or all of the current year aid will apply if the certification is not received within ten days of the postmark date of the notification.

(b) The penalty for failure to file the certification under subdivision 9 is equal to the amount of fire state aid determined for the municipality or the independent nonprofit firefighting corporation for the current year, multiplied by five percent for each week or fraction of a week that the certification is late. The penalty must be computed beginning ten days after the postmark date of the commissioner's notification. Aid amounts forfeited as a result of the penalty revert to the state general fund. Failure to receive the certification form is not a defense for a failure to file.

Subd. 11. **Determination by commissioner.** The commissioner must determine which municipalities and independent nonprofit firefighting corporations are qualified to receive fire state aid directly or are qualified to receive the benefit of fire state aid paid to the voluntary statewide volunteer firefighter retirement plan based on compliance with the requirements of this section and the financial compliance report required under section 6.495, subdivision 3, if applicable. The commissioner may take into account any other relevant information that comes to the attention of the commissioner when making the determination.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 3. **[477B.03] CALCULATION OF FIRE STATE AID; APPEAL.**

Subdivision 1. **Certification and calculation of fire state aid.** (a) On or before October 1, the commissioner must calculate the amount of fire state aid that each municipality or independent nonprofit firefighting corporation is to receive.

(b) The commissioner must calculate an initial fire state aid allocation amount for each municipality or independent nonprofit firefighting corporation under subdivision 4 and, if applicable, a minimum fire state aid allocation amount for each municipality or independent nonprofit firefighting corporation under subdivision 5. The municipality or independent nonprofit firefighting corporation must be apportioned the greater of the amounts calculated under subdivisions 4 and 5.

Subd. 2. **Apportionment of fire state aid.** (a) The amount of fire state aid available for apportionment, before the addition of the minimum fire state aid allocation amount under subdivision 5, is equal to 107 percent of the amount of premium taxes paid to the state upon the fire, lightning, sprinkler leakage, and extended coverage premiums reported to the commissioner by companies or

insurance companies on the Minnesota Fire Premium Report. This amount must be reduced by the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters' relief associations.

(b) The total amount available for apportionment must not be less than two percent of the premiums less return premiums reported to the commissioner by companies or insurance companies on the Minnesota Fire Premium Report after subtracting the following amounts:

(1) the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters' relief associations; and

(2) one percent of the premiums reported by township mutual insurance companies and mutual property and casualty companies with total assets of \$5,000,000 or less.

(c) The commissioner must apportion the fire state aid to each municipality or independent nonprofit firefighting corporation qualified under section 477B.02 relative to the premiums reported on the Minnesota Fire Premium Reports filed under this chapter.

(d) The commissioner must calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid using the same premiums as a basis for comparison.

Subd. 3. Population and estimated market value. (a) Official statewide federal census figures must be used in calculations requiring the use of population figures under this chapter. Increases or decreases in population disclosed by reason of any special census must not be taken into consideration.

(b) The latest available estimated market value property figures must be used in calculations requiring the use of estimated market value property figures under this chapter.

Subd. 4. Initial fire state aid allocation amount. (a) The initial fire state aid allocation amount is the amount available for apportionment as fire state aid under subdivision 2, without the inclusion of any additional funding amount to support a minimum fire state aid amount under section 423A.02, subdivision 3. The initial fire state aid allocation amount is allocated one-half in proportion to the population for each fire department service area and one-half in proportion to the estimated market value of each fire department service area, including (1) the estimated market value of tax-exempt property, and (2) the estimated market value of natural resources lands receiving in lieu payments under sections 477A.11 to 477A.14 and 477A.17. The estimated market value of minerals is excluded.

(b) In the case of a municipality or independent nonprofit firefighting corporation furnishing fire protection to other municipalities as evidenced by valid fire service contracts filed with the commissioner under section 477B.02, subdivision 5, the distribution must be adjusted proportionately to take into consideration the crossover fire protection service. Necessary adjustments must be made to subsequent apportionments.

(c) In the case of municipalities or independent nonprofit firefighting corporations qualifying for aid, the commissioner must calculate the state aid for the municipality or independent nonprofit firefighting corporation on the basis of the population and the estimated market value of the area furnished fire protection service by the fire department as evidenced by fire service agreements filed with the commissioner under section 477B.02, subdivision 5.

(d) In the case of more than one fire department furnishing contracted fire service to a municipality, the population and estimated market value in the apportionment agreement filed with the commissioner under section 477B.02, subdivision 5, must be used in calculating the state aid.

Subd. 5. **Minimum fire state aid allocation amount.** (a) The minimum fire state aid allocation amount is the amount derived from any additional funding amount to support a minimum fire state aid amount under section 423A.02, subdivision 3. The minimum fire state aid allocation amount is allocated to municipalities or independent nonprofit firefighting corporations with volunteer firefighters' relief associations or covered by the voluntary statewide volunteer firefighter retirement plan. The amount is based on the number of active volunteer firefighters who are (1) members of the relief association as reported to the Office of the State Auditor in a specific annual financial reporting year as specified in paragraphs (b) to (d), or (2) covered by the voluntary statewide volunteer firefighter retirement plan as specified in paragraph (e).

(b) For relief associations established in calendar year 1993 or a prior year, the number of active volunteer firefighters equals the number of active volunteer firefighters who were members of the relief association as reported in the annual financial reporting for calendar year 1993, but not to exceed 30 active volunteer firefighters.

(c) For relief associations established in calendar year 1994 through calendar year 1999, the number of active volunteer firefighters equals the number of active volunteer firefighters who were members of the relief association as reported in the annual financial reporting for calendar year 1998 to the Office of the State Auditor, but not to exceed 30 active volunteer firefighters.

(d) For relief associations established after calendar year 1999, the number of active volunteer firefighters equals the number of active volunteer firefighters who are members of the relief association as reported in the first annual financial reporting submitted to the Office of the State Auditor, but not to exceed 20 active volunteer firefighters.

(e) If a relief association is terminated as a result of providing retirement coverage for volunteer firefighters by the voluntary statewide volunteer firefighter retirement plan under chapter 353G, the number of active volunteer firefighters equals the number of active volunteer firefighters of the municipality or independent nonprofit firefighting corporation covered by the statewide plan as certified by the executive director of the Public Employees Retirement Association to the commissioner and the state auditor, but not to exceed 30 active firefighters.

Subd. 6. **Corrective aid adjustments.** Any adjustments needed to correct prior misallocations must be made to subsequent fire state aid apportionments.

Subd. 7. **Appeal.** A municipality, an independent nonprofit firefighting corporation, a fire relief association, or the voluntary statewide volunteer firefighter retirement plan may object to the amount of fire state aid apportioned to it by filing a written request with the commissioner to review and adjust the apportionment of funds within the state. The decision of the commissioner is subject to appeal, review, and adjustment by the district court in the county in which the applicable municipality or independent nonprofit firefighting corporation is located or by the Ramsey County District Court with respect to the voluntary statewide volunteer firefighter retirement plan.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 4. [477B.04] APPROPRIATION, PAYMENT, AND ADMINISTRATION.

Subdivision 1. **Payments.** (a) The commissioner must make payments to the Public Employees Retirement Association for deposit in the voluntary statewide volunteer firefighter retirement fund on behalf of a municipality or independent nonprofit firefighting corporation that is a member of the voluntary statewide volunteer firefighter retirement plan under chapter 353G, or directly to a municipality or county designated by an independent nonprofit firefighting corporation. The payment is equal to the amount of fire state aid apportioned to the applicable fire state aid recipient under section 477B.03.

(b) Fire state aid is payable on October 1 annually. The amount of state aid due and not paid by October 1 accrues interest payable to the recipient at the rate of one percent for each month or part of a month that the amount remains unpaid after October 1.

(c) The interest under paragraph (b) does not apply when payment has not been made by October 1 due to noncompliance with sections 424A.014 and 477B.02, subdivision 7.

Subd. 2. **Appropriation.** The amount necessary to make the payments under this section and section 477B.03 is annually appropriated to the commissioner from the general fund.

Subd. 3. **Deposit of state aid.** (a) If the municipality or the independent nonprofit firefighting corporation is covered by the voluntary statewide volunteer firefighter retirement plan under chapter 353G, the executive director of the Public Employees Retirement Association must credit the fire state aid against future municipal contribution requirements under section 353G.08 and must notify the municipality or the independent nonprofit firefighting corporation of the fire state aid so credited at least annually.

(b) If the municipality or the independent nonprofit firefighting corporation is not covered by the voluntary statewide volunteer firefighter retirement plan, the treasurer of the municipality must, within 30 days after receipt, transmit the fire state aid to the treasurer of the duly incorporated firefighters' relief association if there is one organized and the association has filed a financial report with the municipality pursuant to section 424A.014, subdivision 1 or 2, whichever applies. If the relief association has not filed a financial report with the municipality, the treasurer of the municipality must delay transmission of the fire state aid to the relief association until the complete financial report is filed.

(c) The treasurer of the municipality must deposit the fire state aid money in the municipal treasury if (1) the municipality or independent nonprofit firefighting corporation is not covered by the voluntary statewide volunteer firefighter retirement plan, (2) there is no relief association organized, (3) the association has dissolved, or (4) the association has been removed as trustees of state aid. The money may be disbursed from the municipal treasury only for the purposes and in the manner set forth in section 424A.08 or for the payment of the employer contribution requirement with respect to firefighters covered by the public employees police and fire retirement plan under section 353.65, subdivision 3.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 5. [477B.05] SHORTFALL FROM GENERAL FUND.

(a) If the annual funding requirements of fire relief associations or consolidation accounts under sections 424A.091 to 424A.095 or Laws 2013, chapter 111, article 5, sections 31 to 42, exceed all applicable revenue sources of a given year, including the insurance premium taxes funding fire state aid under this chapter as set under section 297I.05, subdivisions 2, 3, and 4, the shortfall in the annual funding requirements must be paid from the general fund to the extent appropriated by the legislature.

(b) Nothing in this section relieves any municipality from its obligation to a relief association or consolidation account under law.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 6. **PURPOSE.**

It is the intent of the legislature to make Minnesota's fire and police state aid laws more understandable by separating and recodifying disparate administration and compliance provisions currently contained in chapter 69 of Minnesota Statutes. Due to the complexity of the recodification, prior provisions are repealed on the effective date of the new provisions.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 7. **REPEALER.**

Minnesota Statutes 2018, sections 69.011, subdivisions 1, 2, 2b, 2c, 3, and 4; 69.021, subdivisions 1, 2, 3, 4, 5, 7, 7a, 8, 9, 10, and 11; 69.031, subdivisions 1, 3, and 5; and 69.041, are repealed.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

ARTICLE 19

POLICE STATE AID; TECHNICAL CHANGES

Section 1. **[477C.01] DEFINITIONS.**

Subdivision 1. **Scope.** Unless the language or context clearly indicates that a different meaning is intended, the following words and terms, for the purposes of this chapter and chapter 423A have the meanings given to them.

Subd. 2. **Commissioner.** "Commissioner" means the commissioner of revenue.

Subd. 3. **Company or insurance company.** "Company" or "insurance company" has the meaning given in section 60A.02, subdivision 4.

Subd. 4. **Minnesota Aid to Police Premium Report.** "Minnesota Aid to Police Premium Report" means a form for reporting the total gross premiums, less return premiums and dividends, on all direct business received by an insurance company in this state during the preceding calendar year, with reference to insurance written for perils contained in auto insurance coverages as reported to the National Association of Insurance Commissioners and the commissioner of commerce.

Subd. 5. **Municipal clerk, municipal clerk-treasurer, or county auditor.** "Municipal clerk," "municipal clerk-treasurer," or "county auditor" means:

(1) the person elected or appointed to the position of municipal clerk, municipal clerk-treasurer, or county auditor or, if there is no such person, the chief financial official or the person primarily responsible for managing the finances of a municipality;

(2) for a park district, the secretary of the board of park district commissioners;

(3) for the University of Minnesota, the official designated by the Board of Regents;

(4) for the Metropolitan Airports Commission, the person designated by the commission;

(5) for the Departments of Natural Resources and Public Safety, the respective commissioner of the agency; and

(6) for a tribal police department that exercises state arrest powers under section 626.90, 626.91, 626.92, or 626.93, the person designated by the applicable American Indian tribal government.

Subd. 6. **Municipality.** (a) "Municipality" means:

(1) a home rule charter or statutory city;

(2) an organized town;

(3) a county;

(4) a park district subject to chapter 398;

(5) the University of Minnesota;

(6) an American Indian tribal government with a tribal police department that exercises state arrest powers under section 626.90, 626.91, 626.92, or 626.93;

(7) the Metropolitan Airports Commission; and

(8) the Departments of Natural Resources and Public Safety with respect to peace officers covered under chapter 352B.

(b) This subdivision only applies to chapter 477C.

Subd. 7. **Peace officer.** "Peace officer" means any person:

(1) whose primary source of income derived from wages is from direct employment by a municipality as a law enforcement officer on a full-time basis of not less than 30 hours per week;

(2) who has been employed for a minimum of six months before December 31 preceding the date of the current year's certification under section 477C.02, subdivision 1;

(3) who is sworn to enforce the general criminal laws of the state and local ordinances;

(4) who is licensed by the Peace Officers Standards and Training Board and is authorized to arrest with a warrant; and

(5) who is a member of the State Patrol retirement plan or the public employees police and fire fund.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 2. **[477C.02] QUALIFYING FOR POLICE STATE AID.**

Subdivision 1. **Certification to commissioner.** (a) A certification made under this section must be filed with the commissioner on a form prescribed by the commissioner and must include all other facts that the commissioner requires.

(b) Except as provided in subdivision 2, on or before March 15 annually, the municipal clerk, municipal clerk-treasurer, or county auditor of each municipality employing one or more peace officers must certify to the commissioner the number of peace officers employed during the previous calendar year. No peace officer may be included in the certification by more than one municipality for the same month.

(c) Credit for peace officers employed less than a full year must be apportioned. Each full month of employment of a qualifying officer during the calendar year entitles the employing municipality to credit for 1/12 of the payment for employment of a peace officer for the entire year. For purposes of this chapter, employment of a peace officer begins when the peace officer is entered on the payroll of the employing municipality.

Subd. 2. **Departments of Natural Resources and Public Safety.** On or before March 15 annually, the commissioner of natural resources must certify the number of peace officers employed by the Enforcement Division and the commissioner of public safety must certify the number of peace officers employed by the Bureau of Criminal Apprehension, the Gambling Enforcement Division, and the State Patrol Division. The certification must be on the form described in subdivision 1, paragraph (a). Peace officers certified under this subdivision must be included in the total certifications under subdivision 1.

Subd. 3. **Ineligibility of certain peace officers.** A peace officer employed by the University of Minnesota who is required by the Board of Regents to be a member of the University of Minnesota faculty retirement plan is not eligible to be included in any police state aid certification under this section.

Subd. 4. **Penalty for failure to file certification.** (a) If a certification under subdivision 1 or 2 is not filed with the commissioner on or before March 15, the commissioner must notify the municipal clerk, municipal clerk-treasurer, or county auditor that a penalty equal to a portion or all of its current year aid will apply if the certification is not received within ten days.

(b) The penalty for failure to file the certification under subdivision 1 or 2 is equal to the amount of police state aid determined for the municipality for the current year, multiplied by five percent for each week or fraction of a week that the certification is late. The penalty must be computed beginning ten days after the postmark date of the commissioner's notification as required under this

subdivision. All aid amounts forfeited as a result of the penalty revert to the state general fund. Failure to receive the certification form may not be used as a defense for a failure to file.

Subd. 5. **Determination by commissioner.** The commissioner must determine which municipalities are qualified to receive police state aid based on compliance with the requirements of this section. The commissioner may take into account any other relevant information that comes to the attention of the commissioner when making the determination.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 3. **[477C.03] CALCULATION OF POLICE STATE AID; APPEAL.**

Subdivision 1. **Certification and calculation of police state aid.** (a) On or before October 1, the commissioner must calculate the amount of police state aid that each municipality is to receive.

(b) The commissioner must calculate an excess police state aid amount for each municipality under subdivision 3 and must reduce the apportionment amount for each municipality based on the calculation.

Subd. 2. **Apportionment of police state aid.** (a) The total amount available for apportionment as police state aid is equal to 104 percent of the amount of premium taxes paid to the state on the premiums reported to the commissioner by companies or insurance companies on the Minnesota Aid to Police Premium Report. The total amount for apportionment for the police state aid program must not be less than two percent of the amount of premiums reported to the commissioner by companies or insurance companies on the Minnesota Aid to Police Premium Report.

(b) The commissioner must calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid using the same premiums as a basis for comparison.

(c) In addition to the amount for apportionment of police state aid under paragraph (a), each year \$100,000 must be apportioned for police state aid. An amount sufficient to pay this increase is annually appropriated from the general fund.

(d) The commissioner must apportion police state aid to all municipalities in proportion to the relationship that the total number of peace officers employed by that municipality for the prior calendar year and the proportional or fractional number who were employed less than a calendar year as credited under section 477C.02, subdivision 1, paragraph (c), bears to the total number of peace officers employed by all municipalities subject to any reduction under subdivision 3.

(e) Any necessary additional adjustments must be made to subsequent police state aid apportionments.

Subd. 3. **Apportionment reduction; excess police state aid.** (a) The commissioner must reduce the apportionment of police state aid under this section for eligible municipalities by the amount of any excess police state aid calculated under this subdivision.

(b) The commissioner must calculate the amount of excess police state aid for each municipality as follows:

(1) for municipalities in which police retirement coverage is provided wholly by the public employees police and fire fund and all peace officers are members of the plan governed by sections 353.63 to 353.657, the excess police state aid amount equals the amount of police state aid apportioned under subdivision 2 that exceeds the employer's total prior calendar year obligation as defined in paragraph (c), as certified by the executive director of the Public Employees Retirement Association;

(2) for the Metropolitan Airports Commission, the excess police state aid amount equals the amount of apportioned police aid calculated under subdivision 2 that exceeds the commission's total prior calendar year obligation as defined in paragraph (c), as certified by the executive director of the Public Employees Retirement Association; and

(3) for the Departments of Natural Resources and Public Safety, the excess police state aid amount equals the amount of apportioned police aid calculated under subdivision 2 that exceeds the employer's total prior calendar year obligation under section 352B.02, subdivision 1c, for plan members who are peace officers, as certified by the executive director of the Minnesota State Retirement System.

(c) The municipality's total prior calendar year obligation with respect to the public employees police and fire plan under paragraph (b), clause (1), is the total prior calendar year obligation under section 353.65, subdivision 3, for police officers as defined in section 353.64, subdivisions 1, 1a, and 2, and the actual total prior calendar year obligation under section 353.65, subdivision 3, for firefighters, as defined in section 353.64, subdivisions 1, 1a, and 2, but not to exceed for those firefighters the applicable following employer calendar year amount:

<u>Municipality</u>	<u>Maximum Amount</u>
<u>Albert Lea</u>	<u>\$54,157.01</u>
<u>Anoka</u>	<u>10,399.31</u>
<u>Apple Valley</u>	<u>5,442.44</u>
<u>Austin</u>	<u>49,864.73</u>
<u>Bemidji</u>	<u>27,671.38</u>
<u>Brooklyn Center</u>	<u>6,605.92</u>
<u>Brooklyn Park</u>	<u>24,002.26</u>
<u>Burnsville</u>	<u>15,956.00</u>
<u>Cloquet</u>	<u>4,260.49</u>
<u>Coon Rapids</u>	<u>39,920.00</u>
<u>Cottage Grove</u>	<u>8,588.48</u>
<u>Crystal</u>	<u>5,855.00</u>
<u>East Grand Forks</u>	<u>51,009.88</u>
<u>Edina</u>	<u>32,251.00</u>
<u>Elk River</u>	<u>5,216.55</u>
<u>Ely</u>	<u>13,584.16</u>
<u>Eveleth</u>	<u>16,288.27</u>
<u>Fergus Falls</u>	<u>6,742.00</u>
<u>Fridley</u>	<u>33,420.64</u>
<u>Golden Valley</u>	<u>11,744.61</u>

<u>Hastings</u>	<u>16,561.00</u>
<u>Hopkins</u>	<u>4,324.23</u>
<u>International Falls</u>	<u>14,400.69</u>
<u>Lakeville</u>	<u>782.35</u>
<u>Lino Lakes</u>	<u>5,324.00</u>
<u>Little Falls</u>	<u>7,889.41</u>
<u>Maple Grove</u>	<u>6,707.54</u>
<u>Maplewood</u>	<u>8,476.69</u>
<u>Minnetonka</u>	<u>10,403.00</u>
<u>Montevideo</u>	<u>1,307.66</u>
<u>Moorhead</u>	<u>68,069.26</u>
<u>New Hope</u>	<u>6,739.72</u>
<u>North St. Paul</u>	<u>4,241.14</u>
<u>Northfield</u>	<u>770.63</u>
<u>Owatonna</u>	<u>37,292.67</u>
<u>Plymouth</u>	<u>6,754.71</u>
<u>Red Wing</u>	<u>3,504.01</u>
<u>Richfield</u>	<u>53,757.96</u>
<u>Rosemount</u>	<u>1,712.55</u>
<u>Roseville</u>	<u>9,854.51</u>
<u>St. Anthony</u>	<u>33,055.00</u>
<u>St. Louis Park</u>	<u>53,643.11</u>
<u>Thief River Falls</u>	<u>28,365.04</u>
<u>Virginia</u>	<u>31,164.46</u>
<u>Waseca</u>	<u>11,135.17</u>
<u>West St. Paul</u>	<u>15,707.20</u>
<u>White Bear Lake</u>	<u>6,521.04</u>
<u>Woodbury</u>	<u>3,613.00</u>
<u>any other municipality</u>	<u>0.00</u>

(d) The total amount of excess police state aid must be deposited in the excess police state aid account in the general fund, and administered and distributed as provided in subdivision 4.

Subd. 4. **Excess police state aid holding account.** (a) The excess police state aid holding account is established in the general fund. The excess police state aid holding account is administered by the commissioner.

(b) Excess police state aid determined under subdivision 3 must be deposited annually in the excess police state aid holding account.

(c) From the balance in the excess police state aid holding account, \$900,000 must be canceled annually to the general fund.

(d) On October 1 annually, one-half of the balance of the excess police state aid holding account remaining after the deduction under paragraph (c) is appropriated for additional amortization aid under section 423A.02, subdivision 1b.

(e) The remaining balance in the excess police state aid holding account, after the deductions under paragraphs (c) and (d), must be canceled annually to the general fund.

Subd. 5. **Appeal.** A municipality may object to the amount of police state aid apportioned to it by filing a written request with the commissioner to review and adjust the apportionment of funds to the municipality. The decision of the commissioner is subject to appeal, review, and adjustment by the district court in the county in which the applicable municipality is located or by the Ramsey County District Court with respect to the Departments of Natural Resources or Public Safety.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 4. **[477C.04] APPROPRIATION, PAYMENT, AND ADMINISTRATION.**

Subdivision 1. **Payments.** (a) The commissioner must make payments to the municipality equal to the amount of police state aid apportioned to the applicable state aid recipient under section 477C.03.

(b) Police state aid is payable on October 1 annually. The amount of state aid due and not paid by October 1 accrues interest payable to the recipient at the rate of one percent for each month or part of a month that the amount remains unpaid after October 1.

Subd. 2. **Appropriation.** (a) The amount necessary to make the payments under this section and section 477C.03 is annually appropriated to the commissioner from the general fund.

(b) The police state aid apportioned to the Departments of Public Safety and Natural Resources under section 477C.03 is allocated to the commissioner of management and budget for transfer to the funds and accounts from which the salaries of peace officers certified under section 477C.02, subdivision 2, are paid. On or before October 1, the commissioner of revenue must certify to the commissioners of public safety, natural resources, and management and budget the amounts to be transferred from the appropriation for police state aid. The commissioners of public safety and natural resources must certify to the commissioner of management and budget the amounts to be credited to each of the funds and accounts from which the peace officers employed by their respective departments are paid.

Subd. 3. **Deposit of state aid.** (a) For a municipality in which police retirement coverage is provided by the public employees police and fire fund and all peace officers are members of the fund, including municipalities covered by section 353.665, the total state aid must be applied toward the municipality's employer contribution to the public employees police and fire fund under sections 353.65, subdivision 3, and 353.665, subdivision 8.

(b) The county treasurer, upon receipt of the police state aid for the county, must apply the total state aid toward the county's employer contribution to the public employees police and fire fund under section 353.65, subdivision 3.

(c) The designated Metropolitan Airports Commission official, upon receipt of the police state aid for the Metropolitan Airports Commission, must apply the total police state aid toward the commission's employer contribution for peace officers to the public employees police and fire plan under section 353.65, subdivision 3.

(d) The commissioners of public safety and natural resources must allocate the police state aid first for employer contributions funded from the general fund and then for employer contributions funded from other funds. For peace officers employed by the Departments of Natural Resources or Public Safety whose salaries are paid from the general fund, the amounts transferred from the appropriation for police state aid must be canceled to the general fund.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

ARTICLE 20

FIRE AND POLICE STATE AID; MISCELLANEOUS TECHNICAL CHANGES

Section 1. [297L.26] FIRE AND POLICE PREMIUM REPORTS.

Subdivision 1. **Filing reports.** (a) Each company must file with the commissioner the reports defined in sections 477B.01, subdivision 8, and 477C.01, subdivision 4, signed by the authorized representative of the company, on or before March 1 annually. The fire and extended coverage portion of multiperil package premiums and all other combination premiums must be determined by applying percentages determined by the commissioner or by rating bureaus recognized by the commissioner. The commissioner shall prescribe the content, form, and manner of the reports.

(b) The commissioner must notify each company that fails to timely file the report required under paragraph (a). The notice must demand that the company file the report within 30 days. Where good cause exists, the commissioner may extend the period for filing the report as long as a request for extension is filed by the company before the expiration of the 30-day period.

Subd. 2. **Penalties.** (a) A company that fails to file the report on or before the due date in subdivision 1 is liable for a penalty equal to \$25 for each seven days, or fraction thereof, that the report is delinquent, but not to exceed \$200.

(b) Any person whose duty it is to file the report and who fails or refuses to file within 30 days after the postmark of the notice in subdivision 1 must be fined an amount of no more than \$1,000.

(c) Any company that knowingly makes and files an inaccurate or false report is liable for a fine in an amount not less than \$25 nor more than \$1,000, as determined by the commissioner, and the commissioner of commerce may revoke the company's certificate of authority.

EFFECTIVE DATE. This section is effective for reports filed after December 31, 2019.

Sec. 2. [424A.014] FINANCIAL REPORT; BOND; EXAMINATION.

Subdivision 1. **Financial report and audit.** (a) The board of the Bloomington Fire Department Relief Association and each volunteer firefighters relief association with assets of at least \$500,000 or liabilities of at least \$500,000 in the prior year or in any previous year, according to the applicable

actuarial valuation or according to the financial report if no valuation is required, must prepare a financial report covering the special and general funds of the relief association for the preceding fiscal year, file the financial report, and submit financial statements.

(b) The financial report must contain financial statements and disclosures that present the true financial condition of the relief association and the results of relief association operations in conformity with generally accepted accounting principles and in compliance with the regulatory, financing, and funding provisions of this chapter and any other applicable laws. The financial report must be countersigned by:

(1) the municipal clerk or clerk-treasurer of the municipality in which the relief association is located if the relief association is a firefighters' relief association that is directly associated with a municipal fire department;

(2) the municipal clerk or clerk-treasurer of the largest municipality in population that contracts with the independent nonprofit firefighting corporation if the volunteer firefighter relief association is a subsidiary of an independent nonprofit firefighting corporation, and by the secretary of the independent nonprofit firefighting corporation; or

(3) the chief financial official of the county in which the volunteer firefighter relief association is located or primarily located if the relief association is associated with a fire department that is not located in or associated with an organized municipality.

(c) The financial report must be retained in the office of the Bloomington Fire Department Relief Association or the volunteer firefighter relief association for public inspection and must be filed with the governing body of the government subdivision in which the associated fire department is located after the close of the fiscal year. One copy of the financial report must be furnished to the state auditor after the close of the fiscal year.

(d) Audited financial statements must be attested to by a certified public accountant or by the state auditor and must be filed with the state auditor on or before June 30 after the close of the fiscal year. The state auditor may accept this report in lieu of the report required in paragraph (c).

Subd. 2. **Financial statement.** (a) The board of each volunteer firefighter relief association that is not required to file a financial report and audit under subdivision 1 must prepare a detailed statement of the financial affairs for the preceding fiscal year of the relief association's special and general funds in the style and form prescribed by the state auditor. The detailed statement must show:

(1) the sources and amounts of all money received;

(2) all disbursements, accounts payable, and accounts receivable;

(3) the amount of money remaining in the treasury;

(4) total assets, including a listing of all investments;

(5) the accrued liabilities; and

(6) all other items necessary to show accurately the revenues and expenditures and financial position of the relief association.

(b) The detailed financial statement of the special and general funds required under paragraph (a) must be certified by a certified public accountant or by the state auditor in accordance with agreed-upon procedures and forms prescribed by the state auditor. The accountant must have at least five years of public accounting, auditing, or similar experience and must not be an active, inactive, or retired member of the relief association or the fire department.

(c) The detailed financial statement required under paragraph (a) must be countersigned by:

(1) the municipal clerk or clerk-treasurer of the municipality;

(2) where applicable, the municipal clerk or clerk-treasurer of the largest municipality in population that contracts with the independent nonprofit firefighting corporation if the relief association is a subsidiary of an independent nonprofit firefighting corporation, and by the secretary of the independent nonprofit firefighting corporation; or

(3) the chief financial official of the county in which the volunteer firefighter relief association is located or primarily located if the relief association is associated with a fire department that is not located in or associated with an organized municipality.

(d) The volunteer firefighters relief association board must submit a copy of the detailed financial statement required under paragraph (a) that has been certified by the governing body of the municipality to the state auditor on or before March 31 after the close of the fiscal year.

(e) A certified public accountant or auditor who performs the agreed-upon procedures under paragraph (b) is subject to the reporting requirement of section 6.67.

Subd. 3. **Qualification.** The state auditor may, upon a demonstration by a relief association of hardship or an inability to conform, extend the deadline for reports under subdivision 1 or 2, but not beyond November 30 following the due date. If the reports are not received by November 30, the municipality or relief association forfeits its current year state aid, and, until the state auditor receives the required information, the relief association or municipality is ineligible to receive any future state aid. A municipality or relief association does not qualify initially to receive, or be entitled subsequently to retain, fire state aid and police and firefighter retirement supplemental state aid payable under chapter 477B and section 423A.022 if the financial reporting requirement or the applicable requirements of this chapter or any other statute or special law have not been complied with or are not fulfilled.

Subd. 4. **Treasurer bond.** (a) The treasurer of the Bloomington Fire Department Relief Association may not enter upon duties without having given the association a bond in a reasonable amount acceptable to the municipality for the faithful discharge of duties according to law.

(b) No treasurer of a relief association governed by sections 424A.091 to 424A.096 may enter upon the duties of the office until the treasurer has given the association a good and sufficient bond in an amount equal to at least ten percent of the assets of the relief association; however, the amount of the bond need not exceed \$500,000.

Subd. 5. **Report by certain municipalities; exceptions.** (a) The chief administrative officer of each municipality that has a fire department but does not have a relief association governed by sections 424A.091 to 424A.095 or Laws 2014, chapter 275, article 2, section 23, and that is not

exempted under paragraph (b) or (c) must annually prepare a detailed financial report of the receipts and disbursements by the municipality for fire protection service during the preceding calendar year on a form prescribed by the state auditor. The financial report must contain any information that the state auditor deems necessary to disclose the sources of receipts and the purpose of disbursements for fire protection service. The financial report must be signed by the municipal clerk or clerk-treasurer with the state auditor on or before July 1 annually. The municipality does not qualify initially to receive, and is not entitled subsequently to retain, any fire state aid and police and firefighter retirement supplemental state aid payable under chapter 477B and section 423A.022 if the financial reporting requirement or the applicable requirements of any other statute or special law have not been complied with or are not fulfilled.

(b) Each municipality that has a fire department and provides retirement coverage to its firefighters through the voluntary statewide volunteer firefighter retirement plan under chapter 353G qualifies to have fire state aid transmitted to and retained in the statewide volunteer firefighter retirement fund without filing a detailed financial report if the executive director of the Public Employees Retirement Association certifies compliance by the municipality with the requirements of sections 353G.04 and 353G.08, subdivision 1, paragraph (e), and certifies conformity by the applicable fire chief with the requirements of section 353G.07.

(c) Each municipality qualifies to receive fire state aid under chapter 477B without filing a financial report under paragraph (a) if the municipality:

(1) has a fire department;

(2) does not have a volunteer firefighters relief association directly associated with its fire department;

(3) does not participate in the statewide volunteer firefighter retirement plan under chapter 353G;

(4) provides retirement coverage to its firefighters through the public employees police and fire retirement plan under sections 353.63 to 353.68; and

(5) is certified by the executive director of the Public Employees Retirement Association to the state auditor to have had an employer contribution under section 353.65, subdivision 3, for its firefighters for the immediately prior calendar year equal to or greater than its fire state aid for the immediately prior calendar year.

Subd. 6. **Notification by commissioner of revenue and state auditor.** (a) The state auditor, in performing an audit or examination, must notify the Legislative Commission on Pensions and Retirement if the audit or examination reveals malfeasance, misfeasance, or nonfeasance in office by relief association officials or municipal officials.

(b) The commissioner of revenue must notify the Legislative Commission on Pensions and Retirement if the state auditor has not filed the required financial compliance reports by July 1.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 3. Minnesota Statutes 2018, section 424A.05, is amended by adding a subdivision to read:

Subd. 3b. **Authorized administrative expenses from special fund.** (a) Notwithstanding any provision of law to the contrary, the payment of the following necessary, reasonable, and direct expenses of maintaining, protecting, and administering the special fund, when provided for in the bylaws of the association and approved by the board of trustees, constitutes authorized administrative expenses of a volunteer firefighters relief association organized under any law of the state or the Bloomington Fire Department Relief Association:

(1) office expenses, including but not limited to rent, utilities, equipment, supplies, postage, periodical subscriptions, furniture, fixtures, and salaries of administrative personnel;

(2) salaries of the officers of the association or their designees, and salaries of the members of the board of trustees of the association if the salary amounts are approved by the governing body of the entity that is responsible for meeting any minimum obligation under section 424A.092 or 424A.093 or Laws 2013, chapter 111, article 5, sections 31 to 42, and the itemized expenses of relief association officers and board members that are incurred as a result of fulfilling their responsibilities as administrators of the special fund;

(3) tuition, registration fees, organizational dues, and other authorized expenses of the officers or members of the board of trustees incurred in attending educational conferences, seminars, or classes relating to the administration of the relief association;

(4) audit and audit-related services, accounting and accounting-related services, and actuarial, medical, legal, and investment and performance evaluation expenses;

(5) filing and application fees payable by the relief association to federal or other government entities;

(6) reimbursement to the officers and members of the board of trustees or their designees, for reasonable and necessary expenses actually paid and incurred in the performance of their duties as officers or members of the board; and

(7) premiums on fiduciary liability insurance and official bonds for the officers, members of the board of trustees, and employees of the relief association.

(b) All other expenses of the relief association must be paid from the general fund of the association if one exists. If a relief association has only one fund, that fund is the special fund for purposes of this subdivision. If a relief association has a special fund and a general fund, the payment of any expense of the relief association that is directly related to the purposes for which both funds were established must be apportioned between the two funds on the basis of the benefits derived by each fund.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 4. **REPEALER.**

(a) Minnesota Statutes 2018, sections 69.051, subdivisions 1, 1a, 1b, 2, 3, and 4; and 69.80, are repealed.

(b) Minnesota Statutes 2018, sections 69.33; and 297I.25, subdivision 2, are repealed.

EFFECTIVE DATE. Paragraph (a) is effective July 1, 2019. Paragraph (b) is effective for reports filed after December 31, 2019.

ARTICLE 21

FIRE AND POLICE STATE AID; CONFORMING CHANGES

Section 1. Minnesota Statutes 2018, section 6.495, subdivision 3, is amended to read:

Subd. 3. **Report to commissioner of revenue.** The state auditor shall file with the commissioner of revenue a financial compliance report certifying for each relief association:

(1) the completion of the annual financial report required under section ~~69.051~~ 424A.014 and the auditing or certification of those financial reports under subdivision 1; and

(2) the receipt of any actuarial valuations required under section 424A.093 or Laws 2013, chapter 111, article 5, sections 31 to 42.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 2. Minnesota Statutes 2018, section 144E.42, subdivision 2, is amended to read:

Subd. 2. **Trust account.** (a) There is established in the general fund the Cooper/Sams volunteer ambulance trust account and the Cooper/Sams volunteer ambulance award and account.

(b) The trust account must be credited with:

(1) general fund appropriations for that purpose;

(2) transfers from the Cooper/Sams volunteer ambulance award and account; and

(3) investment earnings on those accumulated proceeds. The assets and income of the trust account must be held and managed by the commissioner of management and budget and the State Board of Investment for the benefit of the state of Minnesota and its general creditors.

(c) The Cooper/Sams volunteer ambulance account must be credited with transfers from the excess police state-aid holding account established in section ~~69.021, subdivision 1~~ 477C.03, subdivision 4, any per-year-of-service allocation under section 144E.45, subdivision 2, paragraph (c), that was not made for an individual, and investment earnings on those accumulated proceeds. The Cooper/Sams volunteer ambulance account must be managed by the commissioner of management and budget and the State Board of Investment. From the Cooper/Sams volunteer ambulance account to the trust account there must be transferred to the Cooper/Sams volunteer ambulance trust account, as the Cooper/Sams volunteer ambulance account balance permits, the following amounts:

(1) an amount equal to any general fund appropriation to the Cooper/Sams volunteer ambulance trust account for that fiscal year; and

(2) an amount equal to the percentage of the remaining balance in the account after the deduction of the amount under clause (1), as specified for the applicable fiscal year:

Fiscal year	Percentage
1995	20
1996	40
1997	50
1998	60
1999	70
2000	80
2001	90
2002 and thereafter	100

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 3. Minnesota Statutes 2018, section 297I.20, subdivision 3, is amended to read:

Subd. 3. **Historic structure rehabilitation credit.** An insurance company may claim a credit against the premiums tax imposed under this chapter equal to the amount of the credit certificate issued to it, or to a person who has assigned the credit to the insurance company, under section 290.0681. If the amount of the credit exceeds the liability for tax under this chapter, the commissioner shall refund the excess to the insurance company. An amount sufficient to pay the refunds under this section is appropriated to the commissioner from the general fund. This credit does not affect the calculation of ~~police and fire~~ state aid under section 69.021 477B.03 and police state aid under section 477C.03.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 4. Minnesota Statutes 2018, section 353G.01, subdivision 9, is amended to read:

Subd. 9. **Municipality.** "Municipality" means a governmental entity specified in section ~~69.011, subdivision 1, paragraph (b), clauses (1), (2), and (5) 477B.01, subdivision 10,~~ a city or township that has entered into a contract with an independent nonprofit firefighting corporation, or a city or township that has entered into a contract with a joint powers entity established under section 471.59.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 5. Minnesota Statutes 2018, section 353G.05, subdivision 2, is amended to read:

Subd. 2. **Election of coverage; lump sum.** (a) The process for electing coverage of volunteer firefighters by the lump-sum retirement division is initiated by a request to the executive director for a cost analysis of the prospective retirement coverage under the lump-sum retirement division.

(b) If the volunteer firefighters are currently covered by a lump-sum volunteer firefighter relief association or a defined contribution volunteer firefighter relief association governed by chapter 424A, the cost analysis of the prospective retirement coverage must be requested jointly by the secretary of the volunteer firefighter relief association, following approval of the request by the board of the volunteer firefighter relief association, and the chief administrative officer of the entity associated with the relief association, following approval of the request by the governing body of the entity associated with the relief association. If the relief association is associated with more than one entity, the chief administrative officer of each associated entity must execute the request. If the

volunteer firefighters are not currently covered by a volunteer firefighter relief association, the cost analysis of the prospective retirement coverage must be requested by the chief administrative officer of the entity operating the fire department. The request must be made in writing and must be made on a form prescribed by the executive director.

(c) The cost analysis of the prospective retirement coverage by the lump-sum retirement division of the statewide retirement plan must be based on the service pension amount under section 353G.11 closest to the service pension amount provided by the volunteer firefighter relief association if the relief association is a lump-sum defined benefit plan, or the amount equal to 95 percent of the most current average account balance per relief association member if the relief association is a defined contribution plan, or to the lowest service pension amount under section 353G.11 if there is no volunteer firefighter relief association, rounded up, and any other service pension amount designated by the requester or requesters. The cost analysis must be prepared using a mathematical procedure certified as accurate by an approved actuary retained by the Public Employees Retirement Association.

(d) If a cost analysis is requested and a volunteer ~~firefighters'~~ firefighters relief association exists that has filed the information required under section ~~69.051~~ 424A.014 in a timely fashion, upon request by the executive director, the state auditor shall provide the most recent data available on the financial condition of the volunteer firefighter relief association, the most recent firefighter demographic data available, and a copy of the current relief association bylaws. If a cost analysis is requested, but no volunteer firefighter relief association exists, the chief administrative officer of the entity operating the fire department shall provide the demographic information on the volunteer firefighters serving as members of the fire department requested by the executive director.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 6. Minnesota Statutes 2018, section 353G.08, subdivision 1, is amended to read:

Subdivision 1. **Annual funding requirements; lump-sum retirement division.** (a) Annually, the executive director shall determine the funding requirements of each account in the lump-sum retirement division of the voluntary statewide volunteer firefighter retirement plan on or before August 1. The funding requirements computed under this subdivision must be determined using a mathematical procedure developed and certified as accurate by the approved actuary retained by the Public Employees Retirement Association and must be based on present value factors using a six percent interest rate, without any decrement assumptions. The funding requirements must be certified to the entity or entities associated with the fire department whose active firefighters are covered by the retirement plan.

(b) The overall funding balance of each lump-sum account for the current calendar year must be determined in the following manner:

(1) The total accrued liability for all active and deferred members of the account as of December 31 of the current year must be calculated based on the good time service credit of active and deferred members as of that date.

(2) The total present assets of the account projected to December 31 of the current year, including receipts by and disbursements from the account anticipated to occur on or before December 31, must be calculated. To the extent possible, the market value of assets must be utilized in making this calculation.

(3) The amount of the total present assets calculated under clause (2) must be subtracted from the amount of the total accrued liability calculated under clause (1). If the amount of total present assets exceeds the amount of the total accrued liability, then the account is considered to have a surplus over full funding. If the amount of the total present assets is less than the amount of the total accrued liability, then the account is considered to have a deficit from full funding. If the amount of total present assets is equal to the amount of the total accrued liability, then the special fund is considered to be fully funded.

(c) The financial requirements of each lump-sum account for the following calendar year must be determined in the following manner:

(1) The total accrued liability for all active and deferred members of the account as of December 31 of the calendar year next following the current calendar year must be calculated based on the good time service used in the calculation under paragraph (b), clause (1), increased by one year.

(2) The increase in the total accrued liability of the account for the following calendar year over the total accrued liability of the account for the current year must be calculated.

(3) The amount of administrative expenses of the account must be calculated by multiplying the per-person dollar amount of the administrative expenses for the most recent prior calendar year by the number of active and deferred firefighters reported to PERA on the most recent good time service credit certification form for each account.

(4) If the account is fully funded, the financial requirement of the account for the following calendar year is the total of the amounts calculated under clauses (2) and (3).

(5) If the account has a deficit from full funding, the financial requirement of the account for the following calendar year is the total of the amounts calculated under clauses (2) and (3) plus an amount equal to one-tenth of the amount of the deficit from full funding of the account.

(6) If the account has a surplus over full funding, the financial requirement of the account for the following calendar year is the financial requirement of the account calculated as though the account was fully funded under clause (4) and, if the account has also had a surplus over full funding during the prior two years, additionally reduced by an amount equal to one-tenth of the amount of the surplus over full funding of the account.

(d) The required contribution of the entity or entities associated with the fire department whose active firefighters are covered by the lump-sum retirement division is the annual financial requirements of the lump-sum account of the retirement plan under paragraph (c) reduced by the amount of any fire state aid payable under ~~sections 69.011 to 69.051~~ chapter 477B or police and firefighter retirement supplemental state aid payable under section 423A.022 that is reasonably anticipated to be received by the retirement plan attributable to the entity or entities during the following calendar year, and an amount of interest on the assets projected to be received during the following calendar year calculated at the rate of six percent per annum. The required contribution must be allocated between the entities if more than one entity is involved. A reasonable amount of anticipated fire state aid is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

(e) The required contribution calculated in paragraph (d) must be paid to the retirement plan on or before December 31 of the year for which it was calculated. If the contribution is not received by the retirement plan by December 31, it is payable with interest at an annual compound rate of six percent from the date due until the date payment is received by the retirement plan. If the entity does not pay the full amount of the required contribution, the executive director shall collect the unpaid amount under section 353.28, subdivision 6.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 7. Minnesota Statutes 2018, section 353G.08, subdivision 1a, is amended to read:

Subd. 1a. **Annual funding requirements; monthly benefit retirement division.** (a) Annually, the executive director shall determine the funding requirements of each monthly benefit account in the voluntary statewide volunteer firefighter retirement plan on or before August 1.

(b) The executive director must determine the funding requirements of a monthly benefit account under this subdivision from:

(1) the most recent actuarial valuation normal cost, administrative expense, including the cost of a regular actuarial valuation, and amortization results for the account determined by the approved actuary retained by the retirement association under sections 356.215 and 356.216; and

(2) the standards for actuarial work, utilizing a six percent interest rate actuarial assumption and other actuarial assumptions approved under section 356.215, subdivision 18:

(i) with that portion of any unfunded actuarial accrued liability attributable to a benefit increase to be amortized over a period of 20 years from the date of the benefit change;

(ii) with that portion of any unfunded actuarial accrued liability attributable to an assumption change or an actuarial method change to be amortized over a period of 20 years from the date of the assumption or method change;

(iii) with that portion of any unfunded actuarial accrued liability attributable to an investment loss to be amortized over a period of ten years from the date of investment loss; and

(iv) with the balance of any net unfunded actuarial accrued liability to be amortized over a period of five years from the date of the actuarial valuation.

(c) The required contributions of the entity or entities associated with the fire department whose active firefighters are covered by the monthly benefit retirement division are the annual financial requirements of the monthly benefit account of the retirement plan under paragraph (b) reduced by the amount of any fire state aid payable under ~~sections 69.011 to 69.051~~ chapter 477B, or any police and firefighter retirement supplemental state aid payable under section 423A.022, that is reasonably anticipated to be received by the retirement plan attributable to the entity or entities during the following calendar year. The required contribution must be allocated between the entities if more than one entity is involved. A reasonable amount of anticipated fire state aid is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

(d) The required contribution calculated in paragraph (c) must be paid to the retirement plan on or before December 31 of the year for which it was calculated. If the contribution is not received by the retirement plan by December 31, it is payable with interest at an annual compound rate of six percent from the date due until the date payment is received by the retirement plan. If the entity does not pay the full amount of the required contribution, the executive director shall collect the unpaid amount under section 353.28, subdivision 6.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 8. Minnesota Statutes 2018, section 353G.17, subdivision 2, is amended to read:

Subd. 2. **Approval by the relief association.** (a) Before a transfer of records, assets, and liabilities from the retirement plan to a relief association may occur, the board of trustees of the relief association shall adopt resolutions as follows:

(1) approving and accepting the transfer of records, assets, and liabilities from the retirement plan; and

(2) amending the bylaws of the relief association as necessary to add the firefighters whose benefits are being transferred from the retirement plan and to provide that each benefit being transferred retains vesting, distribution, and other rights to which the firefighter, for whom the benefit is being transferred, is entitled under the terms of the retirement plan to the date of the transfer.

The board of trustees shall file a copy of the resolutions with the executive director.

(b) The board of trustees of the relief association shall file with the state auditor the following:

(1) a copy of the resolutions required under paragraph (a);

(2) a copy of the bylaws of the relief association and any bylaw amendments;

(3) a copy of the relief association's investment policy;

(4) a statement that a board of trustees has been duly elected and each trustee's name, address, telephone number, and e-mail address, if any;

(5) a copy of the most recent annual financial, investment, and plan administration report filed under section ~~69.051~~ 424A.014, unless the due date for the first report has not yet occurred; and

(6) a copy of the documentation indicating that a special fund has been established with a financial institution to receive a transfer of assets from the retirement plan.

(c) Upon receipt of the information and documents required under paragraph (b), the state auditor shall issue to the relief association and the executive director written confirmation of receipt of all required information and documents.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 9. Minnesota Statutes 2018, section 356.20, subdivision 4a, is amended to read:

Subd. 4a. **Financial report for police or firefighters relief association.** For any police or ~~firefighter's~~ firefighters relief association referred to in subdivision 2, clause (10) or (11), a financial report that is duly filed and that meets the requirements of section ~~69.051~~ 424A.014 is deemed to have met the requirements of subdivision 4.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 10. Minnesota Statutes 2018, section 356.219, subdivision 8, is amended to read:

Subd. 8. **Timing of reports.** (a) For the Bloomington Fire Department Relief Association and the volunteer firefighter relief associations, the information required under this section must be submitted by the due date for reports required under section ~~69.051, subdivision 1 or 1a~~ 424A.014, subdivision 1 or 2, as applicable. If a relief association satisfies the definition of a fully invested plan under subdivision 1, paragraph (b), for the calendar year covered by the report required under section ~~69.051, subdivision 1 or 1a~~ 424A.014, subdivision 1 or 2, as applicable, the chief administrative officer of the covered pension plan shall certify that compliance on a form prescribed by the state auditor. The state auditor shall transmit annually to the State Board of Investment a list or lists of covered pension plans which submitted certifications in order to facilitate reporting by the State Board of Investment under paragraph (c).

(b) For the St. Paul Teachers Retirement Fund Association and the University of Minnesota faculty supplemental retirement plan, the information required under this section must be submitted to the state auditor by June 1 of each year.

(c) The State Board of Investment, on behalf of pension funds specified in subdivision 1, paragraph (c), shall report information required under this section by September 1 of each year.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 11. Minnesota Statutes 2018, section 423A.02, subdivision 1b, is amended to read:

Subd. 1b. **Additional amortization state aid.** (a) Annually, the commissioner shall allocate the additional amortization state aid, if any, including any state aid in excess of the limitation in subdivision 4, on the following basis:

(1) 47.1 percent to the city of Minneapolis to defray the employer costs associated with police and firefighter retirement coverage;

(2) 25.8 percent as additional funding to support the minimum fire state aid for volunteer firefighter relief associations under section ~~69.021, subdivision 7, paragraph (d)~~ 477B.03, subdivision 5;

(3) 12.9 percent to the city of Duluth to defray employer costs associated with police and firefighter retirement coverage;

(4) 12.9 percent to the St. Paul Teachers Retirement Fund Association if the investment performance requirement of paragraph (c) is met; and

(5) 1.3 percent to the city of Virginia to defray the employer contribution under section 353.665, subdivision 8, paragraph (d).

If there is no additional employer contribution under section 353.665, subdivision 8, paragraph (b), certified under subdivision 1, paragraph (d), clause (2), with respect to the former Minneapolis Police Relief Association and the former Minneapolis Fire Department Relief Association, the commissioner shall allocate that 47.1 percent of the aid as follows: 49 percent to the Teachers Retirement Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighter relief associations under section ~~69.021, subdivision 7, paragraph (d)~~ 477B.03, subdivision 5. If there is no employer contribution by the city of Virginia under section 353.665, subdivision 8, paragraph (d), for the former Virginia Fire Department Relief Association certified on or before June 30 by the executive director of the Public Employees Retirement Association, the commissioner shall allocate that 1.3 percent of the aid as follows: 49 percent to the Teachers Retirement Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighter relief associations under section ~~69.021, subdivision 7, paragraph (d)~~ 477B.03, subdivision 5.

(b) The allocation must be made by the commissioner of revenue on October 1 annually.

(c) With respect to the St. Paul Teachers Retirement Fund Association, annually, if the teacher's association five-year average time-weighted rate of investment return does not equal or exceed the performance of a composite portfolio assumed passively managed (indexed) invested ten percent in cash equivalents, 60 percent in bonds and similar debt securities, and 30 percent in domestic stock calculated using the formula under section 11A.04, clause (11), the aid allocation to the retirement fund under this section ceases until the five-year annual rate of investment return equals or exceeds the performance of that composite portfolio.

(d) The amounts required under this subdivision are the amounts annually appropriated to the commissioner of revenue under section ~~69.021, subdivision 11~~ 477B.03, subdivision 5, paragraph (d), if any, and the aid amounts in excess of the limitation in subdivision 4.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 12. Minnesota Statutes 2018, section 423A.02, subdivision 3, is amended to read:

Subd. 3. Reallocation of amortization state aid. (a) Seventy percent of the difference between \$5,720,000 and the current year amortization aid distributed under subdivision 1 that is not distributed for any reason to a municipality must be distributed by the commissioner of revenue according to this paragraph. The commissioner shall distribute 60 percent of the amounts derived under this paragraph to the Teachers Retirement Association, and 40 percent to the St. Paul Teachers Retirement Fund Association to fund the unfunded actuarial accrued liabilities of the respective funds. These payments must be made on July 15 each fiscal year. If the St. Paul Teachers Retirement Fund Association or the Teachers Retirement Association satisfies subdivision 5, eligibility for its portion of this aid ceases. Amounts remaining in the undistributed balance account at the end of the biennium if aid eligibility ceases cancel to the general fund.

(b) In order to receive amortization aid under paragraph (a), before June 30 annually Independent School District No. 625, St. Paul, must make an additional contribution of \$800,000 each year to the St. Paul Teachers Retirement Fund Association.

(c) Thirty percent of the difference between \$5,720,000 and the current year amortization aid under subdivision 1 that is not distributed for any reason to a municipality must be distributed under section ~~69.021, subdivision 7, paragraph (d)~~ 477B.03, subdivision 5, as additional funding to support a minimum fire state aid amount for volunteer firefighter relief associations.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 13. Minnesota Statutes 2018, section 423A.022, subdivision 2, is amended to read:

Subd. 2. **Allocation.** (a) Of the total amount appropriated as supplemental state aid:

(1) 58.064 percent must be paid to the executive director of the Public Employees Retirement Association for deposit in the public employees police and fire retirement fund established by section 353.65, subdivision 1;

(2) 35.484 percent must be paid to municipalities other than municipalities solely employing firefighters with retirement coverage provided by the public employees police and fire retirement plan which qualified to receive fire state aid in that calendar year, allocated in proportion to the most recent amount of fire state aid paid under section ~~69.021, subdivision 7~~ 477B.04, for the municipality bears to the most recent total fire state aid for all municipalities other than the municipalities solely employing firefighters with retirement coverage provided by the public employees police and fire retirement plan paid under section ~~69.021, subdivision 7~~ 477B.04, with the allocated amount for fire departments participating in the voluntary statewide lump-sum volunteer firefighter retirement plan paid to the executive director of the Public Employees Retirement Association for deposit in the fund established by section 353G.02, subdivision 3, and credited to the respective account and with the balance paid to the treasurer of each municipality for transmittal within 30 days of receipt to the treasurer of the applicable volunteer firefighter relief association for deposit in its special fund; and

(3) 6.452 percent must be paid to the executive director of the Minnesota State Retirement System for deposit in the state patrol retirement fund.

(b) For purposes of this section, the term "municipalities" includes independent nonprofit firefighting corporations that participate in the voluntary statewide lump-sum volunteer firefighter retirement plan under chapter 353G or with subsidiary volunteer firefighter relief associations operating under chapter 424A.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 14. Minnesota Statutes 2018, section 423A.022, subdivision 4, is amended to read:

Subd. 4. **Payments; conditions prerequisite.** (a) The payments under this section must be made on October 1 each year, with interest at one percent for each month, or portion of a month, that the amount remains unpaid after October 1. Any necessary adjustments must be made to subsequent payments.

(b) The provisions of sections ~~69.011 to 69.051~~ chapter 477B and section 424A.014 that prevent municipalities and relief associations from being eligible for, or receiving fire state aid under sections ~~69.011 to 69.051~~ chapter 477B and section 424A.014 until the applicable financial reporting

requirements have been complied with, apply to the amounts payable to municipalities and relief associations under this section.

EFFECTIVE DATE. This section is effective July 1, 2019, except the references to Minnesota Statutes, chapter 477B, are effective for aids payable in 2020 and thereafter.

Sec. 15. Minnesota Statutes 2018, section 424A.016, subdivision 2, is amended to read:

Subd. 2. **Defined contribution service pension eligibility.** (a) A relief association, when its articles of incorporation or bylaws so provide, may pay out of the assets of its special fund a defined contribution service pension to each of its members who:

(1) separates from active service with the fire department;

(2) reaches age 50;

(3) completes at least five years of active service as an active member of the fire department to which the relief association is associated;

(4) completes at least five years of active membership with the relief association before separation from active service; and

(5) complies with any additional conditions as to age, service, and membership that are prescribed by the bylaws of the relief association.

(b) In the case of a member who has completed at least five years of active service as an active member of the fire department to which the relief association is associated on the date that the relief association is established and incorporated, the requirement that the member complete at least five years of active membership with the relief association before separation from active service may be waived by the board of trustees of the relief association if the member completes at least five years of inactive membership with the relief association before the date of the payment of the service pension. During the period of inactive membership, the member is not entitled to receive any disability benefit coverage, is not entitled to receive additional individual account allocation of fire state aid or municipal contribution towards a service pension, and is considered to have the status of a person entitled to a deferred service pension.

(c) The service pension earned by a volunteer under this chapter and the articles of incorporation and bylaws of the relief association may be paid whether or not the municipality or independent nonprofit firefighting corporation to which the relief association is associated qualifies for the receipt of fire state aid under chapter ~~69~~ 477B.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 16. Minnesota Statutes 2018, section 424A.016, subdivision 4, is amended to read:

Subd. 4. **Individual accounts.** (a) An individual account must be established for each firefighter who is a member of the relief association.

(b) To each individual active member account must be credited an equal share of:

(1) any amounts of fire state aid and police and firefighter retirement supplemental state aid received by the relief association;

(2) any amounts of municipal contributions to the relief association raised from levies on real estate or from other available municipal revenue sources exclusive of fire state aid; and

(3) any amounts equal to the share of the assets of the special fund to the credit of:

(i) any former member who terminated active service with the fire department to which the relief association is associated before meeting the minimum service requirement provided for in subdivision 2, paragraph (b), and has not returned to active service with the fire department for a period no shorter than five years; or

(ii) any retired member who retired before obtaining a full nonforfeitable interest in the amounts credited to the individual member account under subdivision 2, paragraph (b), and any applicable provision of the bylaws of the relief association. In addition, any investment return on the assets of the special fund must be credited in proportion to the share of the assets of the special fund to the credit of each individual active member account. Administrative expenses of the relief association payable from the special fund may be deducted from individual accounts in a manner specified in the bylaws of the relief association.

(c) If the bylaws so permit and as the bylaws define, the relief association may credit any investment return on the assets of the special fund to the accounts of inactive members.

(d) Amounts to be credited to individual accounts must be allocated uniformly for all years of active service and allocations must be made for all years of service, except for caps on service credit if so provided in the bylaws of the relief association. Amounts forfeited under paragraph (b), clause (3), before a resumption of active service and membership under section 424A.01, subdivision 6, remain forfeited and may not be reinstated upon the resumption of active service and membership. The allocation method may utilize monthly proration for fractional years of service, as the bylaws or articles of incorporation of the relief association so provide. The bylaws or articles of incorporation may define a "month," but the definition must require a calendar month to have at least 16 days of active service. If the bylaws or articles of incorporation do not define a "month," a "month" is a completed calendar month of active service measured from the member's date of entry to the same date in the subsequent month.

(e) At the time of retirement under subdivision 2 and any applicable provision of the bylaws of the relief association, a retiring member is entitled to that portion of the assets of the special fund to the credit of the member in the individual member account which is nonforfeitable under subdivision 3 and any applicable provision of the bylaws of the relief association based on the number of years of service to the credit of the retiring member.

(f) Annually, the secretary of the relief association shall certify the individual account allocations to the state auditor at the same time that the annual financial statement or financial report and audit of the relief association, whichever applies, is due under section ~~69.051~~ 424A.014.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 17. Minnesota Statutes 2018, section 424A.02, subdivision 1, is amended to read:

Subdivision 1. **Authorization.** (a) A defined benefit relief association, when its articles of incorporation or bylaws so provide, may pay out of the assets of its special fund a defined benefit service pension to each of its members who: (1) separates from active service with the fire department; (2) reaches age 50; (3) completes at least five years of active service as an active member of the fire department to which the relief association is associated; (4) completes at least five years of active membership with the relief association before separation from active service; and (5) complies with any additional conditions as to age, service, and membership that are prescribed by the bylaws of the relief association. A service pension computed under this section may be prorated monthly for fractional years of service as the bylaws or articles of incorporation of the relief association so provide. The bylaws or articles of incorporation may define a "month," but the definition must require a calendar month to have at least 16 days of active service. If the bylaws or articles of incorporation do not define a "month," a "month" is a completed calendar month of active service measured from the member's date of entry to the same date in the subsequent month. The service pension earned by a volunteer firefighter under this chapter and the articles of incorporation and bylaws of the volunteer firefighters relief association may be paid whether or not the municipality or independent nonprofit firefighting corporation to which the relief association is associated qualifies for the receipt of fire state aid under chapter ~~69~~ 477B.

(b) In the case of a member who has completed at least five years of active service as an active member of the fire department to which the relief association is associated on the date that the relief association is established and incorporated, the requirement that the member complete at least five years of active membership with the relief association before separation from active service may be waived by the board of trustees of the relief association if the member completes at least five years of inactive membership with the relief association before the date of the payment of the service pension. During the period of inactive membership, the member is not entitled to receive disability benefit coverage, is not entitled to receive additional service credit towards computation of a service pension, and is considered to have the status of a person entitled to a deferred service pension under subdivision 7.

(c) No municipality, independent nonprofit firefighting corporation, or joint powers entity may delegate the power to take final action in setting a service pension or ancillary benefit amount or level to the board of trustees of the relief association or to approve in advance a service pension or ancillary benefit amount or level equal to the maximum amount or level that this chapter would allow rather than a specific dollar amount or level.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 18. Minnesota Statutes 2018, section 424A.02, subdivision 3a, is amended to read:

Subd. 3a. **Penalty for paying pension greater than applicable maximum.** (a) If a defined benefit relief association pays a service pension greater than the maximum service pension associated with the applicable average amount of available financing per active covered firefighter under the table in subdivision 3, paragraph (c) or (d), whichever applies, the maximum service pension under subdivision 3, paragraph (f), or the applicable maximum service pension amount specified in subdivision 3, paragraph (g), whichever is less, the state auditor shall:

(1) disqualify the municipality or the independent nonprofit firefighting corporation associated with the relief association from receiving fire state aid by making the appropriate notification to the

municipality and the commissioner of revenue, with the disqualification applicable for the next apportionment and payment of fire state aid; and

(2) order the treasurer of the applicable relief association to recover the amount of the overpaid service pension or pensions from any retired firefighter who received an overpayment.

(b) Fire state aid amounts from disqualified municipalities for the period of disqualifications under paragraph (a), clause (1), must be credited to the amount of fire insurance premium tax proceeds available for the next subsequent fire state aid apportionment.

(c) The amount of any overpaid service pension recovered under paragraph (a), clause (2), must be credited to the amount of fire insurance premium tax proceeds available for the next subsequent fire state aid apportionment.

(d) The determination of the state auditor that a relief association has paid a service pension greater than the applicable maximum must be made on the basis of the information filed by the relief association and the municipality with the state auditor under ~~sections 69.011, subdivision 2, and 69.051, subdivision 1 or 1a, whichever applies~~, this chapter and any other relevant information that comes to the attention of the state auditor. The determination of the state auditor is final. An aggrieved municipality, relief association, or person may appeal the determination under section 480A.06.

(e) The state auditor may certify, upon learning that a relief association overpaid a service pension based on an error in the maximum service pension calculation, the municipality or independent nonprofit firefighting corporation associated with the relief association for fire state aid if (1) there is evidence that the error occurred in good faith, and (2) the relief association has initiated recovery of any overpayment amount. Notwithstanding paragraph (c), all overpayments recovered under this paragraph must be credited to the relief association's special fund.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 19. Minnesota Statutes 2018, section 424A.02, subdivision 10, is amended to read:

Subd. 10. Local approval of bylaw amendments; filing requirements. (a) Each defined benefit relief association to which this section applies must file a revised copy of its governing bylaws with the state auditor upon the adoption of any amendment to its governing bylaws by the relief association or upon the approval of any amendment to its governing bylaws granted by the governing body of each municipality served by the fire department to which the relief association is directly associated. Failure of the relief association to file a copy of the bylaws or any bylaw amendments with the state auditor disqualifies the municipality from the distribution of any future fire state aid until this filing requirement has been completed.

(b) If the special fund of the relief association does not have a surplus over full funding under section 424A.092, subdivision 3, paragraph (c), clause (5), or 424A.093, subdivision 4, and if the municipality is required to provide financial support to the special fund of the relief association under section 424A.092 or 424A.093, no bylaw amendment which would affect the amount of, the manner of payment of, or the conditions for qualification for service pensions or ancillary benefits or disbursements other than administrative expenses authorized under ~~section 69.80 424A.05, subdivision 3b~~, payable from the special fund of the relief association is effective until it has been ratified as required under section 424A.092, subdivision 6, or 424A.093, subdivision 6. If the special

fund of the relief association has a surplus over full funding under section 424A.092, subdivision 3, or 424A.093, subdivision 4, and if the municipality is not required to provide financial support to the special fund under this section, the relief association may adopt or amend without municipal ratification its articles of incorporation or bylaws which increase or otherwise affect the service pensions or ancillary benefits payable from the special fund if authorized under section 424A.092, subdivision 6, or 424A.093, subdivision 6.

(c) If the relief association pays only a lump-sum pension, the financial requirements are to be determined by the board of trustees following the preparation of an estimate of the expected increase in the accrued liability and annual accruing liability of the relief association attributable to the change. If the relief association pays a monthly benefit service pension, the financial requirements are to be determined by the board of trustees following either an updated actuarial valuation including the proposed change or an estimate of the expected actuarial impact of the proposed change prepared by the actuary of the relief association. If a relief association adopts or amends its articles of incorporation or bylaws without municipal ratification under this subdivision, and, subsequent to the amendment or adoption, the financial requirements of the special fund under this section are such so as to require financial support from the municipality, the provision which was implemented without municipal ratification is no longer effective without municipal ratification, and any service pensions or ancillary benefits payable after that date must be paid only in accordance with the articles of incorporation or bylaws as amended or adopted with municipal ratification.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 20. Minnesota Statutes 2018, section 424A.03, subdivision 2, is amended to read:

Subd. 2. **Penalties for violations.** A municipality which has a fire department associated with a relief association which violates the provisions of subdivision 1 is directly associated or which contracts with an independent nonprofit firefighting corporation associated with a relief association which violates the provisions of subdivision 1 is a subsidiary may not be included in the apportionment of fire state aid to the applicable county auditor and police and firefighter retirement supplemental state aid payable under ~~section 69.021, subdivision 6, chapter 477B and section 423A.022~~ and may not be included in the apportionment of fire state aid by the county auditor to the various municipalities under section ~~69.021, subdivision 7~~ 477B.03.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 21. Minnesota Statutes 2018, section 424A.05, subdivision 2, is amended to read:

Subd. 2. **Special fund assets and revenues.** The special fund must be credited with all fire state aid and police and firefighter retirement supplemental state aid received under ~~sections 69.011 to 69.051~~ chapter 477B and section 423A.022, all taxes levied by or other revenues received from the municipality under sections 424A.091 to 424A.096 or any applicable special law requiring municipal support for the relief association, any funds or property donated, given, granted or devised by any person which is specified for use for the support of the special fund and any interest or investment return earned upon the assets of the special fund. The treasurer of the relief association is the custodian of the assets of the special fund and must be the recipient on behalf of the special fund of all revenues payable to the special fund. The treasurer shall maintain adequate records documenting any transaction involving the assets or the revenues of the special fund. These records and the bylaws of the relief

association are public and must be open for inspection by any member of the relief association, any officer or employee of the state or of the municipality, or any member of the public, at reasonable times and places.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 22. Minnesota Statutes 2018, section 424A.05, subdivision 3, is amended to read:

Subd. 3. **Authorized disbursements from special fund.** (a) Disbursements from the special fund may not be made for any purpose other than one of the following:

(1) for the payment of service pensions to retired members of the relief association if authorized and paid under law and the bylaws governing the relief association;

(2) for the purchase of an annuity for the applicable person under section 424A.015, subdivision 3, for the transfer of service pension or benefit amounts to the applicable person's individual retirement account under section 424A.015, subdivision 4, or to the applicable person's account in the Minnesota deferred compensation plan under section 424A.015, subdivision 5;

(3) for the payment of temporary or permanent disability benefits to disabled members of the relief association if authorized and paid under law and specified in amount in the bylaws governing the relief association;

(4) for the payment of survivor benefits or for the payment of a death benefit to the estate of the deceased active or deferred firefighter, if authorized and paid under law and specified in amount in the bylaws governing the relief association;

(5) for the payment of the fees, dues and assessments to the Minnesota State Fire Department Association and to the Minnesota State Fire Chiefs Association in order to entitle relief association members to membership in and the benefits of these associations or organizations;

(6) for the payment of insurance premiums to the state Volunteer Firefighters Benefit Association, or an insurance company licensed by the state of Minnesota offering casualty insurance, in order to entitle relief association members to membership in and the benefits of the association or organization; and

(7) for the payment of administrative expenses of the relief association as authorized under ~~section 69.80~~ subdivision 3b.

(b) Checks or authorizations for electronic fund transfers for disbursements authorized by this section must be signed by the relief association treasurer and at least one other elected trustee who has been designated by the board of trustees to sign the checks or authorizations. A relief association may make disbursements authorized by this subdivision by electronic fund transfers only if the specific method of payment and internal control policies and procedures regarding the method are approved by the board of trustees.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 23. Minnesota Statutes 2018, section 424A.07, is amended to read:

424A.07 NONPROFIT FIREFIGHTING CORPORATIONS; ESTABLISHMENT OF RELIEF ASSOCIATIONS.

Before paying any service pensions or retirement benefits under section 424A.02 or before becoming entitled to receive any amounts of fire state aid upon transmittal from a contracting municipality under section ~~69.031, subdivision 5~~ 477B.04, subdivision 3, an independent nonprofit firefighting corporation shall establish a volunteer firefighters relief association governed by this chapter.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 24. Minnesota Statutes 2018, section 424A.091, subdivision 3, is amended to read:

Subd. 3. **Remedy for noncompliance; determination.** (a) A municipality in which there exists a firefighters relief association as specified in subdivision 1 which does not comply with the applicable provisions of sections 424A.091 to 424A.096 or the provisions of any applicable special law relating to the funding or financing of the association does not qualify initially to receive, and is not entitled subsequently to retain, fire state aid under ~~sections 69.011 to 69.051~~ chapter 477B until the reason for the disqualification specified by the state auditor is remedied, whereupon the municipality or relief association, if otherwise qualified, is entitled to again receive fire state aid for the year occurring immediately subsequent to the year in which the disqualification is remedied.

(b) The state auditor shall determine if a municipality to which a firefighters' relief association is directly associated or a firefighters relief association fails to comply with the provisions of sections 424A.091 to 424A.096 or the funding or financing provisions of any applicable special law based upon the information contained in the annual financial report of the firefighters relief association required under section ~~69.051~~ 424A.014, the actuarial valuation of the relief association, if applicable, the relief association officers' financial requirements of the relief association and minimum municipal obligation determination documentation under section 424A.092, subdivisions 3 and 4; 424A.093, subdivisions 4 and 5; or 424A.094, subdivision 2, if requested to be filed by the state auditor, the applicable municipal or independent nonprofit firefighting corporation budget, if requested to be filed by the state auditor, and any other relevant documents or reports obtained by the state auditor.

(c) The municipality or independent nonprofit firefighting corporation and the associated relief association are not eligible to receive or to retain fire state aid if:

(1) the relief association fails to prepare or to file the financial report or financial statement under section ~~69.051~~ 424A.014;

(2) the relief association treasurer is not bonded in the manner and in the amount required by section ~~69.051, subdivision 2~~ 424A.014, subdivision 4;

(3) the relief association officers fail to determine or improperly determine the accrued liability and the annual accruing liability of the relief association under section 424A.092, subdivisions 2, 2a, and 3, paragraph (c), clause (2), if applicable;

(4) if applicable, the relief association officers fail to obtain and file a required actuarial valuation or the officers file an actuarial valuation that does not contain the special fund actuarial liability calculated under the entry age normal actuarial cost method, the special fund current assets, the

special fund unfunded actuarial accrued liability, the special fund normal cost under the entry age normal actuarial cost method, the amortization requirement for the special fund unfunded actuarial accrued liability by the applicable target date, a summary of the applicable benefit plan, a summary of the membership of the relief association, a summary of the actuarial assumptions used in preparing the valuation, and a signed statement by the actuary attesting to its results and certifying to the qualifications of the actuary as an approved actuary under section 356.215, subdivision 1, paragraph (c);

(5) the municipality failed to provide a municipal contribution, or the independent nonprofit firefighting corporation failed to provide a corporate contribution, in the amount equal to the minimum municipal obligation if the relief association is governed under section 424A.092, or the amount necessary, when added to the fire state aid actually received in the plan year in question, to at least equal in total the calculated annual financial requirements of the special fund of the relief association if the relief association is governed under section 424A.093, and, if the municipal or corporate contribution is deficient, the municipality failed to include the minimum municipal obligation certified under section 424A.092, subdivision 3, or 424A.093, subdivision 5, in its budget and tax levy or the independent nonprofit firefighting corporation failed to include the minimum corporate obligation certified under section 424A.094, subdivision 2, in the corporate budget;

(6) the defined benefit relief association did not receive municipal ratification for the most recent plan amendment when municipal ratification was required under section 424A.02, subdivision 10; 424A.092, subdivision 6; or 424A.093, subdivision 6;

(7) the relief association invested special fund assets in an investment security that is not authorized under section 424A.095;

(8) the relief association had an administrative expense that is not authorized under section ~~69.80~~ 424A.05, subdivision 3 or 3b, or the municipality had an expenditure that is not authorized under section 424A.08;

(9) the relief association officers fail to provide a complete and accurate public pension plan investment portfolio and performance disclosure under section 356.219;

(10) the relief association fails to obtain the acknowledgment from a broker of the statement of investment restrictions under section 356A.06, subdivision 8b;

(11) the relief association officers permitted to occur a prohibited transaction under section 356A.06, subdivision 9, or 424A.04, subdivision 2a, or failed to undertake correction of a prohibited transaction that did occur; or

(12) the relief association pays a defined benefit service pension in an amount that is in excess of the applicable service pension maximum under section 424A.02, subdivision 3.

EFFECTIVE DATE. This section is effective July 1, 2019, except the reference to Minnesota Statutes, chapter 477B, is effective for aids payable in 2020 and thereafter.

Sec. 25. Minnesota Statutes 2018, section 424A.092, subdivision 3, is amended to read:

Subd. 3. Financial requirements of relief association; minimum obligation of municipality.

(a) During the month of July, the officers of the relief association shall determine the overall funding balance of the special fund for the current calendar year, the financial requirements of the special fund for the following calendar year and the minimum obligation of the municipality with respect to the special fund for the following calendar year in accordance with the requirements of this subdivision.

(b) The overall funding balance of the special fund for the current calendar year must be determined in the following manner:

(1) The total accrued liability of the special fund for all active and deferred members of the relief association as of December 31 of the current year must be calculated under subdivisions 2 and 2a, if applicable.

(2) The total present assets of the special fund projected to December 31 of the current year, including receipts by and disbursements from the special fund anticipated to occur on or before December 31, must be calculated. To the extent possible, for those assets for which a market value is readily ascertainable, the current market value as of the date of the calculation for those assets must be utilized in making this calculation. For any asset for which no market value is readily ascertainable, the cost value or the book value, whichever is applicable, must be utilized in making this calculation.

(3) The amount of the total present assets of the special fund calculated under clause (2) must be subtracted from the amount of the total accrued liability of the special fund calculated under clause (1). If the amount of total present assets exceeds the amount of the total accrued liability, then the special fund is considered to have a surplus over full funding. If the amount of the total present assets is less than the amount of the total accrued liability, then the special fund is considered to have a deficit from full funding. If the amount of total present assets is equal to the amount of the total accrued liability, then the special fund is considered to be fully funded.

(c) The financial requirements of the special fund for the following calendar year must be determined in the following manner:

(1) The total accrued liability of the special fund for all active and deferred members of the relief association as of December 31 of the calendar year next following the current calendar year must be calculated under subdivisions 2 and 2a, if applicable.

(2) The increase in the total accrued liability of the special fund for the following calendar year over the total accrued liability of the special fund for the current year must be calculated.

(3) The amount of anticipated future administrative expenses of the special fund must be calculated by multiplying the dollar amount of the administrative expenses of the special fund for the most recent prior calendar year by the factor of 1.035.

(4) If the special fund is fully funded, the financial requirements of the special fund for the following calendar year are the total of the amounts calculated under clauses (2) and (3).

(5) If the special fund has a deficit from full funding, the financial requirements of the special fund for the following calendar year are the financial requirements of the special fund calculated as

though the special fund were fully funded under clause (4) plus an amount equal to one-tenth of the original amount of the deficit from full funding of the special fund as determined under clause (2) resulting either from an increase in the amount of the service pension occurring in the last ten years or from a net annual investment loss occurring during the last ten years until each increase in the deficit from full funding is fully retired. The annual amortization contribution under this clause may not exceed the amount of the deficit from full funding.

(6) If the special fund has a surplus over full funding, the financial requirements of the special fund for the following calendar year are the financial requirements of the special fund calculated as though the special fund were fully funded under clause (4) reduced by an amount equal to one-tenth of the amount of the surplus over full funding of the special fund.

(d) The minimum obligation of the municipality with respect to the special fund is the financial requirements of the special fund reduced by the amount of any fire state aid and police and firefighter retirement supplemental state aid payable under ~~sections 69.011 to 69.051~~ chapter 477B and section 423A.022 reasonably anticipated to be received by the municipality for transmittal to the special fund during the following calendar year, an amount of interest on the assets of the special fund projected to the beginning of the following calendar year calculated at the rate of five percent per annum, and the amount of any contributions to the special fund required by the relief association bylaws from the active members of the relief association reasonably anticipated to be received during the following calendar year. A reasonable amount of anticipated fire state aid is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

EFFECTIVE DATE. This section is effective for aids payable in 2020 and thereafter.

Sec. 26. Minnesota Statutes 2018, section 424A.092, subdivision 4, is amended to read:

Subd. 4. **Certification of financial requirements and minimum municipal obligation; levy.**

(a) The officers of the relief association shall certify the financial requirements of the special fund of the relief association and the minimum obligation of the municipality with respect to the special fund of the relief association as determined under subdivision 3 on or before August 1 of each year. The certification must be made to the entity that is responsible for satisfying the minimum obligation with respect to the special fund of the relief association. If the responsible entity is a joint powers entity, the certification must be made in the manner specified in the joint powers agreement, or if the joint powers agreement is silent on this point, the certification must be made to the chair of the joint powers board.

(b) The financial requirements of the relief association and the minimum municipal obligation must be included in the financial report or financial statement under section ~~69.051~~ 424A.014. The schedule forms related to the determination of the financial requirements must be filed with the state auditor by March 31, annually, if the relief association is required to file a financial statement under section ~~69.051, subdivision 1a~~ 424A.014, subdivision 2, or by June 30, annually, if the relief association is required to file a financial report and audit under section ~~69.051, subdivision 1~~ 424A.014, subdivision 1.

(c) The municipality shall provide for at least the minimum obligation of the municipality with respect to the special fund of the relief association by tax levy or from any other source of public revenue.

(d) The municipality may levy taxes for the payment of the minimum municipal obligation without any limitation as to rate or amount and irrespective of any limitations imposed by other provisions of law upon the rate or amount of taxation until the balance of the special fund or any fund of the relief association has attained a specified level. In addition, any taxes levied under this section must not cause the amount or rate of any other taxes levied in that year or to be levied in a subsequent year by the municipality which are subject to a limitation as to rate or amount to be reduced.

(e) If the municipality does not include the full amount of the minimum municipal obligations in its levy for any year, the officers of the relief association shall certify that amount to the county auditor, who shall spread a levy in the amount of the certified minimum municipal obligation on the taxable property of the municipality.

(f) If the state auditor determines that a municipal contribution actually made in a plan year was insufficient under section 424A.091, subdivision 3, paragraph (c), clause (5), the state auditor may request a copy of the certifications under this subdivision from the relief association or from the city. The relief association or the city, whichever applies, must provide the certifications within 14 days of the date of the request from the state auditor.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 27. Minnesota Statutes 2018, section 424A.093, subdivision 5, is amended to read:

Subd. 5. **Minimum municipal obligation.** (a) The officers of the relief association shall determine the minimum obligation of the municipality with respect to the special fund of the relief association for the following calendar year on or before August 1 of each year in accordance with the requirements of this subdivision.

(b) The minimum obligation of the municipality with respect to the special fund is an amount equal to the financial requirements of the special fund of the relief association determined under subdivision 4, reduced by the estimated amount of any fire state aid and police and firefighter retirement supplemental state aid payable under ~~sections 69.011 to 69.051~~ chapter 477B and section 423A.022 reasonably anticipated to be received by the municipality for transmittal to the special fund of the relief association during the following year and the amount of any anticipated contributions to the special fund required by the relief association bylaws from the active members of the relief association reasonably anticipated to be received during the following calendar year. A reasonable amount of anticipated fire state aid is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

(c) The officers of the relief association shall certify the financial requirements of the special fund of the relief association and the minimum obligation of the municipality with respect to the special fund of the relief association as determined under subdivision 4 and this subdivision by August 1 of each year. The certification must be made to the entity that is responsible for satisfying the minimum obligation with respect to the special fund of the relief association. If the responsible entity is a joint powers entity, the certification must be made in the manner specified in the joint powers agreement, or if the joint powers agreement is silent on this point, the certification must be made to the chair of the joint powers board.

(d) The financial requirements of the relief association and the minimum municipal obligation must be included in the financial report or financial statement under section ~~69.054~~ 424A.014.

(e) The municipality shall provide for at least the minimum obligation of the municipality with respect to the special fund of the relief association by tax levy or from any other source of public revenue. The municipality may levy taxes for the payment of the minimum municipal obligation without any limitation as to rate or amount and irrespective of any limitations imposed by other provisions of law or charter upon the rate or amount of taxation until the balance of the special fund or any fund of the relief association has attained a specified level. In addition, any taxes levied under this section must not cause the amount or rate of any other taxes levied in that year or to be levied in a subsequent year by the municipality which are subject to a limitation as to rate or amount to be reduced.

(f) If the municipality does not include the full amount of the minimum municipal obligation in its levy for any year, the officers of the relief association shall certify that amount to the county auditor, who shall spread a levy in the amount of the minimum municipal obligation on the taxable property of the municipality.

(g) If the state auditor determines that a municipal contribution actually made in a plan year was insufficient under section 424A.091, subdivision 3, paragraph (c), clause (5), the state auditor may request from the relief association or from the city a copy of the certifications under this subdivision. The relief association or the city, whichever applies, must provide the certifications within 14 days of the date of the request from the state auditor.

EFFECTIVE DATE. This section is effective July 1, 2019, except the reference to Minnesota Statutes, chapter 477B, is effective for aids payable in 2020 and thereafter.

Sec. 28. Minnesota Statutes 2018, section 424B.09, is amended to read:

424B.09 ADMINISTRATIVE EXPENSES.

The payment of authorized administrative expenses of the subsequent volunteer firefighters relief association must be from the special fund of the subsequent volunteer firefighters relief association in accordance with section ~~69.80~~ 424A.05, subdivision 3b, and as provided for in the bylaws of the subsequent volunteer firefighters relief association and approved by the board of trustees of the subsequent volunteer firefighters relief association. The payment of any other expenses of the subsequent volunteer firefighters relief association must be from the general fund of the subsequent volunteer firefighters relief association in accordance with section ~~69.80~~ 424A.05, subdivision 3b, and as provided for in the bylaws of the subsequent volunteer firefighters relief association and approved by the board of trustees of the subsequent volunteer firefighters relief association.

EFFECTIVE DATE. This section is effective July 1, 2019.

Sec. 29. **REPEALER.**

Minnesota Statutes 2018, section 69.022, is repealed.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 22**DEPARTMENT OF REVENUE; MISCELLANEOUS; POLICY CHANGES**

Section 1. Minnesota Statutes 2018, section 270B.08, subdivision 2, is amended to read:

Subd. 2. **Revocation or cancellation.** When a taxpayer's sales tax permit has been revoked or canceled under section 270C.722 or 297A.84, the commissioner may disclose to any person data identifying the holder of the revoked or canceled permit, stating the basis for the revocation or cancellation, the date of the revocation or cancellation, and stating whether the if a revoked or canceled permit has been reinstated, the date upon which the permit was reinstated.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2018, section 297A.84, is amended to read:

297A.84 PERMITS ISSUED AND NOT ISSUED; CANCELLATION.

Subdivision 1. **Definitions.** (a) The following definitions apply for the purposes of this section.

(b) "Applicant" means an individual, corporation, or partnership. Applicant also includes any officer of a corporation or member of a partnership.

(c) "Delinquent sales tax" means tax not paid by the date the tax was due and payable under section 289A.20, subdivision 4, or an assessment not paid if the applicant has been issued an order assessing sales and use tax under section 270C.33, subdivision 4.

Subd. 2. **Permits issued.** Except as provided in subdivision 3, the commissioner shall must issue a permit to each applicant who has complied with section 297A.83, and with section 297A.92 if security is required. A person is considered to have a permit if the person has a Minnesota tax identification number issued by the commissioner that is currently active for taxes imposed by this chapter. A permit is valid until canceled or revoked. It is not assignable and is valid only for the person in whose name it is granted and for the transaction of business at the places designated on the permit.

Subd. 3. **Permits not issued.** (a) Except as provided in paragraph (b), the commissioner must not issue a permit to an applicant if the applicant is liable for delinquent sales tax.

(b) The commissioner must issue a permit to an applicant if an appeal period of an order assessing sales tax under section 270C.33, subdivision 5, has not ended. The commissioner may cancel a permit issued under this paragraph in the manner provided in subdivision 4 if the applicant owes delinquent sales tax after the appeal period has ended.

Subd. 4. **Nonconforming permits; cancellation; reissue.** (a) If the commissioner issues a permit that does not conform with the requirements of this section or applicable rules, the commissioner may cancel the permit upon notice to the permit holder. The notice must be served by first class and certified mail at the permit holder's last known address. The cancellation is effective immediately.

(b) If a permit holder shows that a canceled permit was issued in conformance with the requirements of this section and applicable rules, the commissioner must reissue the permit.

EFFECTIVE DATE. This section is effective for permit applications filed after December 31, 2019.

Sec. 3. Minnesota Statutes 2018, section 297A.85, is amended to read:

297A.85 CANCELLATION OF PERMITS.

The commissioner may cancel a permit if one of the following conditions occurs:

- (1) the permit holder has not filed a sales or use tax return for at least one year;
- (2) the permit holder has not reported any sales or use tax liability on the permit holder's returns for at least two years;
- (3) the permit holder requests cancellation of the permit; ~~or~~
- (4) the permit is subject to cancellation ~~pursuant to~~ under section 270C.722, subdivision 2, paragraph (a); ~~or~~
- (5) the permit is subject to cancellation under section 297A.84.

EFFECTIVE DATE. This section is effective for permit applications filed after December 31, 2019.

Sec. 4. **REPEALER.**

Minnesota Statutes 2018, section 270C.131, is repealed.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 23

DEPARTMENT OF REVENUE; MISCELLANEOUS; TECHNICAL CHANGES

Section 1. Minnesota Statutes 2018, section 272.02, subdivision 27, is amended to read:

Subd. 27. **Superior National Forest; recreational property for use by ~~disabled~~ veterans with a disability.** Real and personal property is exempt if it is located in the Superior National Forest, and owned or leased and operated by a nonprofit organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code and primarily used to provide recreational opportunities for ~~disabled~~ veterans with a disability and their families.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2018, section 272.02, subdivision 81, is amended to read:

Subd. 81. **Certain recreational property for ~~disabled~~ veterans with a disability.** Real and personal property is exempt if it is located in a county in the metropolitan area with a population of

less than 500,000 according to the 2000 federal census, and owned or leased and operated by a nonprofit organization, and primarily used to provide recreational opportunities for ~~disabled~~ veterans with a disability and their families.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2018, section 273.032, is amended to read:

273.032 MARKET VALUE DEFINITION.

(a) Unless otherwise provided, for the purpose of determining any property tax levy limitation based on market value or any limit on net debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market value, any qualification to receive state aid based on market value, or any state aid amount based on market value, the terms "market value," "estimated market value," and "market valuation," whether equalized or unequalized, mean the estimated market value of taxable property within the local unit of government before any of the following or similar adjustments for:

(1) the market value exclusions under:

(i) section 273.11, subdivisions 14a and 14c (vacant platted land);

(ii) section 273.11, subdivision 16 (certain improvements to homestead property);

(iii) section 273.11, subdivisions 19 and 20 (certain improvements to business properties);

(iv) section 273.11, subdivision 21 (homestead property damaged by mold);

(v) section 273.13, subdivision 34 (homestead of a ~~disabled~~ veteran with a disability or family caregiver); or

(vi) section 273.13, subdivision 35 (homestead market value exclusion); or

(2) the deferment of value under:

(i) the Minnesota Agricultural Property Tax Law, section 273.111;

(ii) the Aggregate Resource Preservation Law, section 273.1115;

(iii) the Minnesota Open Space Property Tax Law, section 273.112;

(iv) the rural preserves property tax program, section 273.114; or

(v) the Metropolitan Agricultural Preserves Act, section 473H.10; or

(3) the adjustments to tax capacity for:

(i) tax increment financing under sections 469.174 to 469.1794;

(ii) fiscal disparities under chapter 276A or 473F; or

(iii) powerline credit under section 273.425.

(b) Estimated market value under paragraph (a) also includes the market value of tax-exempt property if the applicable law specifically provides that the limitation, qualification, or aid calculation includes tax-exempt property.

(c) Unless otherwise provided, "market value," "estimated market value," and "market valuation" for purposes of property tax levy limitations and calculation of state aid, refer to the estimated market value for the previous assessment year and for purposes of limits on net debt, the issuance of bonds, certificates of indebtedness, or capital notes refer to the estimated market value as last finally equalized.

(d) For purposes of a provision of a home rule charter or of any special law that is not codified in the statutes and that imposes a levy limitation based on market value or any limit on debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market value, the terms "market value," "taxable market value," and "market valuation," whether equalized or unequalized, mean "estimated market value" as defined in paragraph (a).

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2018, section 273.13, subdivision 22, is amended to read:

Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. In the case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first \$500,000 of market value of class 1a property has a net classification rate of one percent of its market value; and the market value of class 1a property that exceeds \$500,000 has a classification rate of 1.25 percent of its market value.

(b) Class 1b property includes homestead real estate or homestead manufactured homes used for the purposes of a homestead by:

(1) any person who is blind as defined in section 256D.35, or the ~~blind~~ person who is blind and the ~~blind person's~~ spouse of the person who is blind;

(2) any person who is permanently and totally disabled or by the ~~disabled~~ person with a disability and the ~~disabled person's~~ spouse of the person with a disability; or

(3) the surviving spouse of a veteran who was permanently and totally disabled ~~veteran~~ homesteading a property classified under this paragraph for taxes payable in 2008.

Property is classified and assessed under clause (2) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph, and that the property is not eligible for the valuation exclusion under subdivision 34.

Property is classified and assessed under paragraph (b) only if the commissioner of revenue or the county assessor certifies that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$50,000 market value of class 1b property has a net classification rate of .45 percent of its market value. The remaining market value of class 1b property is classified as class 1a or class 2a property, whichever is appropriate.

(c) Class 1c property is commercial use real and personal property that abuts public water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by the Department of Natural Resources, and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort even if the title to the homestead is held by the corporation, partnership, or limited liability company. For purposes of this paragraph, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. Class 1c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 1c property must provide recreational activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may remain available for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. If the same owner owns two separate parcels that are located in the same township, and one of those properties is classified as a class 1c property and the other would be eligible to be classified as a class 1c property if it was used as the homestead of the owner, both properties will be assessed as a single class 1c property; for purposes of this sentence, properties are deemed to be owned by the same owner if each of them is owned by a limited liability company, and both limited liability companies have the same membership. The portion of the property used as a homestead is class 1a property under paragraph (a). The remainder of the property is classified as follows: the first \$600,000 of market value is tier I, the next \$1,700,000 of market value is tier II, and any remaining market value is tier III. The classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes in which all or a portion of the property was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated as class 1c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located must be designated as class 3a commercial. The owner of property desiring designation as class 1c property must provide guest

registers or other records demonstrating that the units for which class 1c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

(d) Class 1d property includes structures that meet all of the following criteria:

(1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;

(2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;

(3) the structure meets all applicable health and safety requirements for the appropriate season; and

(4) the structure is not salable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

The market value of class 1d property has the same classification rates as class 1a property under paragraph (a).

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2018, section 273.13, subdivision 34, is amended to read:

Subd. 34. **Homestead of ~~disabled~~ veteran with a disability or family caregiver.** (a) All or a portion of the market value of property owned by a veteran and serving as the veteran's homestead under this section is excluded in determining the property's taxable market value if the veteran has a service-connected disability of 70 percent or more as certified by the United States Department of Veterans Affairs. To qualify for exclusion under this subdivision, the veteran must have been honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers.

(b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded, except as provided in clause (2); and

(2) for a total (100 percent) and permanent disability, \$300,000 of market value is excluded.

(c) If a ~~disabled~~ veteran with a disability qualifying for a valuation exclusion under paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion shall carry over to the benefit of the veteran's spouse for the current taxes payable year and for eight additional taxes payable years or until such time as the spouse remarries, or sells, transfers, or otherwise disposes of the property, whichever comes first. Qualification under this paragraph requires

an application under paragraph (h), and a spouse must notify the assessor if there is a change in the spouse's marital status, ownership of the property, or use of the property as a permanent residence.

(d) If the spouse of a member of any branch or unit of the United States armed forces who dies due to a service-connected cause while serving honorably in active service, as indicated on United States Government Form DD1300 or DD2064, holds the legal or beneficial title to a homestead and permanently resides there, the spouse is entitled to the benefit described in paragraph (b), clause (2), for eight taxes payable years, or until such time as the spouse remarries or sells, transfers, or otherwise disposes of the property, whichever comes first.

(e) If a veteran meets the disability criteria of paragraph (a) but does not own property classified as homestead in the state of Minnesota, then the homestead of the veteran's primary family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify for under paragraph (b).

(f) In the case of an agricultural homestead, only the portion of the property consisting of the house and garage and immediately surrounding one acre of land qualifies for the valuation exclusion under this subdivision.

(g) A property qualifying for a valuation exclusion under this subdivision is not eligible for the market value exclusion under subdivision 35, or classification under subdivision 22, paragraph (b).

(h) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by July 1 of the first assessment year for which the exclusion is sought. For an application received after July 1, the exclusion shall become effective for the following assessment year. Except as provided in paragraph (c), the owner of a property that has been accepted for a valuation exclusion must notify the assessor if there is a change in ownership of the property or in the use of the property as a homestead.

(i) A first-time application by a qualifying spouse for the market value exclusion under paragraph (d) must be made any time within two years of the death of the service member.

(j) For purposes of this subdivision:

(1) "active service" has the meaning given in section 190.05;

(2) "own" means that the person's name is present as an owner on the property deed;

(3) "primary family caregiver" means a person who is approved by the secretary of the United States Department of Veterans Affairs for assistance as the primary provider of personal care services for an eligible veteran under the Program of Comprehensive Assistance for Family Caregivers, codified as United States Code, title 38, section 1720G; and

(4) "veteran" has the meaning given the term in section 197.447.

(k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit under paragraph (b), clause (2), for eight taxes payable years or until the spouse remarries or sells, transfers, or otherwise disposes of the property if:

(1) the spouse files a first-time application within two years of the death of the service member or by June 1, 2019, whichever is later;

(2) upon the death of the veteran, the spouse holds the legal or beneficial title to the homestead and permanently resides there;

(3) the veteran met the honorable discharge requirements of paragraph (a); and

(4) the United States Department of Veterans Affairs certifies that:

(i) the veteran met the total (100 percent) and permanent disability requirement under paragraph (b), clause (2); or

(ii) the spouse has been awarded dependency and indemnity compensation.

(l) The purpose of this provision of law providing a level of homestead property tax relief for ~~gravely disabled~~ veterans with a disability, their primary family caregivers, and their surviving spouses is to help ease the burdens of war for those among our state's citizens who bear those burdens most heavily.

(m) By July 1, the county veterans service officer must certify the disability rating and permanent address of each veteran receiving the benefit under paragraph (b) to the assessor.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 6. Minnesota Statutes 2018, section 289A.08, subdivision 6, is amended to read:

Subd. 6. **Returns of married persons.** ~~A husband and wife~~ Individuals who are married to each other must file a joint Minnesota income tax return if they filed a joint federal income tax return. If the ~~husband and wife~~ spouses have elected to file separate federal income tax returns, they must file separate Minnesota income tax returns. This election to file a joint or separate return must be changed if they change their election for federal purposes. In the event taxpayers desire to change their election, the change must be done in the manner and on the form prescribed by the commissioner.

The determination of whether an individual is married shall be made under the provisions of section 7703 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 7. Minnesota Statutes 2018, section 289A.25, subdivision 1, is amended to read:

Subdivision 1. **Requirements to pay.** An individual, trust, S corporation, or partnership must, when prescribed in subdivision 3, paragraph (b), make payments of estimated tax. For individuals, the term "estimated tax" means the amount the taxpayer estimates is the sum of the taxes imposed by chapter 290 for the taxable year. For trusts, S corporations, and partnerships, the term estimated tax means the amount the taxpayer estimates is the sum of the taxes for the taxable year imposed by chapter 290 and the composite income tax imposed by section 289A.08, subdivision 7. If the individual is an infant or incompetent person, the payments must be made by the individual's guardian. If joint payments on estimated tax are made but a joint return is not made for the taxable year, the

estimated tax for that year may be treated as the estimated tax of either ~~the husband or the wife spouse~~ or may be divided between them.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 8. Minnesota Statutes 2018, section 289A.31, subdivision 2, is amended to read:

Subd. 2. **Joint income tax returns.** (a) If a joint income tax return is made by ~~a husband and wife spouses~~, the liability for the tax is joint and several. A spouse who qualifies for relief from a liability attributable to an underpayment under section 6015(b) of the Internal Revenue Code is relieved of the state income tax liability on the underpayment.

(b) In the case of individuals who were ~~a husband and wife~~ married as determined in section 7703 of the Internal Revenue Code prior to the dissolution of their marriage or their legal separation, or prior to the death of one of the individuals, for tax liabilities reported on a joint or combined return, the liability of each person is limited to the proportion of the tax due on the return that equals that person's proportion of the total tax due if ~~the husband and wife~~ each spouse filed separate returns for the taxable year. This provision is effective only when the commissioner receives written notice of the marriage dissolution, legal separation, or death of a spouse from the ~~husband or wife~~ surviving spouse. No refund may be claimed by an ex-spouse, legally separated or widowed spouse for any taxes paid more than 60 days before receipt by the commissioner of the written notice.

(c) A request for calculation of separate liability pursuant to paragraph (b) for taxes reported on a return must be made within six years after the due date of the return. For calculation of separate liability for taxes assessed by the commissioner under section 289A.35 or 289A.37, the request must be made within six years after the date of assessment. The commissioner is not required to calculate separate liability if the remaining unpaid liability for which recalculation is requested is \$100 or less.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 9. Minnesota Statutes 2018, section 289A.37, subdivision 6, is amended to read:

Subd. 6. **Order of assessment if joint income tax return.** If a joint income tax return is filed by ~~a husband and wife spouses~~, an order of assessment may be a single joint notice. If the commissioner has been notified by either spouse that that spouse's address has changed and if that spouse requests it, then, instead of the single joint notice mailed to the last known address of the ~~husband and wife spouses~~, a duplicate or original of the joint notice must be sent to the requesting spouse at the address designated by the requesting spouse. The other joint notice must be mailed to the other spouse at that spouse's last known address. An assessment is not invalid for failure to send it to a spouse if the spouse actually receives the notice in the same period as if it had been mailed to that spouse at the correct address or if the spouse has failed to provide an address to the commissioner other than the last known address.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 10. Minnesota Statutes 2018, section 290.0802, subdivision 2, is amended to read:

Subd. 2. **Subtraction.** (a) A qualified individual is allowed a subtraction from federal taxable income of the individual's subtraction base amount. The excess of the subtraction base amount over the taxable net income computed without regard to the subtraction for the elderly or ~~disabled~~ a person with a disability under section 290.0132, subdivision 5, may be used to reduce the amount of a lump sum distribution subject to tax under section 290.032.

(b)(1) The initial subtraction base amount equals

(i) \$12,000 for a married taxpayer filing a joint return if a spouse is a qualified individual,

(ii) \$9,600 for a single taxpayer, and

(iii) \$6,000 for a married taxpayer filing a separate federal return.

(2) The qualified individual's initial subtraction base amount, then, must be reduced by the sum of nontaxable retirement and disability benefits and one-half of the amount of adjusted gross income in excess of the following thresholds:

(i) \$18,000 for a married taxpayer filing a joint return if both spouses are qualified individuals,

(ii) \$14,500 for a single taxpayer or for a married couple filing a joint return if only one spouse is a qualified individual, and

(iii) \$9,000 for a married taxpayer filing a separate federal return.

(3) In the case of a qualified individual who is under the age of 65, the maximum amount of the subtraction base may not exceed the taxpayer's disability income.

(4) The resulting amount is the subtraction base amount.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 11. Minnesota Statutes 2018, section 290.0802, subdivision 3, is amended to read:

Subd. 3. **Restrictions; married couples.** Except in the case of a ~~husband and wife~~ spouses who live apart at all times during the taxable year, if the taxpayer is married at the close of the taxable year, the subtraction under subdivision 2 is allowable only if the taxpayers file joint federal and state income tax returns for the taxable year.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 12. Minnesota Statutes 2018, section 290.091, subdivision 2, is amended to read:

Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following terms have the meanings given.

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

- (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;
- (ii) the medical expense deduction;
- (iii) the casualty, theft, and disaster loss deduction; and
- (iv) the impairment-related work expenses of a ~~disabled~~ person with a disability;

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

(4) to the extent not included in federal alternative minimum taxable income, the amount of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue Code determined without regard to subparagraph (E);

(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.0131, subdivision 2; and

(6) the amount of addition required by section 290.0131, subdivisions 9 to 11;

less the sum of the amounts determined under the following:

- (i) interest income as defined in section 290.0132, subdivision 2;
- (ii) an overpayment of state income tax as provided by section 290.0132, subdivision 3, to the extent included in federal alternative minimum taxable income;
- (iii) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income;

(iv) amounts subtracted from federal taxable income as provided by section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, and 26; and

(v) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c).

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code.

(b) "Investment interest" means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.

(c) "Net minimum tax" means the minimum tax imposed by this section.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.

(e) "Tentative minimum tax" equals 6.75 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 13. Minnesota Statutes 2018, section 290A.03, subdivision 3, is amended to read:

Subd. 3. **Income.** (a) "Income" means the sum of the following:

(1) federal adjusted gross income as defined in the Internal Revenue Code; and

(2) the sum of the following amounts to the extent not included in clause (1):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, Supplemental Security Income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

(vii) workers' compensation;

(viii) nontaxable strike benefits;

(ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

(x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan;

cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for the claimant and spouse;

(xii) to the extent not included in federal adjusted gross income, distributions received by the claimant or spouse from a traditional or Roth style retirement account or plan;

(xiii) nontaxable scholarship or fellowship grants;

(xiv) the amount of deduction allowed under section 199 of the Internal Revenue Code;

(xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;

(xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue Code;
and

(xvii) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(b) "Income" does not include:

(1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

(2) amounts of any pension or annuity which was exclusively funded by the claimant or spouse and which funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(3) to the extent included in federal adjusted gross income, amounts contributed by the claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed the retirement base amount reduced by the amount of contributions excluded from federal adjusted gross income, but not less than zero;

(4) surplus food or other relief in kind supplied by a governmental agency;

(5) relief granted under this chapter;

(6) child support payments received under a temporary or final decree of dissolution or legal separation; or

(7) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16.

(c) The sum of the following amounts may be subtracted from income:

- (1) for the claimant's first dependent, the exemption amount multiplied by 1.4;
- (2) for the claimant's second dependent, the exemption amount multiplied by 1.3;
- (3) for the claimant's third dependent, the exemption amount multiplied by 1.2;
- (4) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;
- (5) for the claimant's fifth dependent, the exemption amount; and

(6) if the claimant or claimant's spouse ~~was disabled~~ had a disability or attained the age of 65 on or before December 31 of the year for which the taxes were levied or rent paid, the exemption amount.

(d) For purposes of this subdivision, the "exemption amount" means the exemption amount under section 151(d) of the Internal Revenue Code for the taxable year for which the income is reported; "retirement base amount" means the deductible amount for the taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for inflation as provided in section 219(b)(5)(C) of the Internal Revenue Code, without regard to whether the claimant or spouse claimed a deduction; and "traditional or Roth style retirement account or plan" means retirement plans under sections 401, 403, 408, 408A, and 457 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 14. Minnesota Statutes 2018, section 290A.03, subdivision 4, is amended to read:

Subd. 4. **Household.** "Household" means a claimant and an individual related to the claimant as ~~husband or wife~~ the claimant's spouse who are domiciled in the same homestead.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 15. Minnesota Statutes 2018, section 290A.03, subdivision 8, is amended to read:

Subd. 8. **Claimant.** (a) "Claimant" means a person, other than a dependent, as defined under sections 151 and 152 of the Internal Revenue Code disregarding section 152(b)(3) of the Internal Revenue Code, who filed a claim authorized by this chapter and who was a resident of this state as provided in chapter 290 during the calendar year for which the claim for relief was filed.

(b) In the case of a claim relating to rent constituting property taxes, the claimant shall have resided in a rented or leased unit on which ad valorem taxes or payments made in lieu of ad valorem taxes, including payments of special assessments imposed in lieu of ad valorem taxes, are payable at some time during the calendar year covered by the claim.

(c) "Claimant" shall not include a resident of a nursing home, intermediate care facility, long-term residential facility, or a facility that accepts housing support payments whose rent constituting property taxes is paid pursuant to the Supplemental Security Income program under title XVI of the Social Security Act, the Minnesota supplemental aid program under sections 256D.35 to 256D.54, the medical assistance program pursuant to title XIX of the Social Security Act, or the housing support program under chapter 256I.

If only a portion of the rent constituting property taxes is paid by these programs, the resident shall be a claimant for purposes of this chapter, but the refund calculated pursuant to section 290A.04 shall be multiplied by a fraction, the numerator of which is income as defined in subdivision 3, paragraphs (a) and (b), reduced by the total amount of income from the above sources other than vendor payments under the medical assistance program and the denominator of which is income as defined in subdivision 3, paragraphs (a) and (b), plus vendor payments under the medical assistance program, to determine the allowable refund pursuant to this chapter.

(d) Notwithstanding paragraph (c), if the claimant was a resident of the nursing home, intermediate care facility, long-term residential facility, or facility for which the rent was paid for the claimant by the housing support program for only a portion of the calendar year covered by the claim, the claimant may compute rent constituting property taxes by disregarding the rent constituting property taxes from the nursing home or facility and use only that amount of rent constituting property taxes or property taxes payable relating to that portion of the year when the claimant was not in the facility. The claimant's household income is the income for the entire calendar year covered by the claim.

(e) In the case of a claim for rent constituting property taxes of a part-year Minnesota resident, the income and rental reflected in this computation shall be for the period of Minnesota residency only. Any rental expenses paid which may be reflected in arriving at federal adjusted gross income cannot be utilized for this computation. When two individuals of a household are able to meet the qualifications for a claimant, they may determine among them as to who the claimant shall be. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. If a homestead property owner was a part-year Minnesota resident, the income reflected in the computation made pursuant to section 290A.04 shall be for the entire calendar year, including income not assignable to Minnesota.

(f) If a homestead is occupied by two or more renters, who are not ~~husband and wife~~ married to each other, the rent shall be deemed to be paid equally by each, and separate claims shall be filed by each. The income of each shall be each renter's household income for purposes of computing the amount of credit to be allowed.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 16. Minnesota Statutes 2018, section 290A.05, is amended to read:

290A.05 COMBINED HOUSEHOLD INCOME.

If a person occupies a homestead with another person ~~or persons~~ not related to the person as ~~husband and wife~~ the person's spouse, excluding dependents, roomers or boarders on contract, and has property tax payable with respect to the homestead, the household income of the claimant or claimants for the purpose of computing the refund allowed by section 290A.04 shall include the total income received by the other persons residing in the homestead. For purposes of this section, "dependent" includes a parent of the claimant or spouse who lives in the claimant's homestead and does not have an ownership interest in the homestead. If a person occupies a homestead with another person or persons not related to the person as husband and wife the person's spouse or as dependents, the property tax payable or rent constituting property tax shall be reduced as follows.

If the other person or persons are residing at the homestead under rental or lease agreement, the amount of property tax payable or rent constituting property tax shall be that portion not covered by the rental agreement.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 17. Minnesota Statutes 2018, section 290A.08, is amended to read:

290A.08 ONE CLAIMANT PER HOUSEHOLD.

Only one claimant per household per year is entitled to relief under this chapter. Payment of the claim for relief may be made payable to the ~~husband and wife~~ spouses as one claimant. The commissioner, upon written request, may issue separate checks, to the ~~husband and wife~~ spouses for one-half of the relief provided the original check has not been issued or has been returned. Individuals related as ~~husband and wife~~ spouses who were married during the year may elect to file a joint claim which shall include each spouse's income, rent constituting property taxes, and property taxes payable. ~~Husbands and wives~~ Spouses who were married for the entire year and were domiciled in the same household for the entire year must file a joint claim. The maximum dollar amount allowable for a joint claim shall not exceed the amount that one person could receive.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 18. Minnesota Statutes 2018, section 290A.09, is amended to read:

290A.09 PROOF OF CLAIM.

Every claimant shall supply to the commissioner of revenue, in support of the claim, proof of eligibility under this chapter, including but not limited to amount of rent paid or property taxes accrued, name and address of owner or managing agent of property rented, changes in homestead, household membership, household income, size and nature of property claimed as a homestead.

~~Disabled~~ Persons with a disability filing claims shall submit proof of disability in the form and manner as the commissioner may prescribe. The department may require examination and certification by the claimant's physician or by a physician designated by the commissioner. The cost of any examination shall be borne by the claimant, unless the examination proves the disability, in which case the cost of the examination shall be borne by the commissioner.

A determination of disability of a claimant by the Social Security Administration under Title II or Title XVI of the Social Security Act shall constitute presumptive proof of disability.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 19. Minnesota Statutes 2018, section 297A.61, subdivision 18, is amended to read:

Subd. 18. **Disabled Person with a disability.** "~~Disabled~~ Person with a disability" means an individual who has a permanent and total disability as defined in section 273.13, subdivision 22.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 20. Minnesota Statutes 2018, section 297A.67, subdivision 6, is amended to read:

Subd. 6. **Other exempt meals.** (a) Prepared food, candy, and soft drinks purchased for and served exclusively to individuals who are 60 years of age or over and their spouses or to ~~disabled~~ persons with a disability and their spouses by governmental agencies, nonprofit organizations, or churches, or pursuant to any program funded in whole or in part through United States Code, title 42, sections 3001 through 3045, wherever delivered, prepared, or served, are exempt. Taxable food sold through vending machines is not exempt.

(b) Prepared food, candy, and soft drinks purchased for and served exclusively to children who are less than 14 years of age or ~~disabled~~ children with a disability who are less than 16 years of age and who are attending a child care or early childhood education program, are exempt if they are:

(1) purchased by a nonprofit child care facility that is exempt under section 297A.70, subdivision 4, and that primarily serves families with income of 250 percent or less of federal poverty guidelines; and

(2) prepared at the site of the child care facility.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 21. Minnesota Statutes 2018, section 297A.67, subdivision 12, is amended to read:

Subd. 12. **Parts and accessories used to make a motor vehicle ~~disabled~~ accessible to a person with a disability.** Parts, accessories, and labor charges that are used solely to modify a motor vehicle to make it ~~disabled~~ accessible to persons with a disability are exempt.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 22. Minnesota Statutes 2018, section 297A.70, subdivision 3, is amended to read:

Subd. 3. **Sales of certain goods and services to government.** (a) The following sales to or use by the specified governments and political subdivisions of the state are exempt:

(1) repair and replacement parts for emergency rescue vehicles, fire trucks, and fire apparatus to a political subdivision;

(2) machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10;

(3) chore and homemaking services to a political subdivision of the state to be provided to elderly individuals or ~~disabled individuals~~ persons with a disability;

(4) telephone services to the Office of MN.IT Services that are used to provide telecommunications services through the MN.IT services revolving fund;

(5) firefighter personal protective equipment as defined in paragraph (b), if purchased or authorized by and for the use of an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or a political subdivision;

(6) bullet-resistant body armor that provides the wearer with ballistic and trauma protection, if purchased by a law enforcement agency of the state or a political subdivision of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

(7) motor vehicles purchased or leased by political subdivisions of the state if the vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b), exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax under section 297B.03, clause (12);

(8) equipment designed to process, dewater, and recycle biosolids for wastewater treatment facilities of political subdivisions, and materials incidental to installation of that equipment;

(9) the removal of trees, bushes, or shrubs for the construction and maintenance of roads, trails, or firebreaks when purchased by an agency of the state or a political subdivision of the state;

(10) purchases by the Metropolitan Council or the Department of Transportation of vehicles and repair parts to equip operations provided for in section 174.90, including, but not limited to, the Northstar Corridor Rail project; and

(11) purchases of water used directly in providing public safety services by an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or a political subdivision.

(b) For purposes of this subdivision, "firefighters personal protective equipment" means helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls; goggles; self-contained breathing apparatus; canister filter masks; personal alert safety systems; spanner belts; optical or thermal imaging search devices; and all safety equipment required by the Occupational Safety and Health Administration.

(c) For purchases of items listed in paragraph (a), clause (10), the tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 23. Minnesota Statutes 2018, section 297A.70, subdivision 4, is amended to read:

Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph (b), to the following "nonprofit organizations" are exempt:

(1) a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes if the item purchased is used in the performance of charitable, religious, or educational functions;

(2) any senior citizen group or association of groups that:

(i) in general limits membership to persons who are either age 55 or older, or ~~physically disabled~~ persons with a physical disability;

(ii) is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, not including housing, no part of the net earnings of which inures to the benefit of any private shareholders; and

(iii) is an exempt organization under section 501(c) of the Internal Revenue Code; and

(3) an organization that qualifies for an exemption for memberships under subdivision 12 if the item is purchased and used in the performance of the organization's mission.

For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery owned by a religious organization.

(b) This exemption does not apply to the following sales:

(1) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility;

(2) construction materials purchased by tax-exempt entities or their contractors to be used in constructing buildings or facilities that will not be used principally by the tax-exempt entities;

(3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67, subdivision 2, except wine purchased by an established religious organization for sacramental purposes or as allowed under subdivision 9a; and

(4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except as provided in paragraph (c).

(c) This exemption applies to the leasing of a motor vehicle as defined in section 297B.01, subdivision 11, only if the vehicle is:

(1) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a passenger automobile, as defined in section 168.002, if the automobile is designed and used for carrying more than nine persons including the driver; and

(2) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose.

(d) A limited liability company also qualifies for exemption under this subdivision if (1) it consists of a sole member that would qualify for the exemption, and (2) the items purchased qualify for the exemption.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 24. Minnesota Statutes 2018, section 297A.70, subdivision 16, is amended to read:

Subd. 16. **Camp fees.** Fees to camps or other recreation facilities are exempt for:

(1) services primarily for children, adults accompanying children, or persons with ~~disabilities~~ a disability; or

(2) educational or religious activities;

~~and~~ if the camp or facilities are owned and operated by an exempt organization under section 501(c)(3) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 25. Minnesota Statutes 2018, section 297A.71, subdivision 22, is amended to read:

Subd. 22. **Materials used to make residential property ~~disabled~~ accessible to persons with a disability.** Building materials and equipment sold to, or stored, used, or consumed by, a nonprofit organization are exempt if:

(1) the materials and equipment are used or incorporated into modifying an existing residential structure to make it ~~disabled~~ accessible to persons with a disability; and

(2) the materials and equipment used in the modification would qualify for an exemption under either subdivision 11 or 12 if made by the current owner of the residence.

For purposes of this subdivision, "nonprofit organization" means any nonprofit corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, educational, or civic purposes; or a veterans' group exempt from federal taxation under section 501(c), clause (19), of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 26. Minnesota Statutes 2018, section 297A.75, subdivision 1, is amended to read:

Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

(1) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;

(2) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;

(3) building materials for correctional facilities under section 297A.71, subdivision 3;

(4) building materials used in a residence for ~~disabled~~ veterans with a disability exempt under section 297A.71, subdivision 11;

(5) elevators and building materials exempt under section 297A.71, subdivision 12;

(6) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;

(7) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;

(8) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37;

(9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph (a), clause (10);

(10) materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivision 40;

(11) materials, supplies, and equipment for construction, improvement, or expansion of:

(i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 42;

(ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision 45;

(iii) a research and development facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 46; and

(iv) an industrial measurement manufacturing and controls facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 47;

(12) enterprise information technology equipment and computer software for use in a qualified data center exempt under section 297A.68, subdivision 42;

(13) materials, supplies, and equipment for qualifying capital projects under section 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);

(14) items purchased for use in providing critical access dental services exempt under section 297A.70, subdivision 7, paragraph (c);

(15) items and services purchased under a business subsidy agreement for use or consumption primarily in greater Minnesota exempt under section 297A.68, subdivision 44;

(16) building materials, equipment, and supplies for constructing or replacing real property exempt under section 297A.71, subdivision 49; and

(17) building materials, equipment, and supplies for constructing or replacing real property exempt under section 297A.71, subdivision 50, paragraph (b).

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 27. Minnesota Statutes 2018, section 297B.01, subdivision 14, is amended to read:

Subd. 14. **Purchase price.** (a) "Purchase price" means the total consideration valued in money for a sale, whether paid in money or otherwise. The purchase price excludes the amount of a manufacturer's rebate paid or payable to the purchaser. If a motor vehicle is taken in trade as a credit

or as part payment on a motor vehicle taxable under this chapter, the credit or trade-in value allowed by the person selling the motor vehicle shall be deducted from the total selling price to establish the purchase price of the vehicle being sold and the trade-in allowance allowed by the seller shall constitute the purchase price of the motor vehicle accepted as a trade-in. The purchase price in those instances where the motor vehicle is acquired by gift or by any other transfer for a nominal or no monetary consideration shall also include the average value of similar motor vehicles, established by standards and guides as determined by the motor vehicle registrar. The purchase price in those instances where a motor vehicle is manufactured by a person who registers it under the laws of this state shall mean the manufactured cost of such motor vehicle and manufactured cost shall mean the amount expended for materials, labor, and other properly allocable costs of manufacture, except that in the absence of actual expenditures for the manufacture of a part or all of the motor vehicle, manufactured costs shall mean the reasonable value of the completed motor vehicle.

(b) The term "purchase price" shall not include the portion of the value of a motor vehicle due solely to modifications necessary to make the motor vehicle ~~disability~~ accessible to persons with a disability.

(c) The term "purchase price" shall not include the transfer of a motor vehicle by way of gift between ~~a husband and wife~~ spouses or parent and child, or to a nonprofit organization as provided under subdivision 16, paragraph (c), clause (6), nor shall it include the transfer of a motor vehicle by a guardian to a ward when there is no monetary consideration and the title to such vehicle was registered in the name of the guardian, as guardian, only because the ward was a minor.

(d) The term "purchase price" shall not include the transfer of a motor vehicle as a gift between a foster parent and foster child. For purposes of this subdivision, a foster relationship exists, regardless of the age of the child, if (1) a foster parent's home is or was licensed as a foster family home under Minnesota Rules, parts 2960.3000 to 2960.3340, and (2) the county verifies that the child was a state ward or in permanent foster care.

(e) There shall not be included in "purchase price" the amount of any tax imposed by the United States upon or with respect to retail sales whether imposed upon the retailer or the consumer.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 28. Minnesota Statutes 2018, section 297B.01, subdivision 16, is amended to read:

Subd. 16. **Sale, sells, selling, purchase, purchased, or acquired.** (a) "Sale," "sells," "selling," "purchase," "purchased," or "acquired" means any transfer of title of any motor vehicle, whether absolutely or conditionally, for a consideration in money or by exchange or barter for any purpose other than resale in the regular course of business.

(b) Any motor vehicle utilized by the owner only by leasing such vehicle to others or by holding it in an effort to so lease it, and which is put to no other use by the owner other than resale after such lease or effort to lease, shall be considered property purchased for resale.

(c) The terms also shall include any transfer of title or ownership of a motor vehicle by other means, for or without consideration, except that these terms shall not include:

(1) the acquisition of a motor vehicle by inheritance from or by bequest of, or transfer-on-death of title by, a decedent who owned it;

(2) the transfer of a motor vehicle which was previously licensed in the names of two or more joint tenants and subsequently transferred without monetary consideration to one or more of the joint tenants;

(3) the transfer of a motor vehicle by way of gift from a limited used vehicle dealer licensed under section 168.27, subdivision 4a, to an individual, when the transfer is with no monetary or other consideration or expectation of consideration and the parties to the transfer submit an affidavit to that effect at the time the title transfer is recorded;

(4) the transfer of a motor vehicle by gift between:

(i) spouses;

(ii) parents and a child; or

(iii) grandparents and a grandchild;

(5) the voluntary or involuntary transfer of a motor vehicle between ~~a husband and wife~~ spouses in a divorce proceeding; or

(6) the transfer of a motor vehicle by way of a gift to an organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code when the motor vehicle will be used exclusively for religious, charitable, or educational purposes.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 29. Minnesota Statutes 2018, section 298.018, subdivision 1, is amended to read:

Subdivision 1. **Within taconite assistance area.** The proceeds of the tax paid under sections 298.015 and 298.016 on ores, metals, or minerals mined or extracted within the taconite assistance area defined in section 273.1341, shall be allocated as follows:

(1) five percent to the city or town within which the minerals or energy resources are mined or extracted, or within which the concentrate was produced. If the mining and concentration, or different steps in either process, are carried on in more than one taxing district, the commissioner shall apportion equitably the proceeds among the cities and towns by attributing 50 percent of the proceeds of the tax to the operation of mining or extraction, and the remainder to the concentrating plant and to the processes of concentration, and with respect to each thereof giving due consideration to the relative extent of the respective operations performed in each taxing district;

(2) ten percent to the taconite municipal aid account to be distributed as provided in section 298.282, subdivisions 1 and 2, on the dates provided under this section;

(3) ten percent to the school district within which the minerals or energy resources are mined or extracted, or within which the concentrate was produced. If the mining and concentration, or different steps in either process, are carried on in more than one school district, distribution among the school districts must be based on the apportionment formula prescribed in clause (1);

(4) 20 percent to a group of school districts comprised of those school districts wherein the mineral or energy resource was mined or extracted or in which there is a qualifying municipality as defined by section 273.134, paragraph (b), in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 126C.05 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions;

(5) 20 percent to the county within which the minerals or energy resources are mined or extracted, or within which the concentrate was produced. If the mining and concentration, or different steps in either process, are carried on in more than one county, distribution among the counties must be based on the apportionment formula prescribed in clause (1), provided that any county receiving distributions under this clause shall pay one percent of its proceeds to the Range Association of Municipalities and Schools;

(6) 20 percent to St. Louis County acting as the counties' fiscal agent to be distributed as provided in sections 273.134 to 273.136;

(7) five percent to the commissioner of Iron Range resources and rehabilitation for the purposes of section 298.22;

(8) three percent to the Douglas J. Johnson economic protection trust fund; and

(9) seven percent to the taconite environmental protection fund.

~~The proceeds of the tax shall be distributed on July 15 each year.~~

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 30. Minnesota Statutes 2018, section 298.018, is amended by adding a subdivision to read:

Subd. 1a. **Distribution date.** The proceeds of the tax allocated under subdivision 1 shall be distributed on December 15 each year. Any payment of proceeds received after December 15 shall be distributed on the next net proceeds tax distribution date.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 31. Minnesota Statutes 2018, section 298.282, subdivision 1, is amended to read:

Subdivision 1. **Distribution of taconite municipal aid account.** (a) The amount deposited with the county as provided in section 298.28, subdivision 3, must be distributed as provided by this section among: (1) the municipalities comprising a taconite assistance area under section 273.1341; (2) a township that contains a state park consisting primarily of an underground iron ore mine; and (3) a city located within five miles of that state park, each being referred to in this section as a qualifying municipality.

(b) The amount deposited in the state general fund as provided in section 298.018, subdivision 1, must be distributed in the same manner as provided under paragraph (a) except that subdivisions

3, 4, and 5 do not apply, and the distributions shall be made on the dates provided under section 298.018, subdivision 1a.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 32. Laws 2017, First Special Session chapter 1, article 8, section 3, the effective date, is amended to read:

EFFECTIVE DATE. This section is effective for (1) petitions and appeals filed after June 30, 2017, for which notices of entry of order are mailed before July 1, 2019, and (2) notices of entry of order mailed after June 30, 2019.

EFFECTIVE DATE. This section is effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to financing and operation of state and local government; providing conformity and nonconformity to certain federal tax law changes; modifying individual income and corporate franchise taxes, estate taxes, sales and use taxes, property taxes, provisions related to local taxes, tax increment financing, and public finance, and other miscellaneous taxes and tax provisions; modifying indexing provisions; changing the starting point for state individual income tax calculation from federal taxable income to federal adjusted gross income; providing for various individual and corporate additions and subtractions to income; modifying certain allowances and adjustments to income; modifying individual income tax rates; modifying certain income tax credits; modifying and allowing certain exemptions from sales and use taxes; modifying provisions relating to property tax records and information; modifying certain property tax timelines; establishing property tax exemptions; modifying homestead provisions; modifying state general levy; modifying approval requirements for certain local sales taxes; modifying and authorizing certain local sales taxes; transferring occupation tax revenue; establishing private letter ruling program; modifying referendum equalization; requiring reports; appropriating money; amending Minnesota Statutes 2018, sections 6.495, subdivision 3; 37.31, subdivision 1; 38.27, by adding a subdivision; 103D.905, subdivisions 5, 9; 103E.611, subdivision 2; 116J.8737, subdivisions 5, 12; 123B.595, subdivision 5; 126C.17, subdivision 6; 138.053; 144E.42, subdivision 2; 162.145, subdivision 3; 197.603, subdivision 2; 270A.03, subdivision 5; 270B.08, subdivision 2; 270C.31, by adding a subdivision; 270C.33, by adding subdivisions; 270C.34, subdivision 1; 270C.35, subdivision 4; 270C.445, subdivision 6; 270C.85, subdivision 2; 270C.89, subdivisions 1, 2; 270C.91; 272.02, subdivisions 27, 49, 81, by adding subdivisions; 273.032; 273.061, subdivision 9; 273.0755; 273.113, subdivision 3; 273.119, subdivision 2; 273.1231, subdivision 3; 273.124, subdivisions 3a, 8, 13, 14, 21, by adding a subdivision; 273.1245, subdivision 2; 273.13, subdivisions 22, 25, 34, 35; 273.136, subdivision 2; 273.1384, subdivisions 2, 3; 273.1387, subdivision 3; 273.18; 273.371, subdivision 1; 273.3711; 273.372, subdivision 3; 274.14; 274.16; 275.025, subdivision 1, by adding a subdivision; 275.066; 276.131; 282.01, subdivision 6; 289A.02, subdivision 7; 289A.08, subdivisions 1, 6, 7, by adding a subdivision; 289A.12, subdivision 14; 289A.20, subdivision 4; 289A.25, subdivision 1; 289A.31, subdivisions 1, 2; 289A.35; 289A.37, subdivisions 2, 6; 289A.38, subdivisions 7, 10; 289A.40, subdivision 1; 289A.42; 289A.60, subdivision 1; 290.01, subdivisions 4a, 19, 22, 29a, 31, by adding subdivisions; 290.0131, subdivisions 1, 3, 12, 13, by adding subdivisions; 290.0132, subdivisions 1, 4, 7, 20, 21, 26, by adding subdivisions; 290.0133, by adding subdivisions; 290.0134, by adding

subdivisions; 290.0137; 290.032, subdivision 2; 290.05, subdivisions 1, 3; 290.06, subdivisions 2c, 2d, 22; 290.067, subdivision 2b; 290.0671, subdivision 7; 290.0672, subdivisions 1, 2; 290.0674, subdivisions 1, 2, by adding a subdivision; 290.0681, subdivisions 1, 2, 3, 4; 290.0802, subdivisions 2, 3; 290.091, subdivision 2; 290.0921, subdivisions 2, 3; 290.17, subdivisions 2, 4; 290.21, subdivision 4; 290.34, by adding a subdivision; 290.92, subdivisions 1, 4b, 4c, 28; 290A.03, subdivisions 3, 4, 8, 12, 13, 15; 290A.04, subdivision 4; 290A.05; 290A.08; 290A.09; 290B.09, subdivision 1; 291.005, subdivision 1; 291.03, subdivisions 9, 10; 295.50, subdivisions 3, 4, 9b, 14, 15, by adding subdivisions; 295.53, subdivision 1; 295.57, subdivision 5; 295.582, subdivision 1; 296A.03, subdivision 3; 296A.13; 297A.61, subdivision 18; 297A.67, subdivisions 6, 12, by adding subdivisions; 297A.68, subdivisions 17, 25, 42, 44; 297A.70, subdivisions 3, 4, 10, 16, 20, by adding a subdivision; 297A.71, subdivisions 22, 45, by adding subdivisions; 297A.75, subdivisions 1, 2, 3; 297A.77, subdivision 3, by adding a subdivision; 297A.84; 297A.85; 297A.99, subdivisions 1, 2, 3, by adding a subdivision; 297A.993, subdivision 1, by adding a subdivision; 297B.01, subdivisions 14, 16; 297B.03; 297E.02, subdivision 6; 297E.021, subdivision 2; 297F.01, subdivisions 19, 23, by adding a subdivision; 297F.17, subdivision 6; 297G.16, subdivision 7; 297I.20, subdivision 3; 298.018, subdivision 1, by adding a subdivision; 298.17; 298.227; 298.282, subdivision 1; 349.15, subdivision 1; 349.151, subdivision 4; 353G.01, subdivision 9; 353G.05, subdivision 2; 353G.08, subdivisions 1, 1a; 353G.17, subdivision 2; 356.20, subdivision 4a; 356.219, subdivision 8; 423A.02, subdivisions 1b, 3; 423A.022, subdivisions 2, 4; 424A.016, subdivisions 2, 4; 424A.02, subdivisions 1, 3a, 10; 424A.03, subdivision 2; 424A.05, subdivisions 2, 3, by adding a subdivision; 424A.07; 424A.091, subdivision 3; 424A.092, subdivisions 3, 4; 424A.093, subdivision 5; 424B.09; 462A.38; 462D.03, subdivision 2; 462D.06, subdivisions 1, 2; 469.169, by adding a subdivision; 469.177, subdivision 1; 469.316, subdivision 1; 469.319, subdivision 4; 471.831; 473H.08, subdivisions 1, 4, by adding a subdivision; 473H.09, by adding a subdivision; 474A.02, subdivision 22b; 475.521, subdivision 1; 477A.0126, subdivisions 6, 7; 477A.016; Minnesota Statutes 2019 Supplement, sections 289A.60, subdivision 24; 290.31, subdivision 1; Laws 1980, chapter 511, section 1, subdivision 1; Laws 1986, chapter 396, section 5, as amended; Laws 1986, chapter 462, section 31, as amended; Laws 1994, chapter 587, article 9, section 11; Laws 1998, chapter 389, article 8, section 45, subdivisions 1, 3, as amended, 4, 5; Laws 2008, chapter 366, article 5, sections 26, as amended; 33, as amended; Laws 2009, chapter 88, article 2, section 46, subdivisions 1, as amended, 2, 3, as amended, 4, 5; Laws 2011, First Special Session chapter 7, article 4, section 10, subdivision 3; Laws 2014, chapter 308, article 6, section 8, subdivision 1, as amended; Laws 2017, First Special Session chapter 1, article 3, section 32; article 8, section 3; article 10, section 4; proposing coding for new law in Minnesota Statutes, chapters 270C; 273; 289A; 290; 297A; 297I; 424A; proposing coding for new law as Minnesota Statutes, chapters 299O; 477B; 477C; repealing Minnesota Statutes 2018, sections 37.31, subdivision 8; 69.011, subdivisions 1, 2, 2b, 2c, 3, 4; 69.021, subdivisions 1, 2, 3, 4, 5, 7, 7a, 8, 9, 10, 11; 69.022; 69.031, subdivisions 1, 3, 5; 69.041; 69.051, subdivisions 1, 1a, 1b, 2, 3, 4; 69.33; 69.80; 270C.131; 275.29; 289A.38, subdivisions 7, 8, 9; 290.0131, subdivisions 7, 10, 11; 290.0133, subdivisions 12, 13, 14; 290.10, subdivision 2; 296A.03, subdivision 5; 296A.04, subdivision 2; 296A.05, subdivision 2; 297I.25, subdivision 2; 349.213, subdivision 3; Minnesota Rules, part 8125.0410, subpart 1."

And when so amended the bill do pass. Amendments adopted. Report adopted.

Senator Anderson, P. from the Committee on Higher Education Finance and Policy, to which was referred

S.F. No. 2841: A bill for an act relating to higher education; providing student relief from Argosy University closure; requiring a report.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, line 19, delete everything before the colon

Page 2, delete lines 26 to 29 and insert:

"(3) reverse disbursements of SELF loans made on or after January 1, 2019;

(4) reverse disbursements of SELF loans to settle any unresolved refunds due to the lender; and"

Page 3, line 1, delete "who receives a benefit"

Page 3, line 20, delete "liability releases" and insert "disbursement reversals"

And when so amended the bill do pass.

Pursuant to Joint Rule 2.03, the bill was referred to the Committee on Rules and Administration.

SECOND READING OF SENATE BILLS

S.F. No. 5 was read the second time.

RECESS

Senator Gazelka moved that the Senate do now recess subject to the call of the President. The motion prevailed.

After a brief recess, the President called the Senate to order.

MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Orders of Business of Messages From the House and First Reading of House Bills.

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce the passage by the House of the following House Files, herewith transmitted: H.F. Nos. 2125 and 2414.

Patrick D. Murphy, Chief Clerk, House of Representatives

Transmitted April 25, 2019

FIRST READING OF HOUSE BILLS

The following bills were read the first time.

H.F. No. 2125: A bill for an act relating to financing and operation of state and local government; providing conformity and nonconformity to certain federal tax law changes; modifying individual income and corporate franchise taxes, estate taxes, sales and use taxes, special and excise taxes, property taxes, local government aids, provisions related to local taxes, tax increment financing, and public finance, and other miscellaneous taxes and tax provisions; modifying indexing provisions; changing the starting point for state individual income tax calculation from federal taxable income to federal adjusted gross income; providing for various individual and corporate additions and subtractions to income; modifying certain allowances and adjustments to income; modifying individual income tax brackets; modifying certain income tax credits; modifying and allowing certain construction exemptions and other sales and purchases from sales and use taxes; modifying rates and definitions for certain tobacco and cigarette taxes; modifying rates and deposits for solid waste taxes; modifying provisions relating to property tax records and information; modifying certain property tax timelines; establishing property tax exemptions; allowing tax deferral for elderly living facilities; modifying homestead provisions; modifying state general levy; modifying local government and county aid; modifying approval requirements for certain local sales taxes; modifying and authorizing certain local sales taxes; authorizing Metropolitan Council bonds; requiring reports; appropriating money; amending Minnesota Statutes 2018, sections 6.495, subdivision 3; 37.31, subdivision 1; 38.27, by adding a subdivision; 103E.611, subdivision 2; 116J.8737, subdivisions 1, 2, 3, 4, 5, 6, 12; 123B.595, subdivision 5; 138.053; 144E.42, subdivision 2; 161.14, by adding a subdivision; 162.145, subdivision 3; 197.603, subdivision 2; 270A.03, subdivision 5; 270B.08, subdivision 2; 270C.13, subdivision 2; 270C.21; 270C.445, subdivision 6; 270C.85, subdivision 2; 270C.89, subdivisions 1, 2; 270C.91; 272.02, subdivisions 27, 49, 81, by adding subdivisions; 272.115, subdivision 1; 273.032; 273.061, subdivision 9; 273.0755; 273.113, subdivision 3; 273.119, subdivision 2; 273.1231, subdivision 3; 273.124, subdivisions 3a, 13, 14, 21, by adding a subdivision; 273.1245, subdivision 2; 273.13, subdivisions 22, 23, 34, 35; 273.136, subdivision 2; 273.1384, subdivisions 2, 3; 273.1385, subdivision 4; 273.1387, subdivisions 2, 3; 273.18; 273.371, subdivision 1; 274.14; 274.16; 275.025, subdivision 1; 282.01, subdivision 6; 287.21, subdivision 1; 289A.08, subdivisions 1, 6, 7, by adding a subdivision; 289A.10, subdivision 1; 289A.11, by adding a subdivision; 289A.20, by adding a subdivision; 289A.25, subdivision 1; 289A.31, subdivisions 1, 2; 289A.37, subdivisions 2, 6; 289A.38, subdivisions 7, 10; 289A.42; 289A.60, subdivisions 24, 29; 290.01, subdivisions 4a, 29a, 31, by adding subdivisions; 290.0131, subdivisions 1, 3, by adding subdivisions; 290.0132, subdivisions 1, 7, 18, 19, 20, 26, by adding subdivisions; 290.0133, subdivision 6; 290.0134, by adding subdivisions; 290.0137; 290.032, subdivision 2; 290.05,

subdivisions 1, 3; 290.06, subdivisions 2c, 2d, 2h; 290.067, subdivision 2b; 290.0671, subdivisions 1, 7; 290.0672, subdivision 2; 290.0675, subdivision 1; 290.0677, subdivision 1a; 290.0681, subdivisions 1, 2; 290.0682, subdivisions 1, 2; 290.0684, subdivision 2; 290.0685, subdivision 1, by adding a subdivision; 290.0802, subdivisions 2, 3; 290.091, subdivisions 2, 3; 290.0921, subdivisions 2, 3; 290.0922, subdivision 1; 290.095, subdivision 2; 290.17, subdivision 4, by adding subdivisions; 290.191, subdivision 5; 290.21, subdivision 4, by adding a subdivision; 290.31, subdivision 1; 290.92, subdivisions 1, 5, 28; 290A.03, subdivisions 3, 4, 8, 12, 13; 290A.04, subdivisions 2, 2a, 4; 290A.05; 290A.08; 290A.09; 290A.19; 290B.04, subdivision 1; 290B.09, subdivision 1; 291.016, subdivision 3; 295.50, subdivisions 3, 4, 9b, 14, 15, by adding subdivisions; 295.53, subdivision 1; 295.57, subdivision 5; 295.582, subdivision 1; 295.75, subdivision 4; 296A.03, subdivision 3; 296A.13; 297A.61, subdivision 18; 297A.66, subdivisions 1, 2, 3; 297A.67, subdivisions 6, 12, 28, by adding a subdivision; 297A.68, subdivisions 17, 25, 29, 42, 44, by adding a subdivision; 297A.70, subdivisions 3, 4, 10, 16, 20, by adding subdivisions; 297A.71, subdivisions 22, 45, 50, by adding subdivisions; 297A.75, subdivisions 1, 2; 297A.77, by adding a subdivision; 297A.83, subdivision 1; 297A.84; 297A.85; 297A.99, subdivisions 1, 2, 3, by adding a subdivision; 297A.993, subdivisions 1, 2, by adding a subdivision; 297B.01, subdivisions 14, 16; 297B.03; 297F.01, subdivisions 19, 23, by adding a subdivision; 297F.05, by adding a subdivision; 297F.08, subdivisions 8, 9; 297F.17, subdivision 6; 297G.07, subdivision 1; 297G.16, subdivision 7; 297H.02, subdivision 2; 297H.03, subdivision 2; 297H.04, subdivision 2; 297H.05; 297H.13, subdivision 2; 297I.20, subdivision 3; 298.018, subdivision 1, by adding a subdivision; 298.225, subdivision 1; 298.28, subdivision 3; 298.282, subdivision 1; 353G.01, subdivision 9; 353G.05, subdivision 2; 353G.08, subdivisions 1, 1a; 353G.17, subdivision 2; 356.20, subdivision 4a; 356.219, subdivision 8; 423A.02, subdivisions 1b, 3; 423A.022, subdivisions 2, 4; 424A.016, subdivisions 2, 4; 424A.02, subdivisions 1, 3a, 10; 424A.03, subdivision 2; 424A.05, subdivisions 2, 3, by adding a subdivision; 424A.07; 424A.091, subdivision 3; 424A.092, subdivisions 3, 4; 424A.093, subdivision 5; 424B.09; 462D.03, subdivision 2; 469.169, by adding a subdivision; 469.171, subdivision 4; 469.177, subdivision 1; 469.190, subdivisions 1, 7; 469.316, subdivision 1; 469.319, subdivision 4; 471.831; 473.39, subdivision 6, by adding a subdivision; 473H.08, subdivisions 1, 4, by adding a subdivision; 475.521, subdivision 1; 477A.011, subdivision 45; 477A.013, subdivisions 9, 13; 477A.03, subdivisions 2a, 2b; Minnesota Statutes 2019 Supplement, sections 289A.02, subdivision 7; 289A.12, subdivision 14; 289A.35; 290.01, subdivision 19; 290.0131, subdivision 10; 290.0132, subdivision 21; 290.0133, subdivision 12; 290.0672, subdivision 1; 290.0684, subdivision 1; 290.091, subdivision 2; 290.17, subdivision 2; 290A.03, subdivision 15; 291.005, subdivision 1; 462D.06, subdivisions 1, 2; Laws 1980, chapter 511, section 1, subdivision 1; Laws 1986, chapter 396, section 5, as amended; Laws 1986, chapter 462, section 31, as amended; Laws 1994, chapter 587, article 9, section 11; Laws 1998, chapter 389, article 8, section 45, subdivisions 1, 3, as amended, 4, 5; Laws 2008, chapter 366, article 5, sections 26, as amended; 33, as amended; Laws 2009, chapter 88, article 2, section 46, subdivisions 1, as amended, 2, 3, as amended, 4, 5; Laws 2011, First Special Session chapter 7, article 4, section 10, subdivision 3; Laws 2014, chapter 308, article 6, section 8, subdivisions 1, as amended, 3; Laws 2017, First Special Session chapter 1, article 3, sections 26; 32; article 8, section 3; article 10, section 4; Laws 2018, chapter 211, article 14, section 26; proposing coding for new law in Minnesota Statutes, chapters 16A; 270C; 273; 289A; 290; 290A; 297H; 297I; 424A; 469; proposing coding for new law as Minnesota Statutes, chapters 477B; 477C; repealing Minnesota Statutes 2018, sections 37.31, subdivision 8; 69.011, subdivisions 1, 2, 2b, 2c, 3, 4; 69.021, subdivisions 1, 2, 3, 4, 5, 7, 7a, 8, 9, 10, 11; 69.022; 69.031, subdivisions 1, 3, 5; 69.041; 69.051, subdivisions 1, 1a, 1b, 2, 3, 4; 69.33; 69.80; 270C.131; 275.29; 289A.38, subdivisions 7, 8, 9; 290.0131, subdivisions 7, 11, 12, 13; 290.0132, subdivision 8; 290.0133, subdivisions 13, 14;

290.10, subdivision 2; 296A.03, subdivision 5; 296A.04, subdivision 2; 296A.05, subdivision 2; 297A.66, subdivision 4b; 297F.08, subdivision 5; 297I.25, subdivision 2; Minnesota Rules, part 8125.0410, subpart 1.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 5, now on General Orders.

H.F. No. 2414: A bill for an act relating to state government; establishing the health and human services budget; modifying provisions governing children and families, operations, direct care and treatment, continuing care for older adults, disability services, chemical and mental health, mental health uniform service standards, health care, prescription drugs, health-related licensing boards, Department of Health programs, health coverage, resident rights and consumer protections, independent senior living facilities, dementia care services for assisted living facilities with dementia care, assisted living licensure conforming changes, third-party logistics providers and wholesale distributors, and prescription drug pricing; establishing OneCare Buy-In; establishing pharmacy benefit manager licensure; establishing prescription drug repository program; establishing insulin assistance program; establishing OneCare Buy-In reserve account; establishing assisted living licensure; requiring reports; making technical changes; modifying civil and criminal penalties; providing for rulemaking; modifying fees; making forecast adjustments; appropriating money; amending Minnesota Statutes 2018, sections 8.31, subdivision 1; 13.46, subdivisions 2, 3; 13.461, subdivision 28; 13.69, subdivision 1; 13.851, by adding a subdivision; 15C.02; 16A.151, subdivision 2; 16A.724, subdivision 2; 18K.02, subdivision 3; 18K.03; 62A.021, by adding subdivisions; 62A.152, subdivision 3; 62A.25, subdivision 2; 62A.28, subdivision 2; 62A.30, by adding a subdivision; 62A.3094, subdivision 1; 62A.65, subdivision 7; 62A.671, subdivision 6; 62D.02, subdivision 4; 62D.03, subdivision 1; 62D.05, subdivision 1; 62D.06, subdivision 1; 62D.12, by adding a subdivision; 62D.124, subdivisions 1, 2, 3, by adding subdivisions; 62D.17, subdivision 1; 62D.19; 62D.30, subdivision 8; 62E.02, subdivision 3; 62E.23, subdivision 4; 62J.23, subdivision 2; 62J.497, subdivision 1; 62K.075; 62K.10, subdivisions 2, 3, 4, 5; 62Q.01, by adding a subdivision; 62Q.184, subdivisions 1, 3; 62Q.47; 62Q.81; 103I.005, subdivisions 2, 8a, 17a; 103I.205, subdivisions 1, 4, 9; 103I.208, subdivision 1; 103I.235, subdivision 3; 103I.301, subdivision 6, by adding a subdivision; 103I.601, subdivision 4; 119B.011, subdivisions 19, 20, by adding a subdivision; 119B.02, subdivisions 3, 6, 7; 119B.025, subdivision 1, by adding a subdivision; 119B.03, subdivision 9; 119B.05, subdivision 1; 119B.09, subdivisions 1, 7; 119B.095, subdivision 2, by adding a subdivision; 119B.125, subdivision 6; 119B.13, subdivisions 1, 6, 7; 119B.16, subdivisions 1, 1a, 1b, by adding subdivisions; 124D.142; 124D.165, subdivision 4; 125A.515, subdivisions 1, 3, 4, 5, 7, 8; 144.051, subdivisions 4, 5, 6; 144.057, subdivisions 1, 3; 144.0724, subdivisions 4, 5, 8; 144.121, subdivision 1a, by adding a subdivision; 144.122; 144.225, subdivisions 2, 2a, 7; 144.3831, subdivision 1; 144.412; 144.413, subdivisions 1, 4; 144.414, subdivisions 2, 3; 144.416; 144.4165; 144.4167, subdivision 4; 144.417, subdivision 4; 144.562, subdivision 2; 144.966, subdivision 2; 144.99, subdivision 1; 144A.04, subdivision 5; 144A.071, subdivisions 1a, 2, 3, 4a, 4c, 5a; 144A.073, subdivision 3c; 144A.20, subdivision 1; 144A.24; 144A.26; 144A.43, subdivisions 11, 30, by adding a subdivision; 144A.44, subdivision 1; 144A.471, subdivisions 7, 9; 144A.472, subdivisions 5, 7; 144A.473; 144A.474, subdivisions 2, 9, 11; 144A.475, subdivisions 1, 2, 3b, 5; 144A.476, subdivision 1; 144A.479, subdivision 7; 144A.4791, subdivisions 1, 3, 6, 7, 8, 9, 10; 144A.4792, subdivisions 1, 2, 5, 10; 144A.4793, subdivision 6; 144A.4796, subdivision 2; 144A.4797, subdivision 3; 144A.4798; 144A.4799; 144A.484, subdivision 1; 145.4235, subdivisions 2, 3, 4, by adding a subdivision; 145.928, subdivisions 1, 7; 147.37; 147D.27, by adding a subdivision; 147E.40,

subdivision 1; 147F.17, subdivision 1; 148.59; 148.6445, subdivisions 1, 2, 2a, 3, 4, 5, 6, 10; 148.7815, subdivision 1; 148B.5301, subdivision 2; 148E.0555, subdivision 6; 148E.120, subdivision 2; 148E.180; 148F.11, subdivision 1; 150A.06, by adding subdivisions; 150A.091, by adding subdivisions; 151.01, subdivisions 23, 31, 35, by adding a subdivision; 151.06, by adding a subdivision; 151.065, subdivisions 1, 2, 3, 6; 151.071, subdivisions 1, 2; 151.15, subdivision 1, by adding subdivisions; 151.19, subdivisions 1, 3; 151.21, subdivision 7, by adding a subdivision; 151.211, subdivision 2, by adding a subdivision; 151.252, subdivisions 1, 1a, 3; 151.253, by adding a subdivision; 151.32; 151.40, subdivisions 1, 2; 151.43; 151.46; 151.47, subdivision 1, by adding a subdivision; 152.01, subdivision 23; 152.02, subdivisions 2, 3; 152.11, by adding a subdivision; 152.12, by adding a subdivision; 152.125, subdivision 3; 152.126, subdivisions 1, 6, 7, by adding a subdivision; 152.22, subdivisions 6, 11, 13, 14, by adding subdivisions; 152.25, subdivisions 1, 1a, 1c, 4; 152.27, subdivisions 2, 3, 4, 5, 6; 152.28, subdivision 1; 152.29, subdivisions 1, 2, 3; 152.31; 152.32, subdivision 2; 152.33, subdivisions 1, 2; 152.34; 152.36, subdivision 2; 171.171; 214.25, subdivision 2; 237.50, subdivisions 4a, 6a, 10a, 11, by adding subdivisions; 237.51, subdivisions 1, 5a; 237.52, subdivision 5; 237.53; 245.095; 245.462, subdivisions 6, 8, 9, 14, 17, 18, 21, 23, by adding a subdivision; 245.4661, subdivision 9; 245.467, subdivisions 2, 3; 245.469, subdivisions 1, 2; 245.470, subdivision 1; 245.4712, subdivision 2; 245.472, subdivision 2; 245.4863; 245.4871, subdivisions 9a, 10, 11a, 17, 21, 26, 27, 29, 32, 34; 245.4876, subdivisions 2, 3; 245.4879, subdivisions 1, 2; 245.488, subdivision 1; 245.4889, subdivision 1; 245.696, by adding a subdivision; 245.735, subdivision 3; 245A.02, subdivisions 3, 5a, 8, 9, 12, 14, 18, by adding subdivisions; 245A.03, subdivisions 1, 3; 245A.04, subdivisions 1, 2, 4, 6, 7, 10, by adding subdivisions; 245A.05; 245A.07, subdivisions 1, 2, 2a, 3; 245A.10, subdivision 4; 245A.14, subdivisions 4, 8, by adding subdivisions; 245A.145, subdivisions 1, 2; 245A.151; 245A.16, subdivision 1, by adding a subdivision; 245A.18, subdivision 2; 245A.40; 245A.41; 245A.50; 245A.51, subdivision 3, by adding subdivisions; 245A.66, subdivisions 2, 3; 245C.02, subdivision 6a, by adding subdivisions; 245C.03, subdivision 1, by adding a subdivision; 245C.05, subdivisions 2c, 2d, 4, 5, 5a; 245C.08, subdivisions 1, 3; 245C.10, by adding a subdivision; 245C.13, subdivision 2, by adding a subdivision; 245C.14, subdivision 1; 245C.15, subdivisions 2, 3, 4, by adding a subdivision; 245C.22, subdivisions 4, 5; 245C.24; 245C.30, subdivisions 1, 2, 3; 245C.32, subdivision 2; 245D.03, subdivision 1; 245D.071, subdivision 1; 245D.081, subdivision 3; 245E.01, subdivision 8; 245E.02, by adding a subdivision; 245F.05, subdivision 2; 245H.01, by adding subdivisions; 245H.03, by adding a subdivision; 245H.07; 245H.10, subdivision 1; 245H.11; 245H.12; 245H.13, subdivision 5, by adding subdivisions; 245H.14, subdivisions 1, 3, 4, 5, 6; 245H.15, subdivision 1; 246.54, by adding a subdivision; 246B.10; 252.27, subdivision 2a; 252.275, subdivision 3; 252.28, subdivision 1; 252.41, subdivisions 3, 4, 5, 6, 7, 9; 252.42; 252.43; 252.44; 252.45; 254A.03, subdivision 3; 254B.02, subdivision 1; 254B.03, subdivisions 2, 4; 254B.04, subdivision 1; 254B.05, subdivisions 1a, 5; 254B.06, subdivisions 1, 2; 256.01, subdivision 14b; 256.046, subdivision 1, by adding a subdivision; 256.478; 256.9365; 256.962, subdivision 5; 256.969, subdivisions 2b, 3a, 9, 17, 19; 256.98, subdivision 8; 256B.02, subdivision 7; 256B.04, subdivisions 14, 21, 22; 256B.055, subdivision 2; 256B.056, subdivisions 3, 5c; 256B.0615, subdivision 1; 256B.0616, subdivisions 1, 3; 256B.0622, subdivisions 1, 2, 3a, 4, 5a, 7, 7a, 7b, 7d; 256B.0623, subdivisions 1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 12; 256B.0624, subdivisions 2, 4, 5, 6, 7, 8, 9, 11; 256B.0625, subdivisions 3b, 5, 5l, 9, 13, 13d, 13e, 13f, 17, 19c, 23, 24, 30, 31, 42, 45a, 48, 49, 56a, 57, 61, 62, 65, by adding subdivisions; 256B.064, subdivisions 1a, 1b, 2, by adding subdivisions; 256B.0644; 256B.0651, subdivision 17; 256B.0658; 256B.0659, subdivisions 11, 12, 21, 24, 28, by adding a subdivision; 256B.0757, subdivisions 2, 4, 8, by adding subdivisions; 256B.0915, subdivisions 3a, 3b; 256B.092, subdivision 13; 256B.0941, subdivisions 1, 3; 256B.0943, subdivisions 1, 2, 3, 4, 5, 6, 7, 8, 9, 11;

256B.0944, subdivisions 1, 3, 4, 5, 6, 7, 8, 9; 256B.0946, subdivisions 1, 1a, 2, 3, 4, 6; 256B.0947, subdivisions 1, 2, 3, 3a, 5, 6, 7a; 256B.0949, subdivisions 2, 4, 5a, by adding a subdivision; 256B.27, subdivision 3; 256B.434, subdivisions 1, 3; 256B.49, subdivision 24; 256B.4912, by adding subdivisions; 256B.4913, subdivisions 4a, 5; 256B.4914, subdivisions 2, 4, 5, 6, 7, 8, 9, 10, 10a, 14, 15, by adding a subdivision; 256B.69, subdivisions 6, 6d, 35, by adding subdivisions; 256B.76, subdivisions 2, 4; 256B.766; 256B.79, subdivisions 2, 3, 4, 5, 6; 256B.85, subdivisions 3, 10, 11, 12, 16, by adding a subdivision; 256I.03, subdivision 15; 256I.04, subdivisions 1, 2a, 2f; 256I.05, subdivision 1c; 256I.06, subdivision 8; 256J.24, subdivision 5; 256L.03, by adding a subdivision; 256L.07, subdivision 2, by adding a subdivision; 256L.11, subdivisions 2, 7; 256L.121, subdivision 3; 256M.41, subdivision 3, by adding a subdivision; 256R.02, subdivisions 8, 19, by adding subdivisions; 256R.08, subdivision 1; 256R.10, by adding a subdivision; 256R.16, subdivision 1; 256R.21, by adding a subdivision; 256R.23, subdivision 5; 256R.24; 256R.25; 256R.26; 256R.44; 256R.47; 256R.50, subdivision 6; 260C.007, subdivision 18, by adding a subdivision; 260C.178, subdivision 1; 260C.201, subdivisions 1, 2, 6; 260C.212, subdivision 2; 260C.452, subdivision 4; 260C.503, subdivision 1; 270B.12, by adding a subdivision; 290.0131, by adding a subdivision; 295.51, subdivision 1a; 295.52, subdivision 8; 295.57, subdivision 3; 295.582, subdivision 1; 297I.05, subdivision 5; 317A.811, by adding a subdivision; 325F.69, by adding a subdivision; 325F.72, subdivisions 1, 2, 4; 461.12, subdivisions 2, 3, 4, 5, 6, 8; 461.18; 518A.32, subdivision 3; 609.685; 609.6855; 626.556, subdivision 10; 626.5561, subdivision 1; 626.5572, subdivision 6; 628.26; 641.15, subdivision 3a; Laws 2003, First Special Session chapter 14, article 13C, section 2, subdivision 6, as amended; Laws 2017, First Special Session chapter 6, article 1, section 45; article 3, section 49; article 5, section 11; article 8, sections 71; 72; proposing coding for new law in Minnesota Statutes, chapters 10; 62A; 62C; 62D; 62K; 62Q; 62V; 119B; 137; 144; 144A; 144G; 145; 148; 151; 214; 245; 245A; 245D; 256; 256B; 256L; 256M; 256R; 260C; 290; 461; 609; proposing coding for new law as Minnesota Statutes, chapters 62W; 144I; 144J; 144K; 245I; 256T; 317B; repealing Minnesota Statutes 2018, sections 62A.021, subdivisions 1, 3; 119B.125, subdivision 8; 119B.16, subdivision 2; 144.414, subdivision 5; 144A.071, subdivision 4d; 144A.441; 144A.442; 144A.45, subdivision 6; 144A.472, subdivision 4; 144A.481; 144D.01; 144D.015; 144D.02; 144D.025; 144D.03; 144D.04; 144D.045; 144D.05; 144D.06; 144D.065; 144D.066; 144D.07; 144D.08; 144D.09; 144D.10; 144D.11; 144G.01; 144G.02; 144G.03; 144G.04; 144G.05; 144G.06; 151.214, subdivision 2; 151.42; 151.44; 151.49; 151.50; 151.51; 151.55; 151.60; 151.61; 151.62; 151.63; 151.64; 151.65; 151.66; 151.67; 151.68; 151.69; 151.70; 151.71; 214.17; 214.18; 214.19; 214.20; 214.21; 214.22; 214.23; 214.24; 245.462, subdivision 4a; 245E.06, subdivisions 2, 4, 5; 245H.10, subdivision 2; 246.18, subdivisions 8, 9; 252.41, subdivision 8; 252.431; 252.451; 254B.03, subdivision 4a; 256B.0615, subdivisions 2, 4, 5; 256B.0616, subdivisions 2, 4, 5; 256B.0624, subdivision 10; 256B.0625, subdivision 63; 256B.0659, subdivision 22; 256B.0705; 256B.0943, subdivision 10; 256B.0944, subdivision 10; 256B.0946, subdivision 5; 256B.0947, subdivision 9; 256B.431, subdivisions 3a, 3f, 3g, 3i, 10, 13, 15, 16, 17, 17a, 17c, 17d, 17e, 18, 21, 22, 30, 45; 256B.434, subdivisions 4, 4f, 4i, 4j, 6, 10; 256B.4913, subdivisions 4a, 6, 7; 256B.79, subdivision 7; 256L.11, subdivisions 2a, 6a; 256R.36; 256R.40; 256R.41; Laws 2010, First Special Session chapter 1, article 25, section 3, subdivision 10; Laws 2011, First Special Session chapter 9, article 6, section 97, subdivision 6; Minnesota Rules, parts 2960.3030, subpart 3; 3400.0185, subpart 5; 6400.6970; 7200.6100; 7200.6105; 9502.0425, subparts 4, 16, 17; 9503.0155, subpart 8; 9505.0370; 9505.0371; 9505.0372; 9520.0010; 9520.0020; 9520.0030; 9520.0040; 9520.0050; 9520.0060; 9520.0070; 9520.0080; 9520.0090; 9520.0100; 9520.0110; 9520.0120; 9520.0130; 9520.0140; 9520.0150; 9520.0160; 9520.0170; 9520.0180; 9520.0190; 9520.0200; 9520.0210; 9520.0230; 9549.0057; 9549.0060, subparts 4, 5, 6, 7, 10, 11, 14.

Senator Benson, designee of the Chair of the Committee on Rules and Administration, moved that H.F. No. 2414 be laid on the table. The motion prevailed.

MEMBERS EXCUSED

Senator Nelson was excused from the Session of today. Senator Franzen was excused from the Session of today at 5:50 p.m.

ADJOURNMENT

Senator Benson moved that the Senate do now adjourn until 10:00 a.m., Monday, April 29, 2019. The motion prevailed.

Cal R. Ludeman, Secretary of the Senate

