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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. **4385**

04/12/2018 Authored by Davids, Marquart and Christensen  
The bill was read for the first time and referred to the Committee on Taxes  
04/25/2018 Adoption of Report: Amended and re-referred to the Committee on Ways and Means  
04/26/2018 Adoption of Report: Placed on the General Register as Amended  
Read for the Second Time  
04/30/2018 Calendar for the Day, Amended  
Read Third Time as Amended  
Passed by the House as Amended and transmitted to the Senate to include Floor Amendments  
05/07/2018 Returned to the House as Amended by the Senate  
Refused to concur and a Conference Committee was appointed  
05/15/2018 R/S Rules Suspended, urgency declared  
05/16/2018 Read Third Time as Amended by Conference and repassed by the House  
Read Third Time as Amended by Conference and repassed by the Senate

1.1 A bill for an act

1.2 relating to taxation; making changes to conform with certain federal tax law

1.3 changes; making policy and technical changes to individual income taxes, corporate

1.4 franchise taxes, estate taxes, sales and use taxes, property taxes, tobacco taxes,

1.5 minerals taxes, local taxes, and other miscellaneous taxes and tax-related provisions;

1.6 modifying provisions related to local government aids and credits; appropriating

1.7 money; amending Minnesota Statutes 2016, sections 103E.611, subdivision 2;

1.8 116J.8737, subdivisions 5, 12; 138.053; 162.145, subdivision 3; 197.603,

1.9 subdivision 2; 270.41, subdivision 3; 270B.08, subdivision 2; 270C.85, subdivision

1.10 2; 270C.89, subdivision 2; 270C.91; 272.02, subdivisions 27, 81, by adding a

1.11 subdivision; 273.032; 273.061, subdivision 9; 273.113, subdivision 3; 273.119,

1.12 subdivision 2; 273.1231, subdivision 3; 273.124, subdivisions 3a, 8, 14, 21, by

1.13 adding a subdivision; 273.1245, subdivision 2; 273.13, subdivision 35; 273.136,

1.14 subdivision 2; 273.1384, subdivision 3; 273.18; 274.14; 274.16; 275.025, by adding

1.15 subdivisions; 282.01, subdivision 6; 287.21, subdivision 1; 289A.08, subdivisions

1.16 1, 6, 7; 289A.20, by adding a subdivision; 289A.25, subdivision 1; 289A.31,

1.17 subdivision 2; 289A.37, subdivision 6; 289A.38, subdivision 10; 289A.42; 289A.60,

1.18 subdivision 24; 290.01, subdivision 29a, by adding subdivisions; 290.0131,

1.19 subdivisions 1, 3, 12, 13, by adding subdivisions; 290.0132, subdivisions 1, 7, 20,

1.20 by adding subdivisions; 290.0133, subdivision 6; 290.0134, by adding subdivisions;

1.21 290.0136; 290.032, subdivision 2; 290.05, subdivision 3; 290.06, subdivisions 1,

1.22 2c, 2d; 290.0671, subdivision 7; 290.0672, subdivision 2; 290.0681, subdivisions

1.23 3, 4; 290.0685, subdivision 1, by adding a subdivision; 290.0802, subdivisions 2,

1.24 3; 290.091, subdivision 3; 290.0921, subdivision 8; 290.0922, subdivision 1;

1.25 290.095, subdivision 4; 290.21, subdivision 4, by adding a subdivision; 290.34,

1.26 by adding subdivisions; 290.92, subdivisions 1, 28; 290A.03, subdivisions 4, 12;

1.27 290A.04, subdivisions 2, 2a, 4; 290A.05; 290A.08; 290A.09; 290B.04, subdivision

1.28 1; 290B.09, subdivision 1; 291.03, subdivisions 8, 10; 297A.61, subdivision 18;

1.29 297A.67, subdivision 12; 297A.68, subdivisions 17, 25, 44; 297A.70, subdivisions

1.30 3, 7, 16, by adding a subdivision; 297A.71, subdivisions 22, 45, by adding

1.31 subdivisions; 297A.77, by adding a subdivision; 297A.84; 297A.85; 297B.01,

1.32 subdivision 14; 297B.03; 297F.01, subdivisions 19, 23, by adding a subdivision;

1.33 297F.17, subdivision 6; 297G.16, subdivision 7; 298.225, subdivision 1; 298.28,

1.34 subdivision 9a; 469.171, subdivision 4; 469.177, subdivision 1; 469.1812,

1.35 subdivision 1, by adding subdivisions; 469.316, subdivision 1; 469.317; 471.831;

1.36 473H.08, subdivisions 1, 4, by adding a subdivision; 474A.02, subdivision 22b;

1.37 475.521, subdivision 1; 477A.013, subdivision 13; 477A.016; Minnesota Statutes

1.38 2017 Supplement, sections 270A.03, subdivision 5; 270C.445, subdivision 6;

1.39 270C.89, subdivision 1; 272.115, subdivision 1; 273.0755; 273.13, subdivisions

2.1 22, 23, 25, 34; 273.1384, subdivision 2; 273.1387, subdivision 3; 275.025,  
 2.2 subdivision 1; 289A.02, subdivision 7; 289A.12, subdivision 14; 289A.35; 289A.37,  
 2.3 subdivision 2; 290.01, subdivisions 4a, 19, 31; 290.0131, subdivision 10; 290.0132,  
 2.4 subdivisions 21, 26; 290.0133, subdivision 12; 290.0137; 290.05, subdivision 1;  
 2.5 290.067, subdivisions 1, 2b; 290.0671, subdivision 1; 290.0672, subdivision 1;  
 2.6 290.0681, subdivisions 1, 2; 290.0684, subdivision 2; 290.091, subdivision 2;  
 2.7 290.17, subdivisions 2, 4; 290A.03, subdivisions 3, 8, 13, 15; 291.005, subdivision  
 2.8 1; 291.03, subdivisions 9, 11; 297A.67, subdivisions 6, 34; 297A.70, subdivisions  
 2.9 4, 20; 297A.75, subdivision 1; 297B.01, subdivision 16; 298.17; 298.227; 462D.03,  
 2.10 subdivision 2; 462D.06, subdivisions 1, 2; Laws 1986, chapter 379, sections 1,  
 2.11 subdivisions 1, 3; 2, subdivision 1; Laws 1986, chapter 462, section 31, as amended;  
 2.12 Laws 2008, chapter 366, article 5, sections 26, as amended; 33, as amended; Laws  
 2.13 2009, chapter 88, article 2, section 46, subdivisions 1, as amended, 2, 3, as amended,  
 2.14 4, 5; Laws 2011, First Special Session chapter 7, article 4, section 10, subdivision  
 2.15 3; Laws 2017, First Special Session chapter 1, article 3, section 32; article 4, section  
 2.16 31; article 8, section 3; article 10, section 4; proposing coding for new law in  
 2.17 Minnesota Statutes, chapters 289A; 290; 469; repealing Minnesota Statutes 2016,  
 2.18 sections 275.29; 289A.38, subdivisions 7, 8, 9; 290.0131, subdivisions 7, 11;  
 2.19 290.0133, subdivisions 13, 14; 290.067, subdivision 2a; 290.0921, subdivisions  
 2.20 1, 2, 3, 3a, 4, 6; 290.10, subdivision 2.

2.21 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

2.22 **ARTICLE 1**

2.23 **FEDERAL TAX CONFORMITY**

2.24 Section 1. Minnesota Statutes 2017 Supplement, section 270A.03, subdivision 5, is  
 2.25 amended to read:

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

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

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

2.41 (1) for an unmarried debtor, an income of ~~\$12,560~~ \$13,180 or less;

- 3.1 (2) for a debtor with one dependent, an income of ~~\$16,080~~ \$16,878 or less;
- 3.2 (3) for a debtor with two dependents, an income of ~~\$19,020~~ \$19,959 or less;
- 3.3 (4) for a debtor with three dependents, an income of ~~\$21,580~~ \$22,643 or less;
- 3.4 (5) for a debtor with four dependents, an income of ~~\$22,760~~ \$23,887 or less; and
- 3.5 (6) for a debtor with five or more dependents, an income of ~~\$23,730~~ \$24,900 or less.

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

3.10 (c) The commissioner shall adjust the income amounts in paragraph (b) by the percentage  
3.11 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except  
3.12 that in section 1(f)(3)(B) the word "~~2014~~" "2017" shall be substituted for the word "~~1992~~."  
3.13 ~~For 2016, the commissioner shall then determine the percent change from the 12 months~~  
3.14 ~~ending on August 31, 2014, to the 12 months ending on August 31, 2015, and in each~~  
3.15 ~~subsequent year, from the 12 months ending on August 31, 2014, to the 12 months ending~~  
3.16 ~~on August 31 of the year preceding the taxable year.~~ "2016." The determination of the  
3.17 commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be  
3.18 subject to the Administrative Procedure Act contained in chapter 14. The income amount  
3.19 as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount  
3.20 is rounded up to the nearest \$10 amount.

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

3.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
3.24 31, 2017.

3.25 Sec. 2. Minnesota Statutes 2017 Supplement, section 289A.02, subdivision 7, is amended  
3.26 to read:

3.27 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
3.28 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December~~  
3.29 ~~16, 2016~~ March 31, 2018.

3.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
3.31 31, 2017.

4.1 Sec. 3. Minnesota Statutes 2016, section 289A.08, subdivision 1, is amended to read:

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

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

4.9 (2) an individual who is a Minnesota resident is not required to file a Minnesota income  
4.10 tax return if the individual's gross income derived from Minnesota sources as determined  
4.11 under section 290.17, less the subtractions allowed under section 290.0132, subdivisions  
4.12 12 and 15, is less than the filing requirements for a single individual who is a full-year  
4.13 resident of Minnesota.

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

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

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

4.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
4.27 31, 2017.

4.28 Sec. 4. Minnesota Statutes 2016, section 289A.08, subdivision 7, is amended to read:

4.29 Subd. 7. **Composite income tax returns for nonresident partners, shareholders, and**  
4.30 **beneficiaries.** (a) The commissioner may allow a partnership with nonresident partners to  
4.31 file a composite return and to pay the tax on behalf of nonresident partners who have no  
4.32 other Minnesota source income. This composite return must include the names, addresses,

5.1 Social Security numbers, income allocation, and tax liability for the nonresident partners  
5.2 electing to be covered by the composite return.

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

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

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

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

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

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

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

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

6.5 (j) For the purposes of this subdivision, "income" means the partner's share of federal  
6.6 adjusted gross income from the partnership modified by the additions provided in section  
6.7 290.0131, subdivisions 8 to ~~10~~ and 17, and the subtractions provided in: (1) section  
6.8 290.0132, subdivision 9, to the extent the amount is assignable or allocable to Minnesota  
6.9 under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed  
6.10 under section 290.0132, subdivision 9, is only allowed on the composite tax computation  
6.11 to the extent the electing partner would have been allowed the subtraction.

6.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
6.13 31, 2017.

6.14 Sec. 5. Minnesota Statutes 2017 Supplement, section 289A.12, subdivision 14, is amended  
6.15 to read:

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

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

6.29 (1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section  
6.30 852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest  
6.31 dividends that are not required to be added to federal ~~taxable~~ adjusted gross income under  
6.32 section 290.0131, subdivision 2, paragraph (b).

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

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

7.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
7.9 31, 2017.

7.10 Sec. 6. Minnesota Statutes 2016, section 289A.20, is amended by adding a subdivision to  
7.11 read:

7.12 **Subd. 1a. Tax on deferred foreign income; election to pay in installments.** (a) A  
7.13 taxpayer subject to tax under section 290.06, subdivision 1, may elect to pay the net tax  
7.14 liability on the deferred foreign income in installments in the same percentages of the net  
7.15 tax liability for each taxable year as provided in section 965(h)(1) of the Internal Revenue  
7.16 Code. Payment of an installment for a taxable year is due on the due date, determined without  
7.17 regard to any extensions of time for filing the return, for the tax return for that taxable year.

7.18 (b) If an acceleration of payment applies for federal income tax purposes under section  
7.19 965(h)(3) of the Internal Revenue Code, the unpaid portion of the remaining installments  
7.20 due under chapter 290 must be paid on the same date as the federal tax is due. Assessment  
7.21 of deficiencies must be prorated as provided under section 965(h)(4) of the Internal Revenue  
7.22 Code.

7.23 (c) For purposes of this subdivision, "net tax liability" means the excess of:

7.24 (1) the tax liability, determined under chapter 290, for the taxable year in which the  
7.25 deferred foreign income was includible in federal taxable income; over

7.26 (2) the tax liability, determined under chapter 290, for that taxable year computed after  
7.27 excluding the deferred foreign income under section 965 of the Internal Revenue Code.

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

7.30 Sec. 7. Minnesota Statutes 2017 Supplement, section 289A.35, is amended to read:

7.31 **289A.35 ASSESSMENTS ON RETURNS.**

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

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

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

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

8.16 (e) The commissioner may audit and adjust the taxpayer's computation of tax under  
8.17 chapter 291. In the case of a return filed pursuant to section 289A.10, the commissioner  
8.18 shall notify the estate no later than nine months after the filing date, as provided by section  
8.19 289A.38, subdivision 2, whether the return is under examination or the return has been  
8.20 processed as filed.

8.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
8.22 31, 2017.

8.23 Sec. 8. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to  
8.24 read:

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

8.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
8.28 31, 2017.

8.29 Sec. 9. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 19, is amended  
8.30 to read:

8.31 Subd. 19. **Net income.** (a) For a corporation taxable under section 290.02, and an estate  
8.32 or a trust taxable under section 290.03, the term "net income" means the federal taxable



9.1 income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through  
9.2 the date named in this subdivision, incorporating the federal effective dates of changes to  
9.3 the Internal Revenue Code and any elections made by the taxpayer in accordance with the  
9.4 Internal Revenue Code in determining federal taxable income for federal income tax  
9.5 purposes, and with the modifications provided in sections 290.0131 to 290.0136.

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

9.8 (c) In the case of a regulated investment company or a fund thereof, as defined in section  
9.9 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment  
9.10 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,  
9.11 except that:

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

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

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

9.21 (d) The net income of a real estate investment trust as defined and limited by section  
9.22 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust  
9.23 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

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

9.27 (f) The Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ March  
9.28 31, 2018, shall be in effect for taxable years beginning after December 31, 1996.

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

9.32 **EFFECTIVE DATE.** This section is effective the day following final enactment, except  
9.33 the changes incorporated by federal changes are effective retroactively at the same time as

10.1 the changes were effective for federal purposes and the changes amending the new paragraph  
10.2 (a) and adding paragraph (b) are effective for taxable years beginning after December 31,  
10.3 2017.

10.4 Sec. 10. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to  
10.5 read:

10.6 Subd. 19i. **Deferred foreign income.** "Deferred foreign income" means the income of  
10.7 a domestic corporation that is included in net income under section 965 of the Internal  
10.8 Revenue Code, inclusive of the deduction allowed under section 965(c) of the Internal  
10.9 Revenue Code.

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

10.12 Sec. 11. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to  
10.13 read:

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

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

10.21 Sec. 12. Minnesota Statutes 2016, section 290.01, subdivision 29a, is amended to read:

10.22 Subd. 29a. **State itemized deduction.** (a) "State itemized deduction" means federal  
10.23 itemized deductions, as defined in section 63(d) of the Internal Revenue Code, disregarding  
10.24 any limitation under section 68 of the Internal Revenue Code, and reduced by the amount  
10.25 of the addition required under section 290.0131, subdivision 13.

10.26 (1) changes to itemized deductions made by Public Law 115-97, but including the  
10.27 changes made by sections 11027, 13704, and 13705 of that public law; and

10.28 (2) the federal itemized deduction of income or sales taxes under section 164 of the  
10.29 Internal Revenue Code.

10.30 (b) For an individual who is not a resident of this state for the entire taxable year, the  
10.31 itemized deductions allowable under paragraph (a) are further limited as follows:

11.1 (1) the taxes paid deduction under section 164 of the Internal Revenue Code applies  
11.2 only to real and personal property taxes imposed by this state or its political subdivisions;

11.3 (2) the charitable contribution deduction under section 170 of the Internal Revenue Code  
11.4 does not apply;

11.5 (3) the interest deduction under section 163 of the Internal Revenue Code is limited to:

11.6 (i) interest paid on loans secured by a mortgage or lien on a residence located in this  
11.7 state; and

11.8 (ii) interest paid or accrued on indebtedness properly allocable to property held for  
11.9 investment located in this state;

11.10 (4) allowable miscellaneous deductions are limited to expenses related to:

11.11 (i) the production of income in this state;

11.12 (ii) property located in this state; or

11.13 (iii) taxes paid to this state or its political subdivisions; and

11.14 (5) the deduction for losses under section 165 of the Internal Revenue Code is limited  
11.15 to losses attributable to property located in this state.

11.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
11.17 31, 2017.

11.18 Sec. 13. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to  
11.19 read:

11.20 Subd. 29b. **State standard deduction.** "State standard deduction" means the federal  
11.21 standard deduction computed under section 63(c) and (f) of the Internal Revenue Code, as  
11.22 amended through December 16, 2016, except that for purposes of adjusting the amounts  
11.23 under this subdivision, the provisions of section 1(f) of the Internal Revenue Code, as  
11.24 amended through March 31, 2018, apply.

11.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
11.26 31, 2017.

11.27 Sec. 14. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 31, is amended  
11.28 to read:

11.29 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
11.30 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December~~

12.1 ~~16, 2016~~ March 31, 2018. Internal Revenue Code also includes any uncodified provision  
12.2 in federal law that relates to provisions of the Internal Revenue Code that are incorporated  
12.3 into Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1,  
12.4 subchapter N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as  
12.5 amended through March 18, 2010.

12.6 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
12.7 applies to the same taxable years as the changes incorporated by federal changes are effective  
12.8 for federal purposes, including any provisions that are retroactive to taxable years beginning  
12.9 after December 31, 2016.

12.10 Sec. 15. Minnesota Statutes 2016, section 290.0131, subdivision 1, is amended to read:

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

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

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

12.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
12.20 31, 2017.

12.21 Sec. 16. Minnesota Statutes 2016, section 290.0131, subdivision 3, is amended to read:

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

12.28 ~~(b) The addition under paragraph (a) may not be more than the amount by which the~~  
12.29 ~~state itemized deduction exceeds the amount of the standard deduction as defined in section~~  
12.30 ~~63(c) of the Internal Revenue Code. For the purpose of this subdivision, income, sales and~~  
12.31 ~~use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed under~~  
12.32 ~~subdivision 12.~~

13.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
13.2 31, 2017.

13.3 Sec. 17. Minnesota Statutes 2017 Supplement, section 290.0131, subdivision 10, is amended  
13.4 to read:

13.5 Subd. 10. **Section 179 expensing.** Effective for property placed in service in taxable  
13.6 years beginning before January 1, 2018, 80 percent of the amount by which the deduction  
13.7 allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the  
13.8 deduction allowable by section 179 of the Internal Revenue Code, as amended through  
13.9 December 31, 2003, is an addition.

13.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
13.11 31, 2017.

13.12 Sec. 18. Minnesota Statutes 2016, section 290.0131, subdivision 12, is amended to read:

13.13 Subd. 12. **Disallowed itemized deductions.** (a) The amount of disallowed itemized  
13.14 deductions is an addition. The amount of disallowed itemized deductions, ~~plus the addition~~  
13.15 ~~required under subdivision 3,~~ may not be more than the amount by which the state itemized  
13.16 deductions, ~~as allowed under section 63(d) of the Internal Revenue Code,~~ exceeds the amount  
13.17 of the state standard deduction ~~as defined in section 63(e) of the Internal Revenue Code.~~

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

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

13.21 (2) 80 percent of the amount of the state itemized deductions otherwise allowable to the  
13.22 taxpayer under the Internal Revenue Code for the taxable year.

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

13.25 (1) that dollar amount, multiplied by

13.26 (2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue  
13.27 Code for the calendar year in which the taxable year begins, by substituting "~~calendar year~~  
13.28 ~~1990~~" for "~~calendar year 1992~~" in subparagraph (B) of section 1(f)(3) "1990" for "2016" in  
13.29 section 1(f)(3)(A)(ii) of the Internal Revenue Code.

13.30 (d) "Itemized deductions" excludes:

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

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

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

14.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
14.7 31, 2017.

14.8 Sec. 19. Minnesota Statutes 2016, section 290.0131, subdivision 13, is amended to read:

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

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

14.18 (c) For a married individual filing a separate return, "applicable percentage" means two  
14.19 percentage points for each \$1,250, or fraction of that amount, by which the taxpayer's federal  
14.20 adjusted gross income for the taxable year exceeds the threshold amount. For all other filers,  
14.21 applicable percentage means two percentage points for each \$2,500, or fraction of that  
14.22 amount, by which the taxpayer's federal adjusted gross income for the taxable year exceeds  
14.23 the threshold amount. The applicable percentage must not exceed 100 percent.

14.24 (d) "Threshold amount" means:

14.25 (1) \$150,000 for a joint return or a surviving spouse;

14.26 (2) \$125,000 for a head of a household;

14.27 (3) \$100,000 for an individual who is not married and who is not a surviving spouse or  
14.28 head of a household; and

14.29 (4) \$75,000 for a married individual filing a separate return.

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

14.31 (1) the threshold dollar amount, multiplied by

15.1 (2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue  
15.2 Code for the calendar year in which the taxable year begins, by substituting "~~calendar year~~  
15.3 ~~1990~~" for "~~calendar year 1992~~" in subparagraph (B) of section 1(f)(3) "1990" for "2016" in  
15.4 section 1(f)(3)(A)(ii) of the Internal Revenue Code.

15.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
15.6 31, 2017.

15.7 Sec. 20. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision  
15.8 to read:

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

15.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
15.13 31, 2017.

15.14 Sec. 21. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision  
15.15 to read:

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

15.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
15.20 31, 2017.

15.21 Sec. 22. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision  
15.22 to read:

15.23 Subd. 17. **529 plan distributions for K-12 expenses.** The lesser of the following amounts  
15.24 is an addition:

15.25 (1) the total distributions for the taxable year from a qualified plan under section 529 of  
15.26 the Internal Revenue Code, owned by the taxpayer, that are expended for qualified higher  
15.27 education expenses under section 529(c)(7) of the Internal Revenue Code (expenses for  
15.28 tuition for elementary or secondary public, private, or religious school); or

15.29 (2) the total amount required to be reported to the taxpayer by any trustee of a qualified  
15.30 tuition plan under section 529 of the Internal Revenue Code as earnings on Internal Revenue  
15.31 Service Form 1099Q for the taxable year.

16.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
16.2 31, 2017.

16.3 Sec. 23. Minnesota Statutes 2016, section 290.0132, subdivision 1, is amended to read:

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

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

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

16.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
16.14 31, 2017.

16.15 Sec. 24. Minnesota Statutes 2016, section 290.0132, subdivision 7, is amended to read:

16.16 Subd. 7. **Charitable contributions for taxpayers who do not itemize.** ~~To the extent~~  
16.17 ~~not deducted or not deductible under section 408(d)(8)(E) of the Internal Revenue Code in~~  
16.18 ~~determining federal taxable income by~~ For an a resident individual who does not itemize  
16.19 deductions for federal income tax purposes under section 290.0803 for the taxable year, an  
16.20 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable  
16.21 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code  
16.22 290.0803, subdivision 5, is a subtraction. The subtraction under this subdivision must not  
16.23 include a distribution that is excluded from federal adjusted gross income and that is not  
16.24 deductible under section 408(d)(8)(E) of the Internal Revenue Code.

16.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
16.26 31, 2017.

16.27 Sec. 25. Minnesota Statutes 2016, section 290.0132, subdivision 20, is amended to read:

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



17.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
17.2 31, 2017.

17.3 Sec. 26. Minnesota Statutes 2017 Supplement, section 290.0132, subdivision 21, is amended  
17.4 to read:

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

17.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
17.11 31, 2017.

17.12 Sec. 27. Minnesota Statutes 2017 Supplement, section 290.0132, subdivision 26, is amended  
17.13 to read:

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

17.17 (b) For married taxpayers filing a joint return and surviving spouses, the maximum  
17.18 subtraction equals ~~\$4,500~~ \$4,590. The maximum subtraction is reduced by 20 percent of  
17.19 provisional income over ~~\$77,000~~ \$78,530. In no case is the subtraction less than zero.

17.20 (c) For single or head-of-household taxpayers, the maximum subtraction equals ~~\$3,500~~  
17.21 \$3,570. The maximum subtraction is reduced by 20 percent of provisional income over  
17.22 ~~\$60,200~~ \$61,400. In no case is the subtraction less than zero.

17.23 (d) For married taxpayers filing separate returns, the maximum subtraction equals ~~\$2,250~~  
17.24 one-half the maximum subtraction for joint returns under paragraph (b). The maximum  
17.25 subtraction is reduced by 20 percent of provisional income over ~~\$38,500~~ one-half the  
17.26 maximum subtraction for joint returns under paragraph (b). In no case is the subtraction  
17.27 less than zero.

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

18.1 (f) The commissioner shall adjust the maximum subtraction and threshold amounts in  
18.2 paragraphs (b) to (d) by the percentage determined pursuant to the provisions of section  
18.3 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) of the Internal Revenue  
18.4 Code the word "~~2016~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2018, the~~  
18.5 ~~commissioner shall then determine the percentage change from the 12 months ending on~~  
18.6 ~~August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year,~~  
18.7 ~~from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of~~  
18.8 ~~the year preceding the taxable year.~~ "2016." The determination of the commissioner pursuant  
18.9 to this subdivision must not be considered a rule and is not subject to the Administrative  
18.10 Procedure Act contained in chapter 14, including section 14.386. The maximum subtraction  
18.11 and threshold amounts as adjusted must be rounded to the nearest \$10 amount. If the amount  
18.12 ends in \$5, the amount is rounded up to the nearest \$10 amount.

18.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
18.14 31, 2017.

18.15 Sec. 28. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
18.16 to read:

18.17 Subd. 27. **Moving expenses.** Expenses that qualify as a deduction under section 217(a)  
18.18 through (f) of the Internal Revenue Code, disregarding paragraph (k), are a subtraction.

18.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
18.20 31, 2017.

18.21 Sec. 29. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
18.22 to read:

18.23 Subd. 28. **Global intangible low-taxed income.** The taxpayer's global intangible  
18.24 low-taxed income included under section 951A of the Internal Revenue Code for the taxable  
18.25 year is a subtraction.

18.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
18.27 31, 2017.

18.28 Sec. 30. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
18.29 to read:

18.30 Subd. 29. **Deferred foreign income of nonresidents.** For a nonresident individual, the  
18.31 amount of deferred foreign income recognized because of section 965 of the Internal Revenue  
18.32 Code is a subtraction.

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

19.3 Sec. 31. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
19.4 to read:

19.5 Subd. 30. **Standard or itemized deduction.** The amount allowed under section 290.0803  
19.6 is a subtraction.

19.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
19.8 31, 2017.

19.9 Sec. 32. Minnesota Statutes 2016, section 290.0133, subdivision 6, is amended to read:

19.10 Subd. 6. **Special deductions.** (a) The amount of any special deductions under sections  
19.11 241 to 247 of the Internal Revenue Code and ~~965~~ the amount of foreign derived intangible  
19.12 income deducted under section 250 of the Internal Revenue Code is an addition.

19.13 (b) The addition under this subdivision is reduced by the amount of the deduction under  
19.14 section 245A of the Internal Revenue Code that represents amounts included in federal  
19.15 taxable income in a prior taxable year under section 965 of the Internal Revenue Code.

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

19.18 Sec. 33. Minnesota Statutes 2017 Supplement, section 290.0133, subdivision 12, is amended  
19.19 to read:

19.20 Subd. 12. **Section 179 expensing.** Effective for property placed in service in taxable  
19.21 years beginning before January 1, 2018, 80 percent of the amount by which the deduction  
19.22 allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the  
19.23 deduction allowable by section 179 of the Internal Revenue Code, as amended through  
19.24 December 31, 2003, is an addition.

19.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
19.26 31, 2017.

20.1 Sec. 34. Minnesota Statutes 2016, section 290.0134, is amended by adding a subdivision  
20.2 to read:

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

20.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
20.7 31, 2017.

20.8 Sec. 35. Minnesota Statutes 2016, section 290.0136, is amended to read:

20.9 **290.0136 CERTAIN PREFERRED STOCK LOSSES.**

20.10 A taxpayer must compute net income by treating losses from the sale or transfer of  
20.11 certain preferred stock, which the taxpayer treated as ordinary losses pursuant to Division  
20.12 A, title III, section 301 of Public Law 110-343, as capital losses. The amount of net income  
20.13 under section 290.01, subdivision 19; taxable net income under section 290.01, subdivision  
20.14 22; taxable income under section 290.01, subdivision 29; the numerator and denominator  
20.15 in section 290.06, subdivision 2c, paragraph (e); individual alternative minimum taxable  
20.16 income under section 290.091, subdivision 2; ~~corporate alternative minimum taxable income~~  
20.17 ~~under section 290.0921, subdivision 3;~~ and net operating losses under section 290.095 must  
20.18 be computed for each taxable year as if those losses had been treated by the taxpayer as  
20.19 capital losses under the Internal Revenue Code, including the limitations under section 1211  
20.20 of the Internal Revenue Code.

20.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
20.22 31, 2017.

20.23 Sec. 36. **[290.0138] PERSONAL AND DEPENDENT EXEMPTIONS.**

20.24 Subdivision 1. **Personal and dependent exemptions.** (a) A taxpayer is allowed (1) a  
20.25 personal exemption in the amount of \$4,150, and in the case of a married couple filing a  
20.26 joint return an additional personal exemption of \$4,150; plus (2) a dependent exemption of  
20.27 \$4,150 multiplied by the number of dependents of the taxpayer, as defined under sections  
20.28 151 and 152 of the Internal Revenue Code.

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

21.1 Subd. 2. **Cost-of-living adjustment.** For taxable years beginning after December 31,  
21.2 2018, the commissioner shall annually adjust the amounts in subdivision 1 by the percentage  
21.3 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code as  
21.4 amended through March 31, 2018. The exemption amount as adjusted for inflation must be  
21.5 rounded to the nearest \$50. If the amount is not a multiple of \$50, the commissioner shall  
21.6 round down to the next lowest multiple of \$50. The determination of the commissioner  
21.7 under this subdivision is not a rule under the Administrative Procedure Act.

21.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
21.9 31, 2017.

21.10 Sec. 37. Minnesota Statutes 2016, section 290.032, subdivision 2, is amended to read:

21.11 Subd. 2. **Computation.** The amount of tax imposed by subdivision 1 shall be computed  
21.12 in the same way as the tax imposed under section 402(d) of the Internal Revenue Code of  
21.13 1986, as amended through December 31, 1995, except that the initial separate tax shall be  
21.14 an amount equal to five times the tax which would be imposed by section 290.06, subdivision  
21.15 2c, if the recipient was an unmarried individual, and the taxable net income was an amount  
21.16 equal to one-fifth of the excess of

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

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

21.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
21.24 31, 2017.

21.25 Sec. 38. Minnesota Statutes 2016, section 290.05, subdivision 3, is amended to read:

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

21.29 (1) section 527 (dealing with political organizations);

21.30 (2) section 528 (dealing with certain homeowners associations);

21.31 (3) sections 511 to 515 (dealing with unrelated business income);

22.1 (4) section 521 (dealing with farmers' cooperatives); and

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

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

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

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

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

22.19 (c) The tax shall be imposed on organizations subject to federal tax under section  
22.20 6033(e)(2) of the Internal Revenue Code, in an amount equal to the corporate tax rate  
22.21 multiplied by the amount of lobbying expenses taxed under section 6033(e)(2) which are  
22.22 attributable to lobbying the Minnesota state government.

22.23 (d) In calculating unrelated business taxable income under section 512 of the Internal  
22.24 Revenue Code, the amount of any net operating loss deduction claimed under section 172  
22.25 of the Internal Revenue Code is an addition. Taxpayers making an addition under this  
22.26 paragraph may deduct a net operating loss for the taxable year in the same manner as a  
22.27 corporation under section 290.095, in a form and manner prescribed by the commissioner,  
22.28 and may calculate the loss without the application of the limitation provided for under  
22.29 section 512(a)(6) of the Internal Revenue Code.

22.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
22.31 31, 2017.

23.1 Sec. 39. Minnesota Statutes 2016, section 290.06, subdivision 1, is amended to read:

23.2 Subdivision 1. **Computation, corporations.** (a) The franchise tax imposed upon  
 23.3 corporations shall be computed by applying to their taxable income the rate of ~~9.8~~ 9.1  
 23.4 percent.

23.5 (b) Notwithstanding paragraph (a), the rate for taxable years beginning after December  
 23.6 31, 2017, and before January 1, 2020, is 9.65 percent.

23.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 23.8 31, 2017.

23.9 Sec. 40. Minnesota Statutes 2016, section 290.06, subdivision 2c, is amended to read:

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

23.14 (1) On the first ~~\$35,480~~ \$37,850, ~~5.35~~ 5.25 percent;

23.15 (2) On all over ~~\$35,480~~ \$37,850, but not over ~~\$140,960~~ \$150,380, ~~7.05~~ 6.85 percent;

23.16 (3) On all over ~~\$140,960~~ \$150,380, but not over ~~\$250,000~~ \$266,700, 7.85 percent;

23.17 (4) On all over ~~\$250,000~~ \$266,700, 9.85 percent.

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

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

23.23 (1) On the first ~~\$24,270~~ \$25,890, ~~5.35~~ 5.25 percent;

23.24 (2) On all over ~~\$24,270~~ \$25,890, but not over ~~\$79,730~~ \$85,060, ~~7.05~~ 6.85 percent;

23.25 (3) On all over ~~\$79,730~~ \$85,060, but not over ~~\$150,000~~ \$160,020, 7.85 percent;

23.26 (4) On all over ~~\$150,000~~ \$160,020, 9.85 percent.

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

23.30 (1) On the first ~~\$29,880~~ \$31,880, ~~5.35~~ 5.25 percent;

24.1 (2) On all over ~~\$29,880~~ \$31,880, but not over ~~\$120,070~~ \$128,090, ~~7.05~~ 6.85 percent;

24.2 (3) On all over ~~\$120,070~~ \$128,090, but not over ~~\$200,000~~ \$213,360, 7.85 percent;

24.3 (4) On all over ~~\$200,000~~ \$213,360, 9.85 percent.

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

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

24.15 (1) the numerator is the individual's Minnesota source federal adjusted gross income as  
24.16 ~~defined in section 62 of the Internal Revenue Code~~ and increased by the additions required  
24.17 under section 290.0131, subdivisions 2 ~~and~~ 6 to 10, 16, and 17, and reduced by the  
24.18 Minnesota assignable portion of the subtraction for United States government interest under  
24.19 section 290.0132, subdivision 2, and the subtractions under section 290.0132, subdivisions  
24.20 9, 10, 14, 15, 17, ~~and 18, and 27 to 29~~, after applying the allocation and assignability  
24.21 provisions of section 290.081, clause (a), or 290.17; and

24.22 (2) the denominator is the individual's federal adjusted gross income ~~as defined in section~~  
24.23 ~~62 of the Internal Revenue Code~~, increased by the amounts specified in section 290.0131,  
24.24 subdivisions 2 ~~and~~ 6 to 10, 16, and 17, and reduced by the amounts specified in section  
24.25 290.0132, subdivisions 2, 9, 10, 14, 15, 17, ~~and 18, and 27 to 29~~.

24.26 (f) For taxable years beginning after December 31, 2017, and before January 1, 2020,  
24.27 a rate of 5.3 percent applies instead of the 5.25 percent rate in paragraphs (a) to (c), and a  
24.28 rate of 6.95 percent applies instead of the 6.85 percent rate in paragraphs (a) to (c).

24.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
24.30 31, 2017.



25.1 Sec. 41. Minnesota Statutes 2016, section 290.06, subdivision 2d, is amended to read:

25.2 Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after  
25.3 December 31, 2013, the minimum and maximum dollar amounts for each rate bracket for  
25.4 which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage  
25.5 determined under paragraph (b). ~~For the purpose of making the adjustment as provided in~~  
25.6 ~~this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets~~  
25.7 ~~as they existed for taxable years beginning after December 31, 2012, and before January 1,~~  
25.8 ~~2014.~~ The rate applicable to any rate bracket must not be changed. The dollar amounts  
25.9 setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate  
25.10 brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in  
25.11 \$5, it must be rounded up to the nearest \$10 amount.

25.12 (b) The commissioner shall adjust the rate brackets and by the percentage determined  
25.13 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section  
25.14 1(f)(3)(B) the word "~~2012~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2014, the~~  
25.15 ~~commissioner shall then determine the percent change from the 12 months ending on August~~  
25.16 ~~31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from~~  
25.17 ~~the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the~~  
25.18 ~~year preceding the taxable year.~~ "2016." The determination of the commissioner pursuant  
25.19 to this subdivision shall not be considered a "rule" and shall not be subject to the  
25.20 Administrative Procedure Act contained in chapter 14.

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

25.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
25.24 31, 2017.

25.25 Sec. 42. Minnesota Statutes 2017 Supplement, section 290.067, subdivision 1, is amended  
25.26 to read:

25.27 Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the tax  
25.28 due from the taxpayer and a spouse, if any, under this chapter an amount equal to the  
25.29 dependent care credit for which the taxpayer is eligible pursuant to the provisions of section  
25.30 21 of the Internal Revenue Code except that in determining whether the child qualified as  
25.31 a dependent, income received as a Minnesota family investment program grant or allowance  
25.32 to or on behalf of the child must not be taken into account in determining whether the child  
25.33 received more than half of the child's support from the taxpayer, and the provisions of  
25.34 section 32(b)(1)(D) of the Internal Revenue Code do not apply.

26.1 (b) If a child who has not attained the age of six years at the close of the taxable year is  
26.2 cared for at a licensed family day care home operated by the child's parent, the taxpayer is  
26.3 deemed to have paid employment-related expenses. If the child is 16 months old or younger  
26.4 at the close of the taxable year, the amount of expenses deemed to have been paid equals  
26.5 the maximum limit for one qualified individual under section 21(c) and (d) of the Internal  
26.6 Revenue Code. If the child is older than 16 months of age but has not attained the age of  
26.7 six years at the close of the taxable year, the amount of expenses deemed to have been paid  
26.8 equals the amount the licensee would charge for the care of a child of the same age for the  
26.9 same number of hours of care.

26.10 (c) If a married couple:

26.11 (1) has a child who has not attained the age of one year at the close of the taxable year;

26.12 (2) files a joint tax return for the taxable year; and

26.13 (3) does not participate in a dependent care assistance program as defined in section 129  
26.14 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for  
26.15 that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i)  
26.16 the combined earned income of the couple or (ii) the amount of the maximum limit for one  
26.17 qualified individual under section 21(c) and (d) of the Internal Revenue Code will be deemed  
26.18 to be the employment related expense paid for that child. The earned income limitation of  
26.19 section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These  
26.20 deemed amounts apply regardless of whether any employment-related expenses have been  
26.21 paid.

26.22 (d) If the taxpayer is not required and does not file a federal individual income tax return  
26.23 for the tax year, no credit is allowed for any amount paid to any person unless:

26.24 (1) the name, address, and taxpayer identification number of the person are included on  
26.25 the return claiming the credit; or

26.26 (2) if the person is an organization described in section 501(c)(3) of the Internal Revenue  
26.27 Code and exempt from tax under section 501(a) of the Internal Revenue Code, the name  
26.28 and address of the person are included on the return claiming the credit.

26.29 In the case of a failure to provide the information required under the preceding sentence,  
26.30 the preceding sentence does not apply if it is shown that the taxpayer exercised due diligence  
26.31 in attempting to provide the information required.

26.32 (e) In the case of a nonresident, part-year resident, or a person who has earned income  
26.33 not subject to tax under this chapter including earned income excluded pursuant to section

27.1 290.0132, subdivision 10, the credit determined under section 21 of the Internal Revenue  
27.2 Code must be allocated based on the ratio by which the earned income of the claimant and  
27.3 the claimant's spouse from Minnesota sources bears to the total earned income of the claimant  
27.4 and the claimant's spouse.

27.5 (f) For residents of Minnesota, the subtractions for military pay under section 290.0132,  
27.6 subdivisions 11 and 12, are not considered "earned income not subject to tax under this  
27.7 chapter."

27.8 (g) For residents of Minnesota, the exclusion of combat pay under section 112 of the  
27.9 Internal Revenue Code is not considered "earned income not subject to tax under this  
27.10 chapter."

27.11 (h) For taxpayers with federal adjusted gross income in excess of ~~\$50,000~~ \$50,990, the  
27.12 credit is equal to the lesser of the credit otherwise calculated under this subdivision, or the  
27.13 amount equal to \$600 minus five percent of federal adjusted gross income in excess of  
27.14 ~~\$50,000~~ \$50,990 for taxpayers with one qualified individual, or \$1,200 minus five percent  
27.15 of federal adjusted gross income in excess of ~~\$50,000~~ \$50,990 for taxpayers with two or  
27.16 more qualified individuals, but in no case is the credit less than zero.

27.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
27.18 31, 2017.

27.19 Sec. 43. Minnesota Statutes 2017 Supplement, section 290.067, subdivision 2b, is amended  
27.20 to read:

27.21 Subd. 2b. **Inflation adjustment.** The commissioner shall adjust the dollar amount of  
27.22 the income threshold at which the maximum credit begins to be reduced under subdivision  
27.23 1 by the percentage determined pursuant to the provisions of section 1(f) of the Internal  
27.24 Revenue Code, except that in section 1(f)(3)(B) the word "~~2016~~" "2017" shall be substituted  
27.25 for the word "~~1992~~." For 2018, the commissioner shall then determine the percent change  
27.26 ~~from the 12 months ending on August 31, 2016, to the 12 months ending on August 31,~~  
27.27 ~~2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the~~  
27.28 ~~12 months ending on August 31 of the year preceding the taxable year.~~ "2016." The  
27.29 determination of the commissioner pursuant to this subdivision must not be considered a  
27.30 "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. The  
27.31 threshold amount as adjusted must be rounded to the nearest \$10 amount. If the amount  
27.32 ends in \$5, the amount is rounded up to the nearest \$10 amount.

28.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
28.2 31, 2017.

28.3 Sec. 44. Minnesota Statutes 2017 Supplement, section 290.0671, subdivision 1, is amended  
28.4 to read:

28.5 Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota is  
28.6 allowed a credit against the tax imposed by this chapter equal to a percentage of earned  
28.7 income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the  
28.8 Internal Revenue Code, except that a taxpayer with no qualifying children who has attained  
28.9 the age of 21, but not attained age 65 before the close of the taxable year and is otherwise  
28.10 eligible for a credit under section 32 of the Internal Revenue Code may also receive a credit.

28.11 (b) For individuals with no qualifying children, the credit equals 2.10 percent of the first  
28.12 ~~\$6,180~~ \$6,480 of earned income. The credit is reduced by 2.01 percent of earned income  
28.13 or adjusted gross income, whichever is greater, in excess of ~~\$8,130~~ \$8,530, but in no case  
28.14 is the credit less than zero.

28.15 (c) For individuals with one qualifying child, the credit equals 9.35 percent of the first  
28.16 ~~\$11,120~~ \$11,670 of earned income. The credit is reduced by 6.02 percent of earned income  
28.17 or adjusted gross income, whichever is greater, in excess of ~~\$21,190~~ \$22,340, but in no case  
28.18 is the credit less than zero.

28.19 (d) For individuals with two or more qualifying children, the credit equals 11 percent  
28.20 of the first ~~\$18,240~~ \$19,130 of earned income. The credit is reduced by 10.82 percent of  
28.21 earned income or adjusted gross income, whichever is greater, in excess of ~~\$25,130~~ \$26,360,  
28.22 but in no case is the credit less than zero.

28.23 (e) For a part-year resident, the credit must be allocated based on the percentage calculated  
28.24 under section 290.06, subdivision 2c, paragraph (e).

28.25 (f) For a person who was a resident for the entire tax year and has earned income not  
28.26 subject to tax under this chapter, including income excluded under section 290.0132,  
28.27 subdivision 10, the credit must be allocated based on the ratio of federal adjusted gross  
28.28 income reduced by the earned income not subject to tax under this chapter over federal  
28.29 adjusted gross income. For purposes of this paragraph, the following clauses are not  
28.30 considered "earned income not subject to tax under this chapter":

28.31 (1) the subtractions for military pay under section 290.0132, subdivisions 11 and 12;

28.32 (2) the exclusion of combat pay under section 112 of the Internal Revenue Code; and

29.1 (3) income derived from an Indian reservation by an enrolled member of the reservation  
29.2 while living on the reservation.

29.3 (g) For tax years beginning after December 31, ~~2013~~ 2018, the ~~\$8,130~~ \$8,530 in paragraph  
29.4 (b), the ~~\$21,190~~ \$22,340 in paragraph (c), and the ~~\$25,130~~ \$26,360 in paragraph (d), after  
29.5 being adjusted for inflation under subdivision 7, are each increased by ~~\$5,000~~ \$5,700 for  
29.6 married taxpayers filing joint returns. For tax years beginning after December 31, ~~2013~~  
29.7 2018, the commissioner shall annually adjust the ~~\$5,000~~ \$5,700 by the percentage determined  
29.8 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section  
29.9 1(f)(3)(B), the word "~~2008~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2014, the~~  
29.10 ~~commissioner shall then determine the percent change from the 12 months ending on August~~  
29.11 ~~31, 2008, to the 12 months ending on August 31, 2013, and in each subsequent year, from~~  
29.12 ~~the 12 months ending on August 31, 2008, to the 12 months ending on August 31 of the~~  
29.13 ~~year preceding the taxable year. "2016."~~ The earned income thresholds as adjusted for  
29.14 inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded  
29.15 up to the nearest \$10. The determination of the commissioner under this subdivision is not  
29.16 a rule under the Administrative Procedure Act.

29.17 (h) The commissioner shall construct tables showing the amount of the credit at various  
29.18 income levels and make them available to taxpayers. The tables shall follow the schedule  
29.19 contained in this subdivision, except that the commissioner may graduate the transition  
29.20 between income brackets.

29.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
29.22 31, 2017.

29.23 Sec. 45. Minnesota Statutes 2016, section 290.0671, subdivision 7, is amended to read:

29.24 Subd. 7. **Inflation adjustment.** The earned income amounts used to calculate the credit  
29.25 and the income thresholds at which the maximum credit begins to be reduced in subdivision  
29.26 1 must be adjusted for inflation. The commissioner shall adjust by the percentage determined  
29.27 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section  
29.28 1(f)(3)(B) the word "~~2013~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2015, the~~  
29.29 ~~commissioner shall then determine the percent change from the 12 months ending on August~~  
29.30 ~~31, 2013, to the 12 months ending on August 31, 2014, and in each subsequent year, from~~  
29.31 ~~the 12 months ending on August 31, 2013, to the 12 months ending on August 31 of the~~  
29.32 ~~year preceding the taxable year. "2016."~~ The earned income thresholds as adjusted for  
29.33 inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount

30.1 is rounded up to the nearest \$10 amount. The determination of the commissioner under this  
30.2 subdivision is not a rule under the Administrative Procedure Act.

30.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
30.4 31, 2017.

30.5 Sec. 46. Minnesota Statutes 2017 Supplement, section 290.0672, subdivision 1, is amended  
30.6 to read:

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

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

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

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

30.14 (3) has been offered in compliance with the inflation protection requirements of section  
30.15 62S.23.

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

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

30.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
30.22 31, 2017.

30.23 Sec. 47. Minnesota Statutes 2016, section 290.0672, subdivision 2, is amended to read:

30.24 Subd. 2. **Credit.** A taxpayer is allowed a credit against the tax imposed by this chapter  
30.25 for long-term care insurance policy premiums paid during the tax year. The credit for each  
30.26 policy equals 25 percent of premiums paid to the extent not deducted in determining ~~federal~~  
30.27 taxable net income. A taxpayer may claim a credit for only one policy for each qualified  
30.28 beneficiary. A maximum of \$100 applies to each qualified beneficiary. The maximum total  
30.29 credit allowed per year is \$200 for married couples filing joint returns and \$100 for all other  
30.30 filers. For a nonresident or part-year resident, the credit determined under this section must

31.1 be allocated based on the percentage calculated under section 290.06, subdivision 2c,  
31.2 paragraph (e).

31.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
31.4 31, 2017.

31.5 Sec. 48. Minnesota Statutes 2017 Supplement, section 290.0681, subdivision 1, is amended  
31.6 to read:

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

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

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

31.13 (d) "Project" means rehabilitation of a certified historic structure, as defined in section  
31.14 47(c)(3)(A) of the Internal Revenue Code, that is located in Minnesota and is allowed a  
31.15 federal credit.

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

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

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

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

31.24 Sec. 49. Minnesota Statutes 2017 Supplement, section 290.0681, subdivision 2, is amended  
31.25 to read:

31.26 Subd. 2. **Credit or grant allowed; certified historic structure.** (a) A credit is allowed  
31.27 against the tax imposed under this chapter equal to not more than 100 percent of the credit  
31.28 allowed under section ~~47(a)(2)~~ 47(a) of the Internal Revenue Code for a project. The credit  
31.29 is payable in an amount equal to one-fifth of the total credit amount allowed in the five  
31.30 taxable years beginning with the year the project is placed in service. To qualify for the  
31.31 credit:

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

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

32.5 (b) The commissioner of administration may pay a grant in lieu of the credit. The grant  
32.6 equals 90 percent of the credit that would be allowed for the project. The grant is payable  
32.7 in an amount equal to one-fifth of 90 percent of the credit that would be allowed for the  
32.8 project in the five taxable years beginning with the year the project is placed in service.

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

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

32.13 Sec. 50. Minnesota Statutes 2016, section 290.0681, subdivision 3, is amended to read:

32.14 Subd. 3. **Applications; allocations.** (a) To qualify for a credit or grant under this section,  
32.15 the developer of a project must apply to the office before the rehabilitation begins. The  
32.16 application must contain the information and be in the form prescribed by the office. The  
32.17 office may collect a fee for application of up to 0.5 percent of qualified rehabilitation  
32.18 expenditures, up to \$40,000, based on estimated qualified rehabilitation expenditures, to  
32.19 offset costs associated with personnel and administrative expenses related to administering  
32.20 the credit and preparing the economic impact report in subdivision 9. Application fees are  
32.21 deposited in the account. The application must indicate if the application is for a credit or  
32.22 a grant in lieu of the credit or a combination of the two and designate the taxpayer qualifying  
32.23 for the credit or the recipient of the grant.

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

32.26 (1) verify eligibility for the credit or grant;

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

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



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

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

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

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

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

33.16 Sec. 51. Minnesota Statutes 2016, section 290.0681, subdivision 4, is amended to read:

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

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

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

33.25 (b) The recipient of a credit certificate may assign the certificate to another taxpayer  
33.26 before the first one-fifth payment is claimed, which is then allowed the credit under this  
33.27 section or section 297I.20, subdivision 3. An assignment is not valid unless the assignee  
33.28 notifies the commissioner within 30 days of the date that the assignment is made. The  
33.29 commissioner shall prescribe the forms necessary for notifying the commissioner of the  
33.30 assignment of a credit certificate and for claiming a credit by assignment.

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

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

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

34.5 Sec. 52. Minnesota Statutes 2017 Supplement, section 290.0684, subdivision 2, is amended  
34.6 to read:

34.7 Subd. 2. **Credit allowed.** (a) An individual who is a resident of Minnesota is allowed a  
34.8 credit against the tax imposed by this chapter. The credit is not allowed to an individual  
34.9 who is eligible to be claimed as a dependent, as defined in sections 151 and 152 of the  
34.10 Internal Revenue Code. The credit may not exceed the liability for tax under this chapter.

34.11 (b) The amount of the credit allowed equals 50 percent of contributions for the taxable  
34.12 year. The maximum credit is \$500, subject to the phaseout in paragraphs (c) and (d). In no  
34.13 case is the credit less than zero.

34.14 (c) For individual filers, the maximum credit is reduced by two percent of adjusted gross  
34.15 income in excess of ~~\$75,000~~ \$76,490.

34.16 (d) For married couples filing a joint return, the maximum credit is phased out as follows:

34.17 (1) for married couples with adjusted gross income in excess of ~~\$75,000~~ \$76,490, but  
34.18 not more than ~~\$100,000~~ \$101,990, the maximum credit is reduced by one percent of adjusted  
34.19 gross income in excess of ~~\$75,000~~ \$76,490;

34.20 (2) for married couples with adjusted gross income in excess of ~~\$100,000~~ \$101,990, but  
34.21 not more than ~~\$135,000~~ \$137,680, the maximum credit is \$250; and

34.22 (3) for married couples with adjusted gross income in excess of ~~\$135,000~~ \$137,680, the  
34.23 maximum credit is \$250, reduced by one percent of adjusted gross income in excess of  
34.24 ~~\$135,000~~ \$137,680.

34.25 (e) The income thresholds in paragraphs (c) and (d) used to calculate the maximum  
34.26 credit must be adjusted for inflation. The commissioner shall adjust the income thresholds  
34.27 by the percentage determined under the provisions of section 1(f) of the Internal Revenue  
34.28 Code, except that in section 1(f)(3)(B) the word "~~2016~~" "2017" is substituted for the word  
34.29 "~~1992~~." ~~For 2018, the commissioner shall then determine the percent change from the 12~~  
34.30 ~~months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in~~  
34.31 ~~each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months~~  
34.32 ~~ending on August 31 of the year preceding the taxable year.~~ "2016." The income thresholds

35.1 as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends in  
35.2 \$5, the amount is rounded up to the nearest \$10 amount. The determination of the  
35.3 commissioner under this subdivision is not subject to chapter 14, including section 14.386.

35.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
35.5 31, 2017.

35.6 Sec. 53. Minnesota Statutes 2016, section 290.0802, subdivision 2, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

35.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
35.28 31, 2017.

36.1 Sec. 54. [290.0803] STANDARD OR ITEMIZED DEDUCTION.

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

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

36.9 EFFECTIVE DATE. This section is effective for taxable years beginning after December  
36.10 31, 2017.

36.11 Sec. 55. Minnesota Statutes 2017 Supplement, section 290.091, subdivision 2, is amended  
36.12 to read:

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

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

36.17 (1) the taxpayer's federal alternative minimum taxable income as defined in section  
36.18 55(b)(2) of the Internal Revenue Code;

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

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

36.23 (ii) the medical expense deduction;

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

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

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

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

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

37.6 (6) the amount of addition required by section 290.0131, subdivisions ~~9 to 11~~, 10, 16,  
37.7 and 17;

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

37.9 less the sum of the amounts determined under the following:

37.10 (i) interest income as defined in section 290.0132, subdivision 2;

37.11 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision  
37.12 3, to the extent included in federal alternative minimum taxable income;

37.13 (iii) the amount of investment interest paid or accrued within the taxable year on  
37.14 indebtedness to the extent that the amount does not exceed net investment income, as defined  
37.15 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted  
37.16 in computing federal adjusted gross income;

37.17 (iv) amounts subtracted from federal ~~taxable~~ adjusted gross income as provided by  
37.18 section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, ~~and 26 to 29, and 31~~; ~~and~~

37.19 (v) the amount of the net operating loss allowed under section 290.095, subdivision 11,  
37.20 paragraph (c); and

37.21 (vi) the amount which would have been an allowable deduction under section 165(h) of  
37.22 the Internal Revenue Code, as amended through December 16, 2016, and which was taken  
37.23 as a Minnesota itemized deduction under section 290.01, subdivision 29.

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

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

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

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

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

38.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
38.7 31, 2017.

38.8 Sec. 56. Minnesota Statutes 2016, section 290.091, subdivision 3, is amended to read:

38.9 Subd. 3. **Exemption amount.** (a) For purposes of computing the alternative minimum  
38.10 tax, the exemption amount is, ~~for taxable years beginning after December 31, 2005, \$60,000~~  
38.11 \$75,760 for married couples filing joint returns, ~~\$30,000~~ \$37,880 for married individuals  
38.12 filing separate returns, estates, and trusts, and ~~\$45,000~~ \$56,820 for unmarried individuals.

38.13 (b) The exemption amount determined under this subdivision is subject to the phase out  
38.14 under section ~~55(d)(3)~~ 55(d)(2) of the Internal Revenue Code, except that alternative  
38.15 minimum taxable income as determined under this section must be substituted in the  
38.16 computation of the phase out.

38.17 (c) For taxable years beginning after December 31, ~~2006~~ 2018, the exemption amount  
38.18 under paragraph (a) must be adjusted for inflation. The commissioner shall adjust the  
38.19 exemption amount by the percentage determined pursuant to the provisions of section 1(f)  
38.20 of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~2005~~" "2017"  
38.21 shall be substituted for the word "~~1992~~." ~~For 2007, the commissioner shall then determine~~  
38.22 ~~the percent change from the 12 months ending on August 31, 2005, to the 12 months ending~~  
38.23 ~~on August 31, 2006, and in each subsequent year, from the 12 months ending on August~~  
38.24 ~~31, 2005, to the 12 months ending on August 31 of the year preceding the taxable year.~~  
38.25 "2016." The exemption amount as adjusted must be rounded to the nearest \$10. If the amount  
38.26 ends in \$5, it must be rounded up to the nearest \$10 amount. The determination of the  
38.27 commissioner under this subdivision is not a rule under the Administrative Procedure Act.

38.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
38.29 31, 2017.

38.30 Sec. 57. Minnesota Statutes 2016, section 290.0921, subdivision 8, is amended to read:

38.31 Subd. 8. **Carryover credit.** (a) A corporation is allowed a credit against qualified regular  
38.32 tax for qualified alternative minimum tax previously paid. The credit is allowable only if

39.1 ~~the corporation has no tax liability under this section for the taxable year and~~ if the  
 39.2 corporation has an alternative minimum tax credit carryover from a previous year. The  
 39.3 credit allowable in a taxable year equals the lesser of

39.4 (1) ~~the excess of the qualified regular tax for the taxable year over the amount computed~~  
 39.5 ~~under subdivision 1, clause (1), for the taxable year;~~ or

39.6 (2) the carryover credit to the taxable year.

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

39.8 (1) "Qualified alternative minimum tax" equals the amount determined under subdivision  
 39.9 1 for ~~the~~ a taxable year beginning before December 31, 2017.

39.10 (2) "Qualified regular tax" means the tax imposed under section 290.06, subdivision 1.

39.11 (c) The qualified alternative minimum tax for a taxable year is an alternative minimum  
 39.12 tax credit carryover to each of the taxable years succeeding the taxable year. The entire  
 39.13 amount of the credit must be carried to the earliest taxable year to which the amount may  
 39.14 be carried. Any unused portion of the credit must be carried to the following taxable year.  
 39.15 No credit may be carried to a taxable year in which alternative minimum tax was paid.

39.16 (d) An acquiring corporation may carry over this credit from a transferor or distributor  
 39.17 corporation in a corporate acquisition. The provisions of section 381 of the Internal Revenue  
 39.18 Code apply in determining the amount of the carryover, if any.

39.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 39.20 31, 2017.

39.21 Sec. 58. Minnesota Statutes 2016, section 290.0922, subdivision 1, is amended to read:

39.22 Subdivision 1. **Imposition.** (a) In addition to the tax imposed by this chapter without  
 39.23 regard to this section, the franchise tax imposed on a corporation required to file under  
 39.24 section 289A.08, subdivision 3, other than a corporation treated as an "S" corporation under  
 39.25 section 290.9725 for the taxable year includes a tax equal to the following amounts:

39.26	If the sum of the corporation's Minnesota		
39.27	property, payrolls, and sales or receipts is:		the tax equals:
39.28		930,000	
39.29	less than	\$ <u>990,000</u>	\$ 0
39.30		<del>930,000</del> 1,869,999	190
39.31	\$ <u>990,000</u> to	\$ <u>1,989,999</u>	\$ <u>200</u>
39.32		<del>1,870,000</del> 9,339,999	560
39.33	\$ <u>1,990,000</u> to	\$ <u>9,959,999</u>	\$ <u>600</u>

40.1		<u>9,340,000</u>		<u>18,679,999</u>		<u>1,870</u>
40.2		\$ <u>9,960,000</u>	to	\$ <u>19,929,999</u>		\$ <u>1,990</u>
40.3		<u>18,680,000</u>		<u>37,359,999</u>		<u>3,740</u>
40.4		\$ <u>19,930,000</u>	to	\$ <u>39,859,999</u>		\$ <u>3,990</u>
40.5		<u>37,360,000</u>				<u>9,340</u>
40.6		\$ <u>39,860,000</u>	or more			\$ <u>9,960</u>

40.7 (b) A tax is imposed for each taxable year on a corporation required to file a return under  
 40.8 section 289A.12, subdivision 3, that is treated as an "S" corporation under section 290.9725  
 40.9 and on a partnership required to file a return under section 289A.12, subdivision 3, other  
 40.10 than a partnership that derives over 80 percent of its income from farming. The tax imposed  
 40.11 under this paragraph is due on or before the due date of the return for the taxpayer due under  
 40.12 section 289A.18, subdivision 1. The commissioner shall prescribe the return to be used for  
 40.13 payment of this tax. The tax under this paragraph is equal to the following amounts:

40.14 If the sum of the S corporation's  
 40.15 or partnership's Minnesota  
 40.16 property, payrolls, and sales or  
 40.17 receipts is:

the tax equals:

40.18				<u>930,000</u>		
40.19		less than		\$ <u>990,000</u>		\$ 0
40.20		<u>930,000</u>		<u>1,869,999</u>		<u>190</u>
40.21		\$ <u>990,000</u>	to	\$ <u>1,989,999</u>		\$ <u>200</u>
40.22		<u>1,870,000</u>		<u>9,339,999</u>		<u>560</u>
40.23		\$ <u>1,990,000</u>	to	\$ <u>9,959,999</u>		\$ <u>600</u>
40.24		<u>9,340,000</u>		<u>18,679,999</u>		<u>1,870</u>
40.25		\$ <u>9,960,000</u>	to	\$ <u>19,929,999</u>		\$ <u>1,990</u>
40.26		<u>18,680,000</u>		<u>37,359,999</u>		<u>3,740</u>
40.27		\$ <u>19,930,000</u>	to	\$ <u>39,859,999</u>		\$ <u>3,990</u>
40.28		<u>37,360,000</u>				<u>9,340</u>
40.29		\$ <u>39,860,000</u>	or more			\$ <u>9,960</u>

40.30 (c) The commissioner shall adjust the dollar amounts of both the tax and the property,  
 40.31 payrolls, and sales or receipts thresholds in paragraphs (a) and (b) by the percentage  
 40.32 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except  
 40.33 that in section 1(f)(3)(B) the word "~~2012~~" "2017" must be substituted for the word "~~1992~~."  
 40.34 ~~For 2014, the commissioner shall determine the percentage change from the 12 months~~  
 40.35 ~~ending on August 31, 2012, to the 12 months ending on August 31, 2013, and in each~~  
 40.36 ~~subsequent year, from the 12 months ending on August 31, 2012, to the 12 months ending~~  
 40.37 ~~on August 31 of the year preceding the taxable year.~~ "2016." The determination of the  
 40.38 commissioner pursuant to this subdivision is not a "rule" subject to the Administrative  
 40.39 Procedure Act contained in chapter 14. The tax amounts as adjusted must be rounded to the  
 40.40 nearest \$10 amount and the threshold amounts must be adjusted to the nearest \$10,000



41.1 amount. For tax amounts that end in \$5, the amount is rounded up to the nearest \$10 amount  
41.2 and for the threshold amounts that end in \$5,000, the amount is rounded up to the nearest  
41.3 \$10,000.

41.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
41.5 31, 2017.

41.6 Sec. 59. Minnesota Statutes 2016, section 290.095, subdivision 4, is amended to read:

41.7 Subd. 4. **Computation and modifications.** The following modifications shall be made  
41.8 in computing a net operating loss in any taxable year and also in computing the taxable net  
41.9 income for any taxable year before a net operating loss deduction shall be allowed:

41.10 (a) No deduction shall be allowed for or with respect to losses connected with income  
41.11 producing activities if the income therefrom would not be required to be either assignable  
41.12 to this state or included in computing the taxpayer's taxable net income.

41.13 (b) A net operating loss deduction shall not be allowed.

41.14 (c) The amount deductible on account of losses from sales or exchanges of capital assets  
41.15 shall not exceed the amount includable on account of gains from sales or exchanges of  
41.16 capital assets.

41.17 (d) Renegotiation of profits for a prior taxable year under the renegotiation laws of the  
41.18 United States of America, including renegotiation of the profits with a subcontractor, shall  
41.19 not enter into the computation.

41.20 (e) Federal income and excess profits taxes shall not be allowed as a deduction.

41.21 (f) The 80-percent limitation under section 172(a)(2) of the Internal Revenue Code does  
41.22 not apply to the computations for corporate taxpayers under this section.

41.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
41.24 31, 2017.

41.25 Sec. 60. Minnesota Statutes 2017 Supplement, section 290.17, subdivision 2, is amended  
41.26 to read:

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

41.30 (a)(1) Subject to paragraphs (a)(2) and (a)(3), income from wages as defined in section  
41.31 3401(a) ~~and~~ (f), and (i) of the Internal Revenue Code is assigned to this state if, and to the

42.1 extent that, the work of the employee is performed within it; all other income from such  
42.2 sources is treated as income from sources without this state.

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

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

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

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

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

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

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

42.32 Gain on the sale of a partnership interest is allocable to this state in the ratio of the  
42.33 original cost of partnership tangible property in this state to the original cost of partnership

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

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

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

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

43.18 (d) Income from winnings on a bet made by an individual while in Minnesota is assigned  
43.19 to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision  
43.20 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

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

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

43.25 **EFFECTIVE DATE.** This section is effective for wages paid after December 31, 2017.

43.26 Sec. 61. Minnesota Statutes 2016, section 290.21, subdivision 4, is amended to read:

43.27 Subd. 4. **Dividends received from another corporation.** (a)(1) Eighty percent of  
43.28 dividends received by a corporation during the taxable year from another corporation, in  
43.29 which the recipient owns 20 percent or more of the stock, by vote and value, not including  
43.30 stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate  
43.31 stock with respect to which dividends are paid does not constitute the stock in trade of the  
43.32 taxpayer or would not be included in the inventory of the taxpayer, or does not constitute  
43.33 property held by the taxpayer primarily for sale to customers in the ordinary course of the

44.1 taxpayer's trade or business, or when the trade or business of the taxpayer does not consist  
44.2 principally of the holding of the stocks and the collection of the income and gains therefrom;  
44.3 and

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

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

44.14 (iii) the remaining 20 percent of the dividends if the dividends are received from a  
44.15 property and casualty insurer as defined under section 60A.60, subdivision 8, which is a  
44.16 member of an affiliated group of corporations as defined by the Internal Revenue Code and  
44.17 either: (A) the dividend is eliminated in consolidation under Treasury Regulation  
44.18 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted  
44.19 under an election under section 243(b) of the Internal Revenue Code.

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

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

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

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

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

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

45.9 (d) If dividends received by a corporation that does not have nexus with Minnesota under  
45.10 the provisions of Public Law 86-272 are included as income on the return of an affiliated  
45.11 corporation permitted or required to file a combined report under section 290.17, subdivision  
45.12 4, or 290.34, subdivision 2, then for purposes of this subdivision the determination as to  
45.13 whether the trade or business of the corporation consists principally of the holding of stocks  
45.14 and the collection of income and gains therefrom shall be made with reference to the trade  
45.15 or business of the affiliated corporation having a nexus with Minnesota.

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

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

45.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
45.25 31, 2017.

45.26 Sec. 62. Minnesota Statutes 2016, section 290.21, is amended by adding a subdivision to  
45.27 read:

45.28 **Subd. 9. Controlled foreign corporations.** The income of a domestic corporation that  
45.29 is included in net income under section 965 or other provisions of subchapter N, part III,  
45.30 subpart F, of the Internal Revenue Code is dividend income.

45.31 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
45.32 after December 31, 2016, with regard to income section 965 of the Internal Revenue Code

46.1 and confirms the treatment of income under subpart F of the Internal Revenue Code as  
46.2 dividend income for any open taxable year.

46.3 Sec. 63. Minnesota Statutes 2016, section 290.34, is amended by adding a subdivision to  
46.4 read:

46.5 Subd. 5. **Insurance companies; interest expense limitation.** To be consistent with the  
46.6 federal treatment of the interest expense limitation under section 163(j) of the Internal  
46.7 Revenue Code for an affiliated group that includes an insurance company taxable under  
46.8 chapter 297I and exempt from taxation under section 290.05, subdivision 1, clause (c), the  
46.9 rules under this subdivision apply. In that case, the interest expense limitation under section  
46.10 163(j) must be computed for the corporation subject to tax under this chapter using the  
46.11 adjusted taxable income of the insurance companies that are part of the affiliated group and  
46.12 taxed under chapter 297I.

46.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
46.14 31, 2017.

46.15 Sec. 64. Minnesota Statutes 2016, section 290.34, is amended by adding a subdivision to  
46.16 read:

46.17 Subd. 6. **Affiliated corporations filing a combined report; interest expense limitation.**  
46.18 Section 163(j) of the Internal Revenue Code shall be applied to affiliated corporations  
46.19 permitted or required to file a combined report under section 290.17, subdivision 4, consistent  
46.20 with its application to a consolidated group of corporations for federal income tax purposes.

46.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
46.22 31, 2017.

46.23 Sec. 65. Minnesota Statutes 2016, section 290.92, subdivision 1, is amended to read:

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

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

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

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

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

47.27 **EFFECTIVE DATE.** This section is effective for wages paid after July 1, 2018.

47.28 Sec. 66. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 3, is amended  
47.29 to read:

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

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

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

47.33 (i) all nontaxable income;

48.1 (ii) the amount of a passive activity loss that is not disallowed as a result of section 469,  
48.2 paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss  
48.3 carryover allowed under section 469(b) of the Internal Revenue Code;

48.4 (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a  
48.5 solvent individual excluded from gross income under section 108(g) of the Internal Revenue  
48.6 Code;

48.7 (iv) cash public assistance and relief;

48.8 (v) any pension or annuity (including railroad retirement benefits, all payments received  
48.9 under the federal Social Security Act, Supplemental Security Income, and veterans benefits),  
48.10 which was not exclusively funded by the claimant or spouse, or which was funded exclusively  
48.11 by the claimant or spouse and which funding payments were excluded from federal adjusted  
48.12 gross income in the years when the payments were made;

48.13 (vi) interest received from the federal or a state government or any instrumentality or  
48.14 political subdivision thereof;

48.15 (vii) workers' compensation;

48.16 (viii) nontaxable strike benefits;

48.17 (ix) the gross amounts of payments received in the nature of disability income or sick  
48.18 pay as a result of accident, sickness, or other disability, whether funded through insurance  
48.19 or otherwise;

48.20 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of  
48.21 1986, as amended through December 31, 1995;

48.22 (xi) contributions made by the claimant to an individual retirement account, including  
48.23 a qualified voluntary employee contribution; simplified employee pension plan;  
48.24 self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of  
48.25 the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal  
48.26 Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for  
48.27 the claimant and spouse;

48.28 (xii) to the extent not included in federal adjusted gross income, distributions received  
48.29 by the claimant or spouse from a traditional or Roth style retirement account or plan;

48.30 (xiii) nontaxable scholarship or fellowship grants;

48.31 (xiv) ~~the amount of deduction allowed under section 199 of the Internal Revenue Code~~  
48.32 alimony received to the extent not included in the recipient's income;



49.1 (xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue  
49.2 Code;

49.3 (xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue  
49.4 Code; ~~and~~

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

49.7 (xviii) the amount excluded from federal adjusted gross income for qualified moving  
49.8 expense reimbursements under section 132(a)(6) of the Internal Revenue Code, as amended  
49.9 through December 16, 2016; and

49.10 (xix) the amount deducted from federal adjusted gross income for moving expenses  
49.11 under section 217 of the Internal Revenue Code, as amended through December 16, 2016.

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

49.17 (b) "Income" does not include:

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

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

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

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

49.27 (5) relief granted under this chapter;

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

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

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

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

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

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

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

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

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

50.10 (d) For purposes of this subdivision, ~~the~~:

50.11 (1) ~~"exemption amount" means the exemption amount under section 151(d) of the Internal~~  
50.12 ~~Revenue Code for the taxable year for which the income is reported; "retirement base~~  
50.13 ~~amount" means the deductible amount for the taxable year for the claimant and spouse under~~  
50.14 ~~section 219(b)(5)(A) of the Internal Revenue Code, adjusted for inflation as provided in~~  
50.15 ~~section 219(b)(5)(C) of the Internal Revenue Code, without regard to whether the claimant~~  
50.16 ~~or spouse claimed a deduction; and "traditional or Roth style retirement account or plan"~~  
50.17 ~~means retirement plans under sections 401, 403, 408, 408A, and 457 of the Internal Revenue~~  
50.18 ~~Code. \$4,150. For refunds payable after December 31, 2018, the commissioner shall annually~~  
50.19 ~~adjust the \$4,150 by the percentage determined pursuant to the provisions of section 1(f)~~  
50.20 ~~of the Internal Revenue Code, as amended through March 31, 2018. The exemption amount~~  
50.21 ~~as adjusted for inflation must be rounded to the nearest \$50. If the amount is not a multiple~~  
50.22 ~~of \$50, the commissioner shall round down to the next lowest multiple of \$50. The~~  
50.23 ~~determination of the commissioner under this subdivision is not a rule under the~~  
50.24 ~~Administrative Procedure Act, including section 14.386; and~~

50.25 (2) "retirement base amount" means the deductible amount for the taxable year for the  
50.26 claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for  
50.27 inflation as provided in section 219(b)(5)(C) of the Internal Revenue Code, without regard  
50.28 to whether the claimant or spouse claimed a deduction, and "traditional or Roth-style  
50.29 retirement account or plan" means retirement plans under sections 401, 403, 408, 408A,  
50.30 and 457 of the Internal Revenue Code.

50.31 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes  
50.32 payable after December 31, 2018, and rent paid after December 31, 2017.

51.1 Sec. 67. Minnesota Statutes 2016, section 290A.03, subdivision 12, is amended to read:

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

51.6 (b) The gross rent of a resident of a nursing home or intermediate care facility is ~~\$350~~  
51.7 \$490 per month. The gross rent of a resident of an adult foster care home is ~~\$550~~ \$760 per  
51.8 month. Beginning for rent paid in ~~2002~~ 2019, the commissioner shall annually adjust for  
51.9 inflation the gross rent amounts stated in this paragraph. The adjustment must be made in  
51.10 accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this  
51.11 paragraph the percentage increase shall be determined from the year ending on June 30,  
51.12 ~~2001~~ 2017, to the year ending on June 30 of the year in which the rent is paid. The  
51.13 commissioner shall round the gross rents to the nearest \$10 amount. If the amount ends in  
51.14 \$5, the commissioner shall round it up to the next \$10 amount. The determination of the  
51.15 commissioner under this paragraph is not a rule under the Administrative Procedure Act.

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

51.19 (d) Any amount paid by a claimant residing in property assessed pursuant to section  
51.20 273.124, subdivision 3, 4, 5, or 6 for occupancy in that property shall be excluded from  
51.21 gross rent for purposes of this chapter. However, property taxes imputed to the homestead  
51.22 of the claimant or the dwelling unit occupied by the claimant that qualifies for homestead  
51.23 treatment pursuant to section 273.124, subdivision 3, 4, 5, or 6 shall be included within the  
51.24 term "property taxes payable" as defined in subdivision 13, notwithstanding the fact that  
51.25 ownership is not in the name of the claimant.

51.26 **EFFECTIVE DATE.** This section is effective for refunds based on rent paid after  
51.27 December 31, 2017, and property taxes payable after December 31, 2018.

51.28 Sec. 68. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 15, is amended  
51.29 to read:

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

51.32 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes  
51.33 payable after December 31, 2018, and rent paid after December 31, 2017.

52.1 Sec. 69. Minnesota Statutes 2016, section 290A.04, subdivision 2, is amended to read:

52.2 Subd. 2. **Homeowners; homestead credit refund.** A claimant whose property taxes  
 52.3 payable are in excess of the percentage of the household income stated below shall pay an  
 52.4 amount equal to the percent of income shown for the appropriate household income level  
 52.5 along with the percent to be paid by the claimant of the remaining amount of property taxes  
 52.6 payable. The state refund equals the amount of property taxes payable that remain, up to  
 52.7 the state refund amount shown below.

52.8				Maximum
52.9			Percent Paid by	State
52.10	Household Income	Percent of Income	Claimant	Refund
52.11				<del>2,580</del>
52.12	\$0 to <del>4,619</del> <u>1,729</u>	1.0 percent	15 percent	\$ <u>2,760</u>
52.13	<del>4,620</del> <u>1,730</u> to <del>3,229</del>			<del>2,580</del>
52.14	<u>3,449</u>	1.1 percent	15 percent	\$ <u>2,760</u>
52.15	<del>3,230</del> <u>3,450</u> to <del>4,889</del>			<del>2,580</del>
52.16	<u>5,229</u>	1.2 percent	15 percent	\$ <u>2,760</u>
52.17	<del>4,890</del> <u>5,230</u> to <del>6,519</del>			<del>2,580</del>
52.18	<u>6,969</u>	1.3 percent	20 percent	\$ <u>2,760</u>
52.19	<del>6,520</del> <u>6,970</u> to <del>8,129</del>			<del>2,580</del>
52.20	<u>8,689</u>	1.4 percent	20 percent	\$ <u>2,760</u>
52.21	<del>8,130</del> <u>8,690</u> to <del>11,389</del>			<del>2,580</del>
52.22	<u>12,169</u>	1.5 percent	20 percent	\$ <u>2,760</u>
52.23	<del>11,390</del> <u>12,170</u> to <del>13,009</del>			<del>2,580</del>
52.24	<u>13,899</u>	1.6 percent	20 percent	\$ <u>2,760</u>
52.25	<del>13,010</del> <u>13,900</u> to <del>14,649</del>			<del>2,580</del>
52.26	<u>15,659</u>	1.7 percent	20 percent	\$ <u>2,760</u>
52.27	<del>14,650</del> <u>15,660</u> to <del>16,269</del>			<del>2,580</del>
52.28	<u>17,389</u>	1.8 percent	20 percent	\$ <u>2,760</u>
52.29	<del>16,270</del> <u>17,390</u> to <del>17,879</del>			<del>2,580</del>
52.30	<u>19,109</u>	1.9 percent	25 percent	\$ <u>2,760</u>
52.31	<del>17,880</del> <u>19,110</u> to <del>22,779</del>			<del>2,580</del>
52.32	<u>24,349</u>	2.0 percent	25 percent	\$ <u>2,760</u>
52.33	<del>22,780</del> <u>24,350</u> to <del>24,399</del>			<del>2,580</del>
52.34	<u>26,079</u>	2.0 percent	30 percent	\$ <u>2,760</u>
52.35	<del>24,400</del> <u>26,080</u> to <del>27,659</del>			<del>2,580</del>
52.36	<u>29,559</u>	2.0 percent	30 percent	\$ <u>2,760</u>
52.37	<del>27,660</del> <u>29,560</u> to <del>39,029</del>			<del>2,580</del>
52.38	<u>41,709</u>	2.0 percent	35 percent	\$ <u>2,760</u>
52.39	<del>39,030</del> <u>41,710</u> to <del>56,919</del>			<del>2,090</del>
52.40	<u>60,829</u>	2.0 percent	35 percent	\$ <u>2,230</u>
52.41	<del>56,920</del> <u>60,830</u> to <del>65,049</del>			<del>1,830</del>
52.42	<u>69,519</u>	2.0 percent	40 percent	\$ <u>1,960</u>
52.43	<del>65,050</del> <u>69,520</u> to <del>73,189</del>			<del>1,510</del>
52.44	<u>78,219</u>	2.1 percent	40 percent	\$ <u>1,610</u>

53.1	<del>73,190</del> <u>78,220</u> to <del>81,319</del>				<del>1,350</del>
53.2		<u>86,909</u>	2.2 percent	40 percent	\$ <u>1,440</u>
53.3	<del>81,320</del> <u>86,910</u> to <del>89,449</del>				<del>1,180</del>
53.4		<u>95,599</u>	2.3 percent	40 percent	\$ <u>1,260</u>
53.5	<del>89,450</del> <u>95,600</u> to <del>94,339</del>				<del>1,000</del>
53.6		<u>100,819</u>	2.4 percent	45 percent	\$ <u>1,070</u>
53.7	<del>94,340</del> <u>100,820</u> to				<del>830</del>
53.8		<u>97,609</u> <u>104,319</u>	2.5 percent	45 percent	\$ <u>890</u>
53.9	<del>97,610</del> <u>104,320</u> to				<del>680</del>
53.10		<u>101,559</u> <u>108,539</u>	2.5 percent	50 percent	\$ <u>730</u>
53.11	<del>101,560</del> <u>108,540</u> to				<del>500</del>
53.12		<u>105,499</u> <u>112,749</u>	2.5 percent	50 percent	\$ <u>530</u>

53.13 The payment made to a claimant shall be the amount of the state refund calculated under  
 53.14 this subdivision. No payment is allowed if the claimant's household income is ~~\$105,500~~  
 53.15 \$112,750 or more.

53.16 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes  
 53.17 payable after December 31, 2017.

53.18 Sec. 70. Minnesota Statutes 2016, section 290A.04, subdivision 2a, is amended to read:

53.19 Subd. 2a. **Renters.** A claimant whose rent constituting property taxes exceeds the  
 53.20 percentage of the household income stated below must pay an amount equal to the percent  
 53.21 of income shown for the appropriate household income level along with the percent to be  
 53.22 paid by the claimant of the remaining amount of rent constituting property taxes. The state  
 53.23 refund equals the amount of rent constituting property taxes that remain, up to the maximum  
 53.24 state refund amount shown below.

	Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
53.25				<del>2,000</del>
53.26				
53.27				
53.28				<del>2,000</del>
53.29	\$0 to <del>4,909</del> <u>5,249</u>	1.0 percent	5 percent	\$ <u>2,140</u>
53.30	<del>4,910</del> <u>5,250</u> to <del>6,529</del>			<del>2,000</del>
53.31		1.0 percent	10 percent	\$ <u>2,140</u>
53.32	<del>6,530</del> <u>6,980</u> to <del>8,159</del>			<del>1,950</del>
53.33		1.1 percent	10 percent	\$ <u>2,080</u>
53.34	<del>8,160</del> <u>8,720</u> to <del>11,439</del>			<del>1,900</del>
53.35		1.2 percent	10 percent	\$ <u>2,030</u>
53.36	<del>11,440</del> <u>12,230</u> to <del>14,709</del>			<del>1,850</del>
53.37		1.3 percent	15 percent	\$ <u>1,980</u>
53.38	<del>14,710</del> <u>15,720</u> to <del>16,339</del>			<del>1,800</del>
53.39		1.4 percent	15 percent	\$ <u>1,920</u>

54.1	<del>16,340</del> <u>17,460</u> to <del>17,959</del>				<del>1,750</del>
54.2		<u>19,189</u>	1.4 percent	20 percent	\$ <u>1,870</u>
54.3	<del>17,960</del> <u>19,190</u> to <del>21,239</del>				<del>1,700</del>
54.4		<u>22,699</u>	1.5 percent	20 percent	\$ <u>1,820</u>
54.5	<del>21,240</del> <u>22,700</u> to <del>22,869</del>				<del>1,650</del>
54.6		<u>24,439</u>	1.6 percent	20 percent	\$ <u>1,760</u>
54.7	<del>22,870</del> <u>24,440</u> to <del>24,499</del>				<del>1,650</del>
54.8		<u>26,179</u>	1.7 percent	25 percent	\$ <u>1,760</u>
54.9	<del>24,500</del> <u>26,180</u> to <del>27,779</del>				<del>1,650</del>
54.10		<u>29,689</u>	1.8 percent	25 percent	\$ <u>1,760</u>
54.11	<del>27,780</del> <u>29,690</u> to <del>29,399</del>				<del>1,650</del>
54.12		<u>31,419</u>	1.9 percent	30 percent	\$ <u>1,760</u>
54.13	<del>29,400</del> <u>31,420</u> to <del>34,299</del>				<del>1,650</del>
54.14		<u>36,659</u>	2.0 percent	30 percent	\$ <u>1,760</u>
54.15	<del>34,300</del> <u>36,660</u> to <del>39,199</del>				<del>1,650</del>
54.16		<u>41,889</u>	2.0 percent	35 percent	\$ <u>1,760</u>
54.17	<del>39,200</del> <u>41,890</u> to <del>45,739</del>				<del>1,650</del>
54.18		<u>48,879</u>	2.0 percent	40 percent	\$ <u>1,760</u>
54.19	<del>45,740</del> <u>48,880</u> to <del>47,369</del>				<del>1,500</del>
54.20		<u>50,629</u>	2.0 percent	45 percent	\$ <u>1,600</u>
54.21	<del>47,370</del> <u>50,630</u> to <del>49,009</del>				<del>1,350</del>
54.22		<u>52,379</u>	2.0 percent	45 percent	\$ <u>1,440</u>
54.23	<del>49,010</del> <u>52,380</u> to <del>50,649</del>				<del>1,150</del>
54.24		<u>54,129</u>	2.0 percent	45 percent	\$ <u>1,230</u>
54.25	<del>50,650</del> <u>54,130</u> to <del>52,269</del>				<del>1,000</del>
54.26		<u>55,859</u>	2.0 percent	50 percent	\$ <u>1,070</u>
54.27	<del>52,270</del> <u>55,860</u> to <del>53,909</del>				<del>900</del>
54.28		<u>57,619</u>	2.0 percent	50 percent	\$ <u>960</u>
54.29	<del>53,910</del> <u>57,620</u> to <del>55,539</del>				<del>500</del>
54.30		<u>59,359</u>	2.0 percent	50 percent	\$ <u>530</u>
54.31	<del>55,540</del> <u>59,360</u> to <del>57,169</del>				<del>200</del>
54.32		<u>61,099</u>	2.0 percent	50 percent	\$ <u>210</u>

54.33 The payment made to a claimant is the amount of the state refund calculated under this  
 54.34 subdivision. No payment is allowed if the claimant's household income is ~~\$57,170~~ \$61,100  
 54.35 or more.

54.36 **EFFECTIVE DATE.** This section is effective for refunds based on rent paid after  
 54.37 December 31, 2016.

54.38 Sec. 71. Minnesota Statutes 2016, section 290A.04, subdivision 4, is amended to read:

54.39 Subd. 4. **Inflation adjustment.** (a) Beginning for property tax refunds payable in calendar  
 54.40 year 2002, the commissioner shall annually adjust the dollar amounts of the income thresholds  
 54.41 and the maximum refunds under subdivisions 2 and 2a for inflation. The commissioner

55.1 shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue  
55.2 Code, except that for purposes of this subdivision the percentage increase shall be determined  
55.3 as provided in this subdivision.

55.4 (b) In adjusting the dollar amounts of the income thresholds and the maximum refunds  
55.5 under subdivision 2 for inflation, the percentage increase shall be determined from the year  
55.6 ending on June 30, ~~2013~~ 2018, to the year ending on June 30 of the year preceding that in  
55.7 which the refund is payable.

55.8 (c) In adjusting the dollar amounts of the income thresholds and the maximum refunds  
55.9 under subdivision 2a for inflation, the percentage increase shall be determined from the  
55.10 year ending on June 30, ~~2013~~ 2018, to the year ending on June 30 of the year preceding that  
55.11 in which the refund is payable.

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

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

55.21 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes paid  
55.22 after December 31, 2018, and rent paid after December 31, 2017.

55.23 Sec. 72. Minnesota Statutes 2017 Supplement, section 291.005, subdivision 1, is amended  
55.24 to read:

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

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

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

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

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

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

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

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

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

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

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

56.25 (iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue  
56.26 Code, owned by a nonresident decedent and that is normally kept or located in this state  
56.27 because it is on loan to an organization, qualifying as exempt from taxation under section  
56.28 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is  
56.29 deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

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



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

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

57.9 (i) an entity electing S corporation status under section 1362 of the Internal Revenue  
57.10 Code;

57.11 (ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

57.12 (iii) a single-member limited liability company or similar entity, regardless of whether  
57.13 it is taxed as an association or is disregarded for federal income tax purposes under Code  
57.14 of Federal Regulations, title 26, section 301.7701-3; or

57.15 (iv) a trust to the extent the property is includible in the decedent's federal gross estate;  
57.16 but excludes

57.17 (v) an entity whose ownership interest securities are traded on an exchange regulated  
57.18 by the Securities and Exchange Commission as a national securities exchange under section  
57.19 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

57.20 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
57.21 dying after December 31, 2017.

57.22 Sec. 73. Minnesota Statutes 2016, section 297A.68, subdivision 25, is amended to read:

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

57.27 (1) the sale occurs in a transaction subject to or described in section 118, 331, 332, 336,  
57.28 337, 338, 351, 355, 368, 721, 731, 1031, or 1033 of the Internal Revenue Code, as amended  
57.29 through December 16, 2016;

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

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

58.1 (4) the sale is a farm auction sale;

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

58.3 (6) the total amount of gross receipts from the sale of trade or business property made  
58.4 during the calendar month of the sale and the preceding 11 calendar months does not exceed  
58.5 \$1,000.

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

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

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

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

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

58.21 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases  
58.22 made after December 31, 2017.

58.23 Sec. 74. Minnesota Statutes 2016, section 297B.03, is amended to read:

58.24 **297B.03 EXEMPTIONS.**

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

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

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

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

59.8 (4) purchase or use of any motor vehicle previously registered in the state of Minnesota  
59.9 when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336,  
59.10 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code,  
59.11 as amended through December 16, 2016;

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

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

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

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

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

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

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

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

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

60.7 (12) purchase of a motor vehicle for use by a transit provider exclusively to provide  
60.8 transit service is exempt if the transit provider is either (i) receiving financial assistance or  
60.9 reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29,  
60.10 473.388, or 473.405;

60.11 (13) purchase or use of a motor vehicle by a qualified business, as defined in section  
60.12 469.310, located in a job opportunity building zone, if the motor vehicle is principally  
60.13 garaged in the job opportunity building zone and is primarily used as part of or in direct  
60.14 support of the person's operations carried on in the job opportunity building zone. The  
60.15 exemption under this clause applies to sales, if the purchase was made and delivery received  
60.16 during the duration of the job opportunity building zone. The exemption under this clause  
60.17 also applies to any local sales and use tax;

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

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

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

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

60.26 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases  
60.27 made after December 31, 2017.

60.28 Sec. 75. Minnesota Statutes 2017 Supplement, section 462D.06, subdivision 1, is amended  
60.29 to read:

60.30 Subdivision 1. **Subtraction.** (a) As provided in section 290.0132, subdivision 25, an  
60.31 account holder is allowed a subtraction from ~~the federal taxable~~ adjusted gross income equal

61.1 to interest or dividends earned on the first-time home buyer savings account during the  
61.2 taxable year.

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

61.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
61.7 31, 2017.

61.8 Sec. 76. Minnesota Statutes 2017 Supplement, section 462D.06, subdivision 2, is amended  
61.9 to read:

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

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

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

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

61.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
61.21 31, 2017.

61.22 Sec. 77. Minnesota Statutes 2016, section 469.316, subdivision 1, is amended to read:

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

62.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
62.2 31, 2017.

62.3 Sec. 78. Minnesota Statutes 2016, section 469.317, is amended to read:

62.4 **469.317 CORPORATE FRANCHISE TAX EXEMPTION.**

62.5 (a) A qualified business is exempt from taxation under section 290.02, ~~the alternative~~  
62.6 ~~minimum tax under section 290.0921,~~ and the minimum fee under section 290.0922, on the  
62.7 portion of its income attributable to operations within the zone. ~~This exemption is determined~~  
62.8 ~~as follows:~~

62.9 ~~(1) (b)~~ For purposes of the tax imposed under section 290.02, the exemption is determined  
62.10 by multiplying its taxable net income by its zone percentage and by its relocation payroll  
62.11 percentage and subtracting the result in determining taxable income;

62.12 ~~(2) for purposes of the alternative minimum tax under section 290.0921, by multiplying~~  
62.13 ~~its alternative minimum taxable income by its zone percentage and by its relocation payroll~~  
62.14 ~~percentage and reducing alternative minimum taxable income by this amount; and~~

62.15 ~~(3) (c)~~ For purposes of the minimum fee under section 290.0922, the exemption is  
62.16 determined by excluding property and payroll in the zone from the computations of the fee  
62.17 or by exempting the entity under section 290.0922, subdivision 2, clause (7).

62.18 ~~(b) (d)~~ No subtraction is allowed under this section in excess of 20 percent of the sum  
62.19 of the corporation's job opportunity building zone payroll and the adjusted basis of the  
62.20 property at the time that the property is first used in the job opportunity building zone by  
62.21 the corporation.

62.22 ~~(e) (e)~~ This section applies only to taxable years beginning during the duration of the  
62.23 job opportunity building zone.

62.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
62.25 31, 2017.

62.26 Sec. 79. **ESTIMATED TAXES; EXCEPTIONS.**

62.27 No addition to tax, penalties, or interest may be made under Minnesota Statutes, section  
62.28 289A.25 or 289A.26, for any period before November 15, 2018, with respect to an  
62.29 underpayment of estimated tax, to the extent that the underpayment was created or increased  
62.30 by the inclusion of deferred foreign income in federal taxable income under section 965 of  
62.31 the Internal Revenue Code under this article.

63.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
63.2 31, 2016.

63.3 Sec. 80. **REPEALER.**

63.4 Minnesota Statutes 2016, sections 290.0131, subdivisions 7 and 11; 290.0133,  
63.5 subdivisions 13 and 14; 290.067, subdivision 2a; 290.0921, subdivisions 1, 2, 3, 3a, 4, and  
63.6 6; and 290.10, subdivision 2, are repealed.

63.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
63.8 31, 2017.

## 63.9 **ARTICLE 2**

### 63.10 **INDIVIDUAL INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES**

63.11 Section 1. Minnesota Statutes 2016, section 116J.8737, subdivision 5, is amended to read:

63.12 Subd. 5. **Credit allowed.** (a)(1) A qualified investor or qualified fund is eligible for a  
63.13 credit equal to 25 percent of the qualified investment in a qualified small business.

63.14 Investments made by a pass-through entity qualify for a credit only if the entity is a qualified  
63.15 fund. The commissioner must not allocate more than ~~\$15,000,000~~ \$5,000,000 in credits to  
63.16 qualified investors or qualified funds for taxable years beginning after December 31, ~~2013~~  
63.17 2017, and before January 1, ~~2017~~, ~~and must not allocate more than \$10,000,000 in credits~~  
63.18 ~~to qualified investors or qualified funds for taxable years beginning after December 31,~~  
63.19 ~~2016, and before January 1, 2018~~ 2019; and

63.20 (2) ~~for taxable years beginning after December 31, 2014, and before January 1, 2018,~~  
63.21 50 percent must be allocated to credits for qualifying investments in qualified greater  
63.22 Minnesota businesses and minority- or women-owned qualified small businesses in  
63.23 Minnesota. Any portion of a taxable year's credits that is reserved for qualifying investments  
63.24 in greater Minnesota businesses and minority- or women-owned qualified small businesses  
63.25 in Minnesota that is not allocated by September 30 of the taxable year is available for  
63.26 allocation to other credit applications beginning on October 1. Any portion of a taxable  
63.27 year's credits that is not allocated by the commissioner does not cancel and may be carried  
63.28 forward to subsequent taxable years until all credits have been allocated.

63.29 (b) The commissioner may not allocate more than a total maximum amount in credits  
63.30 for a taxable year to a qualified investor for the investor's cumulative qualified investments  
63.31 as an individual qualified investor and as an investor in a qualified fund; for married couples  
63.32 filing joint returns the maximum is \$250,000, and for all other filers the maximum is

64.1 \$125,000. The commissioner may not allocate more than a total of \$1,000,000 in credits  
64.2 over all taxable years for qualified investments in any one qualified small business.

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

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

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

64.10 A member of the family of an individual disqualified by this paragraph is not eligible for a  
64.11 credit under this section. For a married couple filing a joint return, the limitations in this  
64.12 paragraph apply collectively to the investor and spouse. For purposes of determining the  
64.13 ownership interest of an investor under this paragraph, the rules under section 267(c) and  
64.14 267(e) of the Internal Revenue Code apply.

64.15 (d) Applications for tax credits for 2010 must be made available on the department's  
64.16 Web site by September 1, 2010, and the department must begin accepting applications by  
64.17 September 1, 2010. Applications for subsequent years must be made available by November  
64.18 1 of the preceding year.

64.19 (e) Qualified investors and qualified funds must apply to the commissioner for tax credits.  
64.20 Tax credits must be allocated to qualified investors or qualified funds in the order that the  
64.21 tax credit request applications are filed with the department. The commissioner must approve  
64.22 or reject tax credit request applications within 15 days of receiving the application. The  
64.23 investment specified in the application must be made within 60 days of the allocation of  
64.24 the credits. If the investment is not made within 60 days, the credit allocation is canceled  
64.25 and available for reallocation. A qualified investor or qualified fund that fails to invest as  
64.26 specified in the application, within 60 days of allocation of the credits, must notify the  
64.27 commissioner of the failure to invest within five business days of the expiration of the  
64.28 60-day investment period.

64.29 (f) All tax credit request applications filed with the department on the same day must  
64.30 be treated as having been filed contemporaneously. If two or more qualified investors or  
64.31 qualified funds file tax credit request applications on the same day, and the aggregate amount  
64.32 of credit allocation claims exceeds the aggregate limit of credits under this section or the  
64.33 lesser amount of credits that remain unallocated on that day, then the credits must be allocated  
64.34 among the qualified investors or qualified funds who filed on that day on a pro rata basis



65.1 with respect to the amounts claimed. The pro rata allocation for any one qualified investor  
65.2 or qualified fund is the product obtained by multiplying a fraction, the numerator of which  
65.3 is the amount of the credit allocation claim filed on behalf of a qualified investor and the  
65.4 denominator of which is the total of all credit allocation claims filed on behalf of all  
65.5 applicants on that day, by the amount of credits that remain unallocated on that day for the  
65.6 taxable year.

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

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

65.22 (2) 80 percent or more of the assets of the qualified small business is sold before the end  
65.23 of the three-year period;

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

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

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

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

65.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
65.31 31, 2017.

66.1 Sec. 2. Minnesota Statutes 2016, section 116J.8737, subdivision 12, is amended to read:

66.2 Subd. 12. **Sunset.** This section expires for taxable years beginning after December 31,  
66.3 ~~2017~~ 2018, except that reporting requirements under subdivision 6 and revocation of credits  
66.4 under subdivision 7 remain in effect through ~~2019~~ 2020 for qualified investors and qualified  
66.5 funds, and through ~~2021~~ 2022 for qualified small businesses, reporting requirements under  
66.6 subdivision 9 remain in effect through ~~2022~~ 2023, and the appropriation in subdivision 11  
66.7 remains in effect through ~~2021~~ 2022.

66.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
66.9 31, 2017.

66.10 Sec. 3. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 4a, is amended  
66.11 to read:

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

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

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

66.19 (3) a savings association or federal savings bank as defined in United States Code, title  
66.20 12, section 1813(b)(1);

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

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

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

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

66.28 (8) a corporation or other business entity that derives more than 50 percent of its total  
66.29 gross income for financial accounting purposes from finance leases. For the purposes of  
66.30 this clause, "gross income" means the average from the current tax year and immediately  
66.31 preceding two years and excludes gross income from incidental or occasional transactions.  
66.32 For purposes of this clause, "finance lease" means any lease transaction that is the functional

67.1 equivalent of an extension of credit and that transfers substantially all the benefits and risks  
67.2 incident to the ownership of property, including any direct financing lease or leverage lease  
67.3 that meets the criteria of Financial Accounting Standards Board Statement No. 13, accounting  
67.4 for leases, or any other lease that is accounted for as financing by a lessor under generally  
67.5 accepted accounting principles; or

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

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

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

67.16 Sec. 4. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to  
67.17 read:

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

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

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

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

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

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

67.29 (c) For purposes of this subdivision, "premiums" means amounts paid for arrangements  
67.30 that constitute insurance for federal income tax purposes, but excludes return premiums,  
67.31 premiums for reinsurance assumed from other insurance companies, and any other premiums

68.1 that are or would be exempt from taxation under section 297I.05 as a result of their type or  
68.2 character, if the insurance was for business in Minnesota.

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

68.5 Sec. 5. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
68.6 to read:

68.7 Subd. 31. **Disallowed section 280E expenses; medical cannabis manufacturers.** The  
68.8 amount of expenses of a medical cannabis manufacturer, as defined under section 152.22,  
68.9 subdivision 7, related to the business of medical cannabis under sections 152.21 to 152.37,  
68.10 and not allowed for federal income tax purposes under section 280E of the Internal Revenue  
68.11 Code is a subtraction.

68.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
68.13 31, 2017.

68.14 Sec. 6. Minnesota Statutes 2016, section 290.0134, is amended by adding a subdivision  
68.15 to read:

68.16 Subd. 18. **Disallowed section 280E expenses; medical cannabis manufacturers.** The  
68.17 amount of expenses of a medical cannabis manufacturer, as defined under section 152.22,  
68.18 subdivision 7, related to the business of medical cannabis under sections 152.21 to 152.37,  
68.19 and not allowed for federal income tax purposes under section 280E of the Internal Revenue  
68.20 Code is a subtraction.

68.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
68.22 31, 2017.

68.23 Sec. 7. Minnesota Statutes 2017 Supplement, section 290.05, subdivision 1, is amended  
68.24 to read:

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

68.29 (a) corporations, individuals, estates, and trusts engaged in the business of mining or  
68.30 producing iron ore and mining, producing, or refining other ores, metals, and minerals, the  
68.31 mining, production, or refining of which is subject to the occupation tax imposed by section

69.1 298.01; but if any such corporation, individual, estate, or trust engages in any other business  
69.2 or activity or has income from any property not used in such business it shall be subject to  
69.3 this tax computed on the net income from such property or such other business or activity.  
69.4 Royalty shall not be considered as income from the business of mining or producing iron  
69.5 ore within the meaning of this section;

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

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

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

69.15 Sec. 8. Minnesota Statutes 2016, section 290.0685, subdivision 1, is amended to read:

69.16 Subdivision 1. **Credit allowed.** (a) An eligible individual is allowed a credit against the  
69.17 tax imposed by this chapter equal to \$2,000 for each ~~birth for which a certificate of birth~~  
69.18 ~~resulting in stillbirth has been issued under section 144.2151~~ stillbirth. The credit under this  
69.19 section is allowed only in the taxable year in which the stillbirth occurred ~~and if the child~~  
69.20 ~~would have been a dependent of the taxpayer as defined in section 152 of the Internal~~  
69.21 ~~Revenue Code.~~

69.22 (b) For a ~~nonresident or~~ part-year resident, the credit must be allocated based on the  
69.23 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

69.24 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
69.25 after December 31, 2015.

69.26 Sec. 9. Minnesota Statutes 2016, section 290.0685, is amended by adding a subdivision  
69.27 to read:

69.28 Subd. 1a. **Definitions.** (a) For purposes of this section, the following terms have the  
69.29 meanings given, unless the context clearly indicates otherwise.

69.30 (b) "Certificate of birth resulting in stillbirth" means the printed certificate of birth  
69.31 resulting in stillbirth issued under section 144.2151 or for a stillbirth occurring in another

70.1 state or country a similar certificate issued under that state's or country's law that documents  
70.2 that the still birth occurred.

70.3 (c) "Eligible individual" means an individual who is:

70.4 (1)(i) a resident; or

70.5 (ii) the nonresident spouse of a resident who is a member of armed forces of the United  
70.6 States or the United Nations; and

70.7 (2)(i) the individual who gave birth resulting in stillbirth and is listed as a parent on the  
70.8 certificate of birth resulting in stillbirth; or

70.9 (ii) the individual who gave birth resulting in stillbirth for a birth outside of this state  
70.10 for which no certificate of birth resulting in stillbirth was issued.

70.11 (d) "Stillbirth" means a birth for which a fetal death report would be required under  
70.12 section 144.222, subdivision 1, if the birth occurred in this state.

70.13 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
70.14 after December 31, 2015.

70.15 Sec. 10. Minnesota Statutes 2017 Supplement, section 290.17, subdivision 4, is amended  
70.16 to read:

70.17 Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly within  
70.18 this state or partly within and partly without this state is part of a unitary business, the entire  
70.19 income of the unitary business is subject to apportionment pursuant to section 290.191.  
70.20 Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary business is  
70.21 considered to be derived from any particular source and none may be allocated to a particular  
70.22 place except as provided by the applicable apportionment formula. The provisions of this  
70.23 subdivision do not apply to business income subject to subdivision 5, income of an insurance  
70.24 company, or income of an investment company determined under section 290.36.

70.25 (b) The term "unitary business" means business activities or operations which result in  
70.26 a flow of value between them. The term may be applied within a single legal entity or  
70.27 between multiple entities and without regard to whether each entity is a sole proprietorship,  
70.28 a corporation, a partnership or a trust.

70.29 (c) Unity is presumed whenever there is unity of ownership, operation, and use, evidenced  
70.30 by centralized management or executive force, centralized purchasing, advertising,  
70.31 accounting, or other controlled interaction, but the absence of these centralized activities  
70.32 will not necessarily evidence a nonunitary business. Unity is also presumed when business

71.1 activities or operations are of mutual benefit, dependent upon or contributory to one another,  
71.2 either individually or as a group.

71.3 (d) Where a business operation conducted in Minnesota is owned by a business entity  
71.4 that carries on business activity outside the state different in kind from that conducted within  
71.5 this state, and the other business is conducted entirely outside the state, it is presumed that  
71.6 the two business operations are unitary in nature, interrelated, connected, and interdependent  
71.7 unless it can be shown to the contrary.

71.8 (e) Unity of ownership does not exist when two or more corporations are involved unless  
71.9 more than 50 percent of the voting stock of each corporation is directly or indirectly owned  
71.10 by a common owner or by common owners, either corporate or noncorporate, or by one or  
71.11 more of the member corporations of the group. For this purpose, the term "voting stock"  
71.12 shall include membership interests of mutual insurance holding companies formed under  
71.13 section 66A.40.

71.14 (f) The net income and apportionment factors under section 290.191 or 290.20 of foreign  
71.15 corporations and other foreign entities, but excluding a disqualified captive insurance  
71.16 company, which are part of a unitary business shall not be included in the net income or  
71.17 the apportionment factors of the unitary business; except that the income and apportionment  
71.18 factors of a foreign entity, other than an entity treated as a C corporation for federal income  
71.19 tax purposes, that are included in the federal taxable income, as defined in section 63 of the  
71.20 Internal Revenue Code as amended through the date named in section 290.01, subdivision  
71.21 19, of a domestic corporation, domestic entity, or individual must be included in determining  
71.22 net income and the factors to be used in the apportionment of net income pursuant to section  
71.23 290.191 or 290.20. A foreign corporation or other foreign entity which is not included on  
71.24 a combined report and which is required to file a return under this chapter shall file on a  
71.25 separate return basis.

71.26 (g) For purposes of determining the net income of a unitary business and the factors to  
71.27 be used in the apportionment of net income pursuant to section 290.191 or 290.20, there  
71.28 must be included only the income and apportionment factors of domestic corporations or  
71.29 other domestic entities that are determined to be part of the unitary business pursuant to this  
71.30 subdivision, notwithstanding that foreign corporations or other foreign entities might be  
71.31 included in the unitary business; except that the income and apportionment factors of a  
71.32 foreign entity, other than an entity treated as a C corporation for federal income tax purposes,  
71.33 that is included in the federal taxable income, as defined in section 63 of the Internal Revenue  
71.34 Code as amended through the date named in section 290.01, subdivision 19, of a domestic  
71.35 corporation, domestic entity, or individual must be included in determining net income and

72.1 the factors to be used in the apportionment of net income pursuant to section 290.191 or  
72.2 290.20.

72.3 (h) Each corporation or other entity, except a sole proprietorship, that is part of a unitary  
72.4 business must file combined reports as the commissioner determines. On the reports, all  
72.5 intercompany transactions between entities included pursuant to paragraph (g) must be  
72.6 eliminated and the entire net income of the unitary business determined in accordance with  
72.7 this subdivision is apportioned among the entities by using each entity's Minnesota factors  
72.8 for apportionment purposes in the numerators of the apportionment formula and the total  
72.9 factors for apportionment purposes of all entities included pursuant to paragraph (g) in the  
72.10 denominators of the apportionment formula. Except as otherwise provided by paragraph  
72.11 (f), all sales of the unitary business made within this state pursuant to section 290.191 or  
72.12 290.20 must be included on the combined report of a corporation or other entity that is a  
72.13 member of the unitary business and is subject to the jurisdiction of this state to impose tax  
72.14 under this chapter.

72.15 (i) If a corporation has been divested from a unitary business and is included in a  
72.16 combined report for a fractional part of the common accounting period of the combined  
72.17 report:

72.18 (1) its income includable in the combined report is its income incurred for that part of  
72.19 the year determined by proration or separate accounting; and

72.20 (2) its sales, property, and payroll included in the apportionment formula must be prorated  
72.21 or accounted for separately.

72.22 (j) For purposes of this subdivision, "insurance company" means an insurance company,  
72.23 as defined in section 290.01, subdivision 5b, that is:

72.24 ~~(1) licensed to engage in the business of insurance in Minnesota pursuant to chapter~~  
72.25 ~~60A; or~~

72.26 ~~(2) domiciled and licensed to engage in the business of insurance in another state or~~  
72.27 ~~country that imposes retaliatory taxes, fines, deposits, penalties, licenses, or fees and that~~  
72.28 ~~does not grant, on a reciprocal basis, exemption from such retaliatory taxes to insurance~~  
72.29 ~~companies or their agents domiciled in Minnesota.~~

72.30 ~~(k) For purposes of this subdivision, "retaliatory taxes" means taxes imposed on insurance~~  
72.31 ~~companies organized in another state or country that result from the fact that an insurance~~  
72.32 ~~company organized in the taxing jurisdiction and doing business in the other jurisdiction is~~  
72.33 ~~subject to taxes, fines, deposits, penalties, licenses, or fees in an amount exceeding that~~



73.1 ~~imposed by the taxing jurisdiction upon an insurance company organized in the other state~~  
73.2 ~~or country and doing business to the same extent in the taxing jurisdiction~~ not a disqualified  
73.3 captive insurance company.

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

73.6 Sec. 11. Minnesota Statutes 2016, section 291.03, subdivision 8, is amended to read:

73.7 Subd. 8. **Definitions.** (a) For purposes of this section, the following terms have the  
73.8 meanings given in this subdivision.

73.9 (b) "Family member" means a family member as defined in section 2032A(e)(2) of the  
73.10 Internal Revenue Code, or a trust whose present beneficiaries are all family members as  
73.11 defined in section 2032A(e)(2) of the Internal Revenue Code.

73.12 (c) "Qualified heir" means a family member who acquired qualified property upon the  
73.13 death of the decedent and satisfies the requirement under subdivision 9, clause ~~(7)~~ (8), or  
73.14 subdivision 10, clause (5), for the property.

73.15 (d) "Qualified property" means qualified small business property under subdivision 9  
73.16 and qualified farm property under subdivision 10.

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

73.18 Sec. 12. Minnesota Statutes 2017 Supplement, section 291.03, subdivision 9, is amended  
73.19 to read:

73.20 Subd. 9. **Qualified small business property.** Property satisfying all of the following  
73.21 requirements is qualified small business property:

73.22 (1) The value of the property was included in the federal adjusted taxable estate.

73.23 (2) The property consists of the assets of a trade or business or shares of stock or other  
73.24 ownership interests in a corporation or other entity engaged in a trade or business. Shares  
73.25 of stock in a corporation or an ownership interest in another type of entity do not qualify  
73.26 under this subdivision if the shares or ownership interests are traded on a public stock  
73.27 exchange at any time during the three-year period ending on the decedent's date of death.  
73.28 For purposes of this subdivision, an ownership interest includes the interest the decedent is  
73.29 deemed to own under ~~sections~~ section 2036, 2037, ~~and~~ 2038, 2040, or 2044 of the Internal  
73.30 Revenue Code.

74.1 (3) During the taxable year that ended before the decedent's death, the trade or business  
74.2 must not have been a passive activity within the meaning of section 469(c) of the Internal  
74.3 Revenue Code, and the decedent or the decedent's spouse must have materially participated  
74.4 in the trade or business within the meaning of section 469(h) of the Internal Revenue Code,  
74.5 excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided  
74.6 by United States Treasury Department regulation that substitutes material participation in  
74.7 prior taxable years for material participation in the taxable year that ended before the  
74.8 decedent's death.

74.9 (4) The gross annual sales of the trade or business were \$10,000,000 or less for the last  
74.10 taxable year that ended before the date of the death of the decedent.

74.11 (5) The property does not include:

74.12 (i) cash;

74.13 (ii) cash equivalents;

74.14 (iii) publicly traded securities; or

74.15 (iv) any assets not used in the operation of the trade or business.

74.16 (6) For property consisting of shares of stock or other ownership interests in an entity,  
74.17 the value of items described in clause (5) must be excluded in the valuation of the decedent's  
74.18 interest in the entity.

74.19 (7) The decedent or the decedent's spouse continuously owned the property, or an  
74.20 undivided or joint interest in the property, including property the decedent or the decedent's  
74.21 spouse is deemed to own under ~~sections~~ section 2036, 2037, ~~and~~ 2038, 2040, or 2044 of  
74.22 the Internal Revenue Code, or under subdivision 1d, for the three-year period ending on the  
74.23 date of death of the decedent. In the case of a sole proprietor, if the property replaced similar  
74.24 property within the three-year period, the replacement property will be treated as having  
74.25 been owned for the three-year period ending on the date of death of the decedent. For the  
74.26 purposes of the three-year holding period under this clause, any ownership by the decedent's  
74.27 spouse, whether the spouse predeceases or survives the decedent, is attributed to the decedent.

74.28 (8) For three years following the date of death of the decedent, the trade or business is  
74.29 not a passive activity within the meaning of section 469(c) of the Internal Revenue Code,  
74.30 and a family member materially participates in the operation of the trade or business within  
74.31 the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3)  
74.32 of the Internal Revenue Code and any other provision provided by United States Treasury

75.1 Department regulation that substitutes material participation in prior taxable years for  
75.2 material participation in the three years following the date of death of the decedent.

75.3 (9) The estate and the qualified heir elect to treat the property as qualified small business  
75.4 property and agree, in the form prescribed by the commissioner, to pay the recapture tax  
75.5 under subdivision 11, if applicable.

75.6 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
75.7 dying after December 31, 2017.

75.8 Sec. 13. Minnesota Statutes 2016, section 291.03, subdivision 10, is amended to read:

75.9 Subd. 10. **Qualified farm property.** Property satisfying all of the following requirements  
75.10 is qualified farm property:

75.11 (1) The value of the property was included in the federal adjusted taxable estate.

75.12 (2) The property consists of agricultural land and is owned by a person or entity that is  
75.13 either not subject to or is in compliance with section 500.24.

75.14 (3) For property taxes payable in the taxable year of the decedent's death, the property  
75.15 is classified as class 2a property under section 273.13, subdivision 23, and is classified as  
75.16 agricultural homestead, agricultural relative homestead, or special agricultural homestead  
75.17 under section 273.124.

75.18 (4) The decedent or the decedent's spouse continuously owned the property, or an  
75.19 undivided or joint interest in the property, including property the decedent or the decedent's  
75.20 spouse is deemed to own under ~~sections~~ section 2036, 2037, ~~and~~ 2038, 2040, or 2044 of  
75.21 the Internal Revenue Code, or under subdivision 1d, for the three-year period ending on the  
75.22 date of death of the decedent either by ownership of the agricultural land or pursuant to  
75.23 holding an interest in an entity that is not subject to or is in compliance with section 500.24.  
75.24 For the purposes of the three-year holding period under this clause, any ownership by the  
75.25 decedent's spouse, whether the spouse predeceases or survives the decedent, is attributed  
75.26 to the decedent.

75.27 (5) The property is classified for property tax purposes as class 2a property under section  
75.28 273.13, subdivision 23, for three years following the date of death of the decedent.

75.29 (6) The estate and the qualified heir elect to treat the property as qualified farm property  
75.30 and agree, in a form prescribed by the commissioner, to pay the recapture tax under  
75.31 subdivision 11, if applicable.

76.1 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
76.2 dying after December 31, 2017.

76.3 Sec. 14. Minnesota Statutes 2017 Supplement, section 291.03, subdivision 11, is amended  
76.4 to read:

76.5 Subd. 11. **Recapture tax.** (a) If, within three years after the decedent's death and before  
76.6 the death of the qualified heir, the qualified heir disposes of any interest in the qualified  
76.7 property, other than by a disposition to a family member, or a family member ceases to  
76.8 satisfy the requirement under subdivision 9, clause ~~(7)~~ (8); or 10, clause (5), an additional  
76.9 estate tax is imposed on the property. In the case of a sole proprietor, if the qualified heir  
76.10 replaces qualified small business property excluded under subdivision 9 with similar property,  
76.11 then the qualified heir will not be treated as having disposed of an interest in the qualified  
76.12 property.

76.13 (b) The amount of the additional tax equals the amount of the ~~exclusion~~ subtraction  
76.14 claimed by the estate under section 291.016, subdivision 3, for qualified property as defined  
76.15 in subdivision 8, paragraph (d), multiplied by 16 percent.

76.16 (c) The additional tax under this subdivision is due on the day which is six months after  
76.17 the date of the disposition or cessation in paragraph (a).

76.18 (d) The tax under this subdivision does not apply to the acquisition of title or possession  
76.19 of the qualified property by a federal, state, or local government unit, or any other entity  
76.20 with the power of eminent domain for a public purpose, as defined in section 117.025,  
76.21 subdivision 11, within the three-year holding period.

76.22 (e) This subdivision shall not apply as a result of any of the following:

76.23 (1) a portion of qualified farm property consisting of less than one-fifth of the acreage  
76.24 of the property is reclassified as class 2b property under section 273.13, subdivision 23, and  
76.25 the qualified heir has not substantially altered the reclassified property during the three-year  
76.26 holding period; or

76.27 (2) a portion of qualified farm property classified as 2a property at the death of the  
76.28 decedent pursuant to section 273.13, subdivision 23, paragraph (a), consisting of a residence,  
76.29 garage, and immediately surrounding one acre of land is reclassified as 4bb property during  
76.30 the three-year holding period, and the qualified heir has not substantially altered the property.

76.31 (f) This paragraph applies only to estates of decedents dying after June 30, 2011, and  
76.32 before January 1, 2017, for which no tax liability was reported on the final estate tax return.  
76.33 For purposes of estates qualifying under this paragraph, the amount of the subtraction

77.1 claimed by the estate for purposes of calculating the tax under paragraph (b) is deemed to  
77.2 be the minimum amount of the subtraction necessary to reduce the amount of estate tax to  
77.3 zero, without regard to the amount actually claimed on the final estate tax return. The  
77.4 provisions of this paragraph expire effective January 1, 2020.

77.5 **EFFECTIVE DATE.** The provisions of this section adding paragraph (f) are effective  
77.6 retroactively for estates of decedents dying after June 30, 2011, and before January 1, 2017,  
77.7 and claims for refund of recapture tax may be made under a process established by the  
77.8 commissioner for estates entitled to refunds under the section. The authority to file claims  
77.9 for refunds under these provisions expires on January 1, 2020.

77.10 **Sec. 15. APPLICATION OF ANGEL TAX CREDIT FOR TAXABLE YEAR 2018.**

77.11 Applications for (1) certification as a qualified small business, qualified investor, or  
77.12 qualified fund under Minnesota Statutes, section 116J.8737, subdivisions 2, 3, and 4, and  
77.13 (2) the credit under Minnesota Statutes, section 116J.8737, subdivision 5, for taxable year  
77.14 2018 must be made available on the Department of Employment and Economic  
77.15 Development's Web site within 30 days of the day following final enactment of this act.  
77.16 The provisions of Minnesota Statutes, section 116J.8737, generally apply to the taxable  
77.17 year 2018 extension of the credit in sections 1 and 2.

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

77.19 **ARTICLE 3**

77.20 **SALES AND USE TAXES**

77.21 Section 1. Minnesota Statutes 2017 Supplement, section 297A.67, subdivision 34, is  
77.22 amended to read:

77.23 Subd. 34. **Precious metal bullion and bullion coin.** (a) Precious metal bullion and  
77.24 bullion coin is exempt. For purposes of this subdivision;

77.25 (1) "precious metal bullion" means bars or rounds that consist of 99.9 percent or more  
77.26 by weight of either gold, silver, platinum, or palladium and are marked with weight, purity,  
77.27 and content; and

77.28 (2) "bullion coin" means a coin as described in section 80G.01, subdivision 2.

77.29 (b) The exemption under this subdivision does not apply to sales and purchases of  
77.30 jewelry, works of art, or scrap metal.

78.1 (c) The intent of this subdivision is to eliminate the difference in tax treatment between  
78.2 the sale of precious metal bullion and bullion coin and the sale of stock, bullion ETFs,  
78.3 bonds, and other investment instruments.

78.4 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June  
78.5 30, 2018.

78.6 Sec. 2. Minnesota Statutes 2016, section 297A.70, subdivision 7, is amended to read:

78.7 Subd. 7. **Hospitals, outpatient surgical centers, and critical access dental providers.**

78.8 (a) Sales, except for those listed in paragraph (d), to a hospital are exempt, if the items  
78.9 purchased are used in providing hospital services. For purposes of this subdivision, "hospital"  
78.10 means a hospital organized and operated for charitable purposes within the meaning of  
78.11 section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any  
78.12 other jurisdiction, and "hospital services" are services authorized or required to be performed  
78.13 by a "hospital" under chapter 144.

78.14 (b) Sales, except for those listed in paragraph (d), to an outpatient surgical center are  
78.15 exempt, if the items purchased are used in providing outpatient surgical services. For purposes  
78.16 of this subdivision, "outpatient surgical center" means an outpatient surgical center organized  
78.17 and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal  
78.18 Revenue Code, and licensed under chapter 144 or by any other jurisdiction. For the purposes  
78.19 of this subdivision, "outpatient surgical services" means: (1) services authorized or required  
78.20 to be performed by an outpatient surgical center under chapter 144; and (2) urgent care. For  
78.21 purposes of this subdivision, "urgent care" means health services furnished to a person  
78.22 whose medical condition is sufficiently acute to require treatment unavailable through, or  
78.23 inappropriate to be provided by, a clinic or physician's office, but not so acute as to require  
78.24 treatment in a hospital emergency room.

78.25 (c) Sales, except for those listed in paragraph (d), to a critical access dental provider are  
78.26 exempt, if the items purchased are used in providing critical access dental care services.  
78.27 For the purposes of this subdivision, "critical access dental provider" means a dentist or  
78.28 dental clinic that qualifies under section 256B.76, subdivision 4, paragraph (b), and, in the  
78.29 previous calendar year, had no more than 15 percent of its patients covered by private dental  
78.30 insurance.

78.31 (d) Sales, except for those listed in paragraph (e), to a qualifying medical facility are  
78.32 exempt, if the items are purchased or used in providing medical services. For purposes of  
78.33 this subdivision, "qualifying medical facility" means a medical facility as defined in section

79.1 469.1812, subdivision 2a, that has been granted an abatement of the state general tax under  
79.2 section 469.1817.

79.3 ~~(d)~~ (e) This exemption does not apply to the following products and services:

79.4 (1) purchases made by a clinic, physician's office, or any other medical facility not  
79.5 operating as a hospital, outpatient surgical center, qualifying medical facility, or critical  
79.6 access dental provider, even though the clinic, office, or facility may be owned and operated  
79.7 by a hospital, outpatient surgical center, qualifying medical facility, or critical access dental  
79.8 provider;

79.9 (2) sales under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared  
79.10 food, candy, and soft drinks;

79.11 (3) building and construction materials used in constructing buildings or facilities that  
79.12 will not be used principally by the hospital, outpatient surgical center, qualifying medical  
79.13 facility, or critical access dental provider;

79.14 (4) building, construction, or reconstruction materials purchased by a contractor or a  
79.15 subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed  
79.16 maximum price covering both labor and materials for use in the construction, alteration, or  
79.17 repair of a hospital, outpatient surgical center, qualifying medical facility, or critical access  
79.18 dental provider; or

79.19 (5) the leasing of a motor vehicle as defined in section 297B.01, subdivision 11.

79.20 ~~(e)~~ (f) A limited liability company also qualifies for exemption under this subdivision  
79.21 if (1) it consists of a sole member that would qualify for the exemption, and (2) the items  
79.22 purchased qualify for the exemption.

79.23 ~~(f)~~ (g) An entity that contains both a hospital and a nonprofit unit may claim this  
79.24 exemption on purchases made for both the hospital and nonprofit unit provided that:

79.25 (1) the nonprofit unit would have qualified for exemption under subdivision 4; and

79.26 (2) the items purchased would have qualified for the exemption.

79.27 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June  
79.28 30, 2018.

80.1 Sec. 3. Minnesota Statutes 2017 Supplement, section 297A.70, subdivision 20, is amended  
80.2 to read:

80.3 Subd. 20. **Ice arenas and rinks.** Sales to organizations that exist primarily for the purpose  
80.4 of owning or operating ice arenas or rinks that are (1) part of either the Duluth Heritage  
80.5 Sports Center or the David M. Thaler Sports Center; and (2) are used for youth and high  
80.6 school programs, are exempt if the organization is a private, nonprofit corporation exempt  
80.7 from federal income taxation under section 501(c)(3) of the Internal Revenue Code.

80.8 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June  
80.9 30, 2018.

80.10 Sec. 4. Minnesota Statutes 2016, section 297A.70, is amended by adding a subdivision to  
80.11 read:

80.12 Subd. 21. **Nonprofit conservation clubs.** Sales to nonprofit conservation clubs are  
80.13 exempt. For purposes of this subdivision, a "nonprofit conservation club" means an  
80.14 organization exempt under section 501(c)(3) of the Internal Revenue Code that provides  
80.15 instruction, training, and facilities for shooting handguns or rifles.

80.16 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June  
80.17 30, 2018.

80.18 Sec. 5. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to  
80.19 read:

80.20 Subd. 51. **Public safety facilities.** Materials and supplies used or consumed in and  
80.21 equipment incorporated into construction or remodeling of the following public safety  
80.22 facilities are exempt:

80.23 (1) the construction of a new fire station, which includes firefighting and public safety  
80.24 training facilities, in the city of Inver Grove Heights;

80.25 (2) the construction of a new fire station or the remodeling and expansion of an existing  
80.26 fire station in the city of Virginia;

80.27 (3) the construction of a new fire station on the campus of the Minnetonka City Hall;  
80.28 and

80.29 (4) the remodeling and expansion of an existing police and fire station in Minnetonka  
80.30 to accommodate its use as a police station.



81.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made after the  
81.2 day following final enactment and before January 1, 2021.

81.3 Sec. 6. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to  
81.4 read:

81.5 Subd. 52. **Nonprofit snowmobile clubs.** Building materials and supplies used by a  
81.6 nonprofit snowmobile club to construct, reconstruct, or maintain or improve state or  
81.7 grant-in-aid snowmobile trails are exempt. A nonprofit snowmobile club is eligible for the  
81.8 exemption under this subdivision if it received, in the current year or in the previous  
81.9 three-year period, a state grant-in-aid grant administered by the Department of Natural  
81.10 Resources by applying for the grant with a local unit of government sponsor.

81.11 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June  
81.12 30, 2018.

81.13 Sec. 7. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to  
81.14 read:

81.15 Subd. 53. **Medical facility in underserved area.** Materials and supplies used or  
81.16 consumed in, and equipment incorporated into, the construction or improvement of real  
81.17 property that has been granted an abatement of the state general tax under section 469.1817  
81.18 are exempt.

81.19 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June  
81.20 30, 2018.

81.21 Sec. 8. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to  
81.22 read:

81.23 Subd. 54. **Properties destroyed by fire.** Building materials and supplies used or  
81.24 consumed in, and equipment incorporated into, the construction or replacement of real  
81.25 property affected by, and restaurant equipment to replace equipment destroyed in, the fire  
81.26 on March 11, 2018, in the city of Mazeppa are exempt. The tax must be imposed and  
81.27 collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in  
81.28 the manner provided in section 297A.75. For purposes of this subdivision, "restaurant  
81.29 equipment" includes durable equipment used in a restaurant for food storage, preparation,  
81.30 and serving.

81.31 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases  
81.32 made after March 11, 2018, and before January 1, 2021.

82.1 Sec. 9. Minnesota Statutes 2017 Supplement, section 297A.75, subdivision 1, is amended  
82.2 to read:

82.3 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following  
82.4 exempt items must be imposed and collected as if the sale were taxable and the rate under  
82.5 section 297A.62, subdivision 1, applied. The exempt items include:

82.6 (1) building materials for an agricultural processing facility exempt under section  
82.7 297A.71, subdivision 13;

82.8 (2) building materials for mineral production facilities exempt under section 297A.71,  
82.9 subdivision 14;

82.10 (3) building materials for correctional facilities under section 297A.71, subdivision 3;

82.11 (4) building materials used in a residence for disabled veterans exempt under section  
82.12 297A.71, subdivision 11;

82.13 (5) elevators and building materials exempt under section 297A.71, subdivision 12;

82.14 (6) materials and supplies for qualified low-income housing under section 297A.71,  
82.15 subdivision 23;

82.16 (7) materials, supplies, and equipment for municipal electric utility facilities under  
82.17 section 297A.71, subdivision 35;

82.18 (8) equipment and materials used for the generation, transmission, and distribution of  
82.19 electrical energy and an aerial camera package exempt under section 297A.68, subdivision  
82.20 37;

82.21 (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph  
82.22 (a), clause (10);

82.23 (10) materials, supplies, and equipment for construction or improvement of projects and  
82.24 facilities under section 297A.71, subdivision 40;

82.25 (11) materials, supplies, and equipment for construction, improvement, or expansion  
82.26 of:

82.27 ~~(i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014,~~  
82.28 ~~section 297A.71, subdivision 42;~~

82.29 ~~(ii)~~ a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision  
82.30 45;

83.1 ~~(iii) a research and development facility exempt under Minnesota Statutes 2014, section~~  
 83.2 ~~297A.71, subdivision 46; and~~

83.3 ~~(iv) an industrial measurement manufacturing and controls facility exempt under~~  
 83.4 ~~Minnesota Statutes 2014, section 297A.71, subdivision 47;~~

83.5 (12) enterprise information technology equipment and computer software for use in a  
 83.6 qualified data center exempt under section 297A.68, subdivision 42;

83.7 (13) materials, supplies, and equipment for qualifying capital projects under section  
 83.8 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);

83.9 (14) items purchased for use in providing critical access dental services exempt under  
 83.10 section 297A.70, subdivision 7, paragraph (c);

83.11 (15) items and services purchased under a business subsidy agreement for use or  
 83.12 consumption primarily in greater Minnesota exempt under section 297A.68, subdivision  
 83.13 44;

83.14 (16) building materials, equipment, and supplies for constructing or replacing real  
 83.15 property exempt under section 297A.71, ~~subdivision~~ subdivisions 49 and 54; and

83.16 (17) building materials, equipment, and supplies for constructing or replacing real  
 83.17 property exempt under section 297A.71, subdivision 50, paragraph (b).

83.18 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June  
 83.19 30, 2018.

83.20 Sec. 10. Minnesota Statutes 2016, section 477A.016, is amended to read:

83.21 **477A.016 NEW TAXES PROHIBITED.**

83.22 (a) No county, city, town or other taxing authority shall increase a present tax or impose  
 83.23 a new tax on sales or income.

83.24 (b) No county, city, town, or other taxing authority shall increase a present excise tax  
 83.25 or fee or impose a new excise tax or fee on either:

83.26 (1) the manufacture, distribution, wholesale, or retail sale of food, based on volume of  
 83.27 product sold, product sales value, or the type of product manufactured, distributed, or sold;  
 83.28 or

83.29 (2) any container used for transporting, protecting, or consuming food.

83.30 (c) For purposes of this section:

84.1 (1) "food" has the meaning given in section 34A.01, subdivision 4; and

84.2 (2) "container" means a bottle, cup, can, bag, or other packaging that is made from  
84.3 plastic, aluminum, glass, cardboard, or other material.

84.4 (d) This section does not apply to reasonable license fees lawfully imposed by a county,  
84.5 city, town, or other licensing authority in the exercise of its regulatory authority to license  
84.6 a trade, profession, or business.

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

84.8 Sec. 11. Laws 2017, First Special Session chapter 1, article 3, section 32, the effective  
84.9 date, is amended to read:

84.10 **EFFECTIVE DATE.** Paragraph (a) is effective retroactively for sales and purchases  
84.11 made after September 30, 2016, and before January 1, ~~2019~~ 2022. Paragraph (b) is effective  
84.12 for sales and purchases made after September 30, 2016, and before July 1, 2017.

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

84.14 Sec. 12. **MUNICIPALLY OWNED WATER TREATMENT FACILITY; CITY OF**  
84.15 **ELKO NEW MARKET.**

84.16 Subdivision 1. **Exemption.** Materials and supplies used or consumed in and equipment  
84.17 incorporated into a water treatment facility owned and operated by the city of Elko New  
84.18 Market are exempt from taxation under Minnesota Statutes, chapter 297A, regardless of  
84.19 whether purchased by the city or a contractor, subcontractor, or builder. All purchases for  
84.20 this facility must be made after June 1, 2014, and before June 1, 2016.

84.21 Subd. 2. **Refund.** The tax on purchases exempt under subdivision 1 must be imposed  
84.22 and collected as if the rate under Minnesota Statutes, section 297A.62, applied, and then  
84.23 refunded in the manner provided in Minnesota Statutes, section 297A.75. The applicant  
84.24 must be the city of Elko New Market. Notwithstanding Minnesota Statutes, section 289A.40,  
84.25 subdivision 5, the city of Elko New Market may apply directly to the commissioner of  
84.26 revenue for a refund of the tax paid on items exempt under subdivision 1, the application  
84.27 must be made by December 31, 2018, in the form and manner required by the commissioner,  
84.28 and provide sufficient information so the commissioner can verify the amount paid. If the  
84.29 tax was paid by a contractor, subcontractor, or builder, the contractor, subcontractor, or  
84.30 builder must furnish to the refund applicant a statement including the cost of the exempt  
84.31 items and the taxes paid on the items. Interest must be paid on the refund at the rate in

85.1 Minnesota Statutes, section 270C.405, from 90 days after the refund claim is filed with the  
85.2 commissioner.

85.3 Subd. 3. **Appropriation.** The amount required to make the refunds under this section  
85.4 is appropriated to the commissioner of revenue.

85.5 **EFFECTIVE DATE.** This section is effective retroactively for purchases made after  
85.6 June 1, 2014, and before June 1, 2016.

#### 85.7 **ARTICLE 4**

#### 85.8 **PROPERTY TAXES**

85.9 Section 1. Minnesota Statutes 2016, section 138.053, is amended to read:

#### 85.10 **138.053 COUNTY HISTORICAL SOCIETY; TAX LEVY; CITIES OR TOWNS.**

85.11 The governing body of any home rule charter or statutory city or town may annually  
85.12 appropriate from its general fund an amount not to exceed 0.02418 percent of estimated  
85.13 market value, derived from ad valorem taxes on property or other revenues, to be paid to  
85.14 the historical society of its respective city, town, or county to be used for the promotion of  
85.15 historical work and to aid in defraying the expenses of carrying on the historical work in  
85.16 the county. No city or town may appropriate any funds for the benefit of any historical  
85.17 society unless the society is affiliated with and approved by the Minnesota Historical Society.

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

85.19 Sec. 2. Minnesota Statutes 2016, section 197.603, subdivision 2, is amended to read:

85.20 Subd. 2. **Records; data privacy.** Pursuant to chapter 13 the county veterans service  
85.21 officer is the responsible authority with respect to all records in the officer's custody. The  
85.22 data on clients' applications for assistance is private data on individuals, as defined in section  
85.23 13.02, subdivision 12. The county veterans service officer may disclose to the county assessor  
85.24 private data necessary to determine a client's eligibility for the disabled veteran's homestead  
85.25 market value exclusion under section 273.13, subdivision 34.

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

85.27 Sec. 3. Minnesota Statutes 2016, section 272.02, is amended by adding a subdivision to  
85.28 read:

85.29 Subd. 102. **Certain property owned by an Indian tribe.** (a) Property is exempt that:

86.1 (1) is located in a city of the first class with a population of more than 380,000 as of the  
86.2 2010 federal census;

86.3 (2) was on January 1, 2016, and is for the current assessment, owned by a federally  
86.4 recognized Indian tribe, or its instrumentality, that is located within the state of Minnesota;  
86.5 and

86.6 (3) is used exclusively as a pharmacy.

86.7 (b) Property that qualifies for the exemption under this subdivision is limited to parcels  
86.8 and structures that do not exceed, in the aggregate, 4,000 square feet. Property acquired for  
86.9 single-family housing, market-rate apartments, agriculture, or forestry does not qualify for  
86.10 this exemption. For assessment year 2018 only, an exemption application under this  
86.11 subdivision is due by July 1, 2018. The exemption created by this subdivision expires with  
86.12 taxes payable in 2028.

86.13 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019  
86.14 and thereafter.

86.15 Sec. 4. Minnesota Statutes 2016, section 273.124, subdivision 3a, is amended to read:

86.16 Subd. 3a. **Manufactured home park cooperative.** (a) When a manufactured home park  
86.17 is owned by a corporation or association organized under chapter 308A or 308B, and each  
86.18 person who owns a share or shares in the corporation or association is entitled to occupy a  
86.19 lot within the park, the corporation or association may claim homestead treatment for the  
86.20 park. Each lot must be designated by legal description or number, and each lot is limited to  
86.21 not more than one-half acre of land.

86.22 (b) The manufactured home park shall be entitled to homestead treatment if all of the  
86.23 following criteria are met:

86.24 (1) the occupant or the cooperative corporation or association is paying the ad valorem  
86.25 property taxes and any special assessments levied against the land and structure either  
86.26 directly, or indirectly through dues to the corporation or association; and

86.27 (2) the corporation or association organized under chapter 308A or 308B is wholly  
86.28 owned by persons having a right to occupy a lot owned by the corporation or association.

86.29 (c) A charitable corporation, organized under the laws of Minnesota with no outstanding  
86.30 stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status,  
86.31 qualifies for homestead treatment with respect to a manufactured home park if its members

87.1 hold residential participation warrants entitling them to occupy a lot in the manufactured  
87.2 home park.

87.3 (d) "Homestead treatment" under this subdivision means the classification rate provided  
87.4 for class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause  
87.5 (5), item (ii); and the homestead market value exclusion under section 273.13, subdivision  
87.6 35, does not apply ~~and the property taxes assessed against the park shall not be included in~~  
87.7 ~~the determination of taxes payable for rent paid under section 290A.03.~~

87.8 **EFFECTIVE DATE.** This section is effective beginning with claims for taxes payable  
87.9 in 2019.

87.10 Sec. 5. Minnesota Statutes 2016, section 273.124, subdivision 8, is amended to read:

87.11 Subd. 8. **Homestead owned by or leased to family farm corporation, joint farm**  
87.12 **venture, limited liability company, or partnership.** (a) Each family farm corporation;  
87.13 each joint family farm venture; and each limited liability company or partnership which  
87.14 operates a family farm; is entitled to class 1b under section 273.13, subdivision 22, paragraph  
87.15 (b), or class 2a assessment for one homestead occupied by a shareholder, member, or partner  
87.16 thereof who is residing on the land, and actively engaged in farming of the land owned by  
87.17 the family farm corporation, joint family farm venture, limited liability company, or  
87.18 partnership. Homestead treatment applies even if:

87.19 (1) legal title to the property is in the name of the family farm corporation, joint family  
87.20 farm venture, limited liability company, or partnership, and not in the name of the person  
87.21 residing on it; or

87.22 (2) the family farm is operated by a business entity other than the business entity that  
87.23 owns the land, provided that both business entities have the same owners.

87.24 "Family farm corporation," "family farm," and "partnership operating a family farm"  
87.25 have the meanings given in section 500.24, except that the number of allowable shareholders,  
87.26 members, or partners under this subdivision shall not exceed 12. "Limited liability company"  
87.27 has the meaning contained in sections 322B.03, subdivision 28, or 322C.0102, subdivision  
87.28 12, and 500.24, subdivision 2, paragraphs (l) and (m). "Joint family farm venture" means  
87.29 a cooperative agreement among two or more farm enterprises authorized to operate a family  
87.30 farm under section 500.24.

87.31 "Business entity" means a corporation, joint venture, partnership, or limited liability  
87.32 company within the meaning of this paragraph.

88.1 (b) In addition to property specified in paragraph (a), any other residences owned by  
88.2 family farm corporations, joint family farm ventures, limited liability companies, or  
88.3 partnerships described in paragraph (a) which are located on agricultural land and occupied  
88.4 as homesteads by its shareholders, members, or partners who are actively engaged in farming  
88.5 on behalf of that corporation, joint farm venture, limited liability company, or partnership  
88.6 must also be assessed as class 2a property or as class 1b property under section 273.13.

88.7 (c) Agricultural property that is owned by a member, partner, or shareholder of a family  
88.8 farm corporation or joint family farm venture, limited liability company operating a family  
88.9 farm, or by a partnership operating a family farm and leased to the family farm corporation,  
88.10 limited liability company, partnership, or joint farm venture, as defined in paragraph (a), is  
88.11 eligible for classification as class 1b or class 2a under section 273.13, if the owner is actually  
88.12 residing on the property, and is actually engaged in farming the land on behalf of that  
88.13 corporation, joint farm venture, limited liability company, or partnership. This paragraph  
88.14 applies without regard to any legal possession rights of the family farm corporation, joint  
88.15 family farm venture, limited liability company, or partnership under the lease.

88.16 (d) Nonhomestead agricultural property that is owned by a family farm corporation,  
88.17 joint farm venture, limited liability company, or partnership; and located not farther than  
88.18 four townships or cities, or combination thereof, from agricultural land that is owned, and  
88.19 used for the purposes of a homestead by an individual who is a shareholder, member, or  
88.20 partner of the corporation, venture, company, or partnership; is entitled to receive the first  
88.21 tier homestead classification rate on any remaining market value in the first homestead class  
88.22 tier that is in excess of the market value of the shareholder's, member's, or partner's class 2  
88.23 agricultural homestead property, if the owner, or someone acting on the owner's behalf  
88.24 notifies the county assessor by July 1 that the property may be eligible under this paragraph  
88.25 for the current assessment year, for taxes payable in the following year. As used in this  
88.26 paragraph, "agricultural property" means property classified as 2a under section 273.13,  
88.27 along with any contiguous property classified as 2b under section 273.13, if the contiguous  
88.28 2a and 2b properties are under the same ownership.

88.29 **EFFECTIVE DATE.** This section is effective for assessments beginning in 2018.

88.30 Sec. 6. Minnesota Statutes 2016, section 273.124, subdivision 14, is amended to read:

88.31 Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than ten  
88.32 acres that is the homestead of its owner must be classified as class 2a under section 273.13,  
88.33 subdivision 23, paragraph (a), if:



89.1 (1) the parcel on which the house is located is contiguous on at least two sides to (i)  
89.2 agricultural land, (ii) land owned or administered by the United States Fish and Wildlife  
89.3 Service, or (iii) land administered by the Department of Natural Resources on which in lieu  
89.4 taxes are paid under sections 477A.11 to 477A.14;

89.5 (2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20  
89.6 acres;

89.7 (3) the noncontiguous land is located not farther than four townships or cities, or a  
89.8 combination of townships or cities from the homestead; and

89.9 (4) the agricultural use value of the noncontiguous land and farm buildings is equal to  
89.10 at least 50 percent of the market value of the house, garage, and one acre of land.

89.11 Homesteads initially classified as class 2a under the provisions of this paragraph shall  
89.12 remain classified as class 2a, irrespective of subsequent changes in the use of adjoining  
89.13 properties, as long as the homestead remains under the same ownership, the owner owns a  
89.14 noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use  
89.15 value qualifies under clause (4). Homestead classification under this paragraph is limited  
89.16 to property that qualified under this paragraph for the 1998 assessment.

89.17 (b)(i) Agricultural property shall be classified as the owner's homestead, to the same  
89.18 extent as other agricultural homestead property, if all of the following criteria are met:

89.19 (1) the agricultural property consists of at least 40 acres including undivided government  
89.20 lots and correctional 40's;

89.21 (2) the owner, the owner's spouse, or a grandchild, child, sibling, or parent of the owner  
89.22 or of the owner's spouse, is actively farming the agricultural property, either on the person's  
89.23 own behalf as an individual or on behalf of a partnership operating a family farm, family  
89.24 farm corporation, joint family farm venture, or limited liability company of which the person  
89.25 is a partner, shareholder, or member;

89.26 (3) both the owner of the agricultural property and the person who is actively farming  
89.27 the agricultural property under clause (2), are Minnesota residents;

89.28 (4) neither the owner nor the spouse of the owner claims another agricultural homestead  
89.29 in Minnesota; and

89.30 (5) neither the owner nor the person actively farming the agricultural property lives  
89.31 farther than four townships or cities, or a combination of four townships or cities, from the  
89.32 agricultural property, except that if the owner or the owner's spouse is required to live in  
89.33 employer-provided housing, the owner or owner's spouse, whichever is actively farming

90.1 the agricultural property, may live more than four townships or cities, or combination of  
90.2 four townships or cities from the agricultural property.

90.3 The relationship under this paragraph may be either by blood or marriage.

90.4 ~~(ii) Agricultural property held by a trustee under a trust is eligible for agricultural~~  
90.5 ~~homestead classification under this paragraph if the qualifications in clause (i) are met,~~  
90.6 ~~except that "owner" means the grantor of the trust.~~

90.7 ~~(iii)~~ Property containing the residence of an owner who owns qualified property under  
90.8 clause (i) shall be classified as part of the owner's agricultural homestead, if that property  
90.9 is also used for noncommercial storage or drying of agricultural crops.

90.10 ~~(iv)~~ (iii) As used in this paragraph, "agricultural property" means class 2a property and  
90.11 any class 2b property that is contiguous to and under the same ownership as the class 2a  
90.12 property.

90.13 (c) Noncontiguous land shall be included as part of a homestead under section 273.13,  
90.14 subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached  
90.15 land is located in the same township or city, or not farther than four townships or cities or  
90.16 combination thereof from the homestead. Any taxpayer of these noncontiguous lands must  
90.17 notify the county assessor that the noncontiguous land is part of the taxpayer's homestead,  
90.18 and, if the homestead is located in another county, the taxpayer must also notify the assessor  
90.19 of the other county.

90.20 (d) Agricultural land used for purposes of a homestead and actively farmed by a person  
90.21 holding a vested remainder interest in it must be classified as a homestead under section  
90.22 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other  
90.23 dwellings on the land used for purposes of a homestead by persons holding vested remainder  
90.24 interests who are actively engaged in farming the property, and up to one acre of the land  
90.25 surrounding each homestead and reasonably necessary for the use of the dwelling as a home,  
90.26 must also be assessed class 2a.

90.27 (e) Agricultural land and buildings that were class 2a homestead property under section  
90.28 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as  
90.29 agricultural homesteads for subsequent assessments if:

90.30 (1) the property owner abandoned the homestead dwelling located on the agricultural  
90.31 homestead as a result of the April 1997 floods;

90.32 (2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or  
90.33 Wilkin;

91.1 (3) the agricultural land and buildings remain under the same ownership for the current  
91.2 assessment year as existed for the 1997 assessment year and continue to be used for  
91.3 agricultural purposes;

91.4 (4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles  
91.5 of one of the parcels of agricultural land that is owned by the taxpayer; and

91.6 (5) the owner notifies the county assessor that the relocation was due to the 1997 floods,  
91.7 and the owner furnishes the assessor any information deemed necessary by the assessor in  
91.8 verifying the change in dwelling. Further notifications to the assessor are not required if the  
91.9 property continues to meet all the requirements in this paragraph and any dwellings on the  
91.10 agricultural land remain uninhabited.

91.11 (f) Agricultural land and buildings that were class 2a homestead property under section  
91.12 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified  
91.13 agricultural homesteads for subsequent assessments if:

91.14 (1) the property owner abandoned the homestead dwelling located on the agricultural  
91.15 homestead as a result of damage caused by a March 29, 1998, tornado;

91.16 (2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur,  
91.17 Nicollet, Nobles, or Rice;

91.18 (3) the agricultural land and buildings remain under the same ownership for the current  
91.19 assessment year as existed for the 1998 assessment year;

91.20 (4) the dwelling occupied by the owner is located in this state and is within 50 miles of  
91.21 one of the parcels of agricultural land that is owned by the taxpayer; and

91.22 (5) the owner notifies the county assessor that the relocation was due to a March 29,  
91.23 1998, tornado, and the owner furnishes the assessor any information deemed necessary by  
91.24 the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the  
91.25 owner must notify the assessor by December 1, 1998. Further notifications to the assessor  
91.26 are not required if the property continues to meet all the requirements in this paragraph and  
91.27 any dwellings on the agricultural land remain uninhabited.

91.28 (g) Agricultural property of a family farm corporation, joint family farm venture, family  
91.29 farm limited liability company, or partnership operating a family farm as described under  
91.30 subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead  
91.31 property, if all of the following criteria are met:

91.32 (1) the property consists of at least 40 acres including undivided government lots and  
91.33 correctional 40's;

92.1 (2) a shareholder, member, or partner of that entity is actively farming the agricultural  
92.2 property;

92.3 (3) that shareholder, member, or partner who is actively farming the agricultural property  
92.4 is a Minnesota resident;

92.5 (4) neither that shareholder, member, or partner, nor the spouse of that shareholder,  
92.6 member, or partner claims another agricultural homestead in Minnesota; and

92.7 (5) that shareholder, member, or partner does not live farther than four townships or  
92.8 cities, or a combination of four townships or cities, from the agricultural property.

92.9 Homestead treatment applies under this paragraph even if:

92.10 (i) the shareholder, member, or partner of that entity is actively farming the agricultural  
92.11 property on the shareholder's, member's, or partner's own behalf; or

92.12 (ii) the family farm is operated by a business entity other than the business entity that  
92.13 owns the land, provided that both business entities have the same owners. For purposes of  
92.14 this paragraph, "business entity" means a corporation, joint venture, partnership, or limited  
92.15 liability company within the meaning of subdivision 8, paragraph (a).

92.16 Homestead treatment applies under this paragraph for property leased to a family farm  
92.17 corporation, joint farm venture, limited liability company, or partnership operating a family  
92.18 farm if legal title to the property is in the name of an individual who is a member, shareholder,  
92.19 or partner in the entity.

92.20 (h) To be eligible for the special agricultural homestead under this subdivision, an initial  
92.21 full application must be submitted to the county assessor where the property is located.  
92.22 Owners and the persons who are actively farming the property shall be required to complete  
92.23 only a one-page abbreviated version of the application in each subsequent year provided  
92.24 that none of the following items have changed since the initial application:

92.25 (1) the day-to-day operation, administration, and financial risks remain the same;

92.26 (2) the owners and the persons actively farming the property continue to live within the  
92.27 four townships or city criteria and are Minnesota residents;

92.28 (3) the same operator of the agricultural property is listed with the Farm Service Agency;

92.29 (4) a Schedule F or equivalent income tax form was filed for the most recent year;

92.30 (5) the property's acreage is unchanged; and

93.1 (6) none of the property's acres have been enrolled in a federal or state farm program  
93.2 since the initial application.

93.3 The owners and any persons who are actively farming the property must include the  
93.4 appropriate Social Security numbers, and sign and date the application. If any of the specified  
93.5 information has changed since the full application was filed, the owner must notify the  
93.6 assessor, and must complete a new application to determine if the property continues to  
93.7 qualify for the special agricultural homestead. The commissioner of revenue shall prepare  
93.8 a standard reapplication form for use by the assessors.

93.9 (i) Agricultural land and buildings that were class 2a homestead property under section  
93.10 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain classified  
93.11 agricultural homesteads for subsequent assessments if:

93.12 (1) the property owner abandoned the homestead dwelling located on the agricultural  
93.13 homestead as a result of damage caused by the August 2007 floods;

93.14 (2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele,  
93.15 Wabasha, or Winona;

93.16 (3) the agricultural land and buildings remain under the same ownership for the current  
93.17 assessment year as existed for the 2007 assessment year;

93.18 (4) the dwelling occupied by the owner is located in this state and is within 50 miles of  
93.19 one of the parcels of agricultural land that is owned by the taxpayer; and

93.20 (5) the owner notifies the county assessor that the relocation was due to the August 2007  
93.21 floods, and the owner furnishes the assessor any information deemed necessary by the  
93.22 assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the  
93.23 owner must notify the assessor by December 1, 2008. Further notifications to the assessor  
93.24 are not required if the property continues to meet all the requirements in this paragraph and  
93.25 any dwellings on the agricultural land remain uninhabited.

93.26 (j) Agricultural land and buildings that were class 2a homestead property under section  
93.27 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain classified as  
93.28 agricultural homesteads for subsequent assessments if:

93.29 (1) the property owner abandoned the homestead dwelling located on the agricultural  
93.30 homestead as a result of the March 2009 floods;

93.31 (2) the property is located in the county of Marshall;

94.1 (3) the agricultural land and buildings remain under the same ownership for the current  
94.2 assessment year as existed for the 2008 assessment year and continue to be used for  
94.3 agricultural purposes;

94.4 (4) the dwelling occupied by the owner is located in Minnesota and is within 50 miles  
94.5 of one of the parcels of agricultural land that is owned by the taxpayer; and

94.6 (5) the owner notifies the county assessor that the relocation was due to the 2009 floods,  
94.7 and the owner furnishes the assessor any information deemed necessary by the assessor in  
94.8 verifying the change in dwelling. Further notifications to the assessor are not required if the  
94.9 property continues to meet all the requirements in this paragraph and any dwellings on the  
94.10 agricultural land remain uninhabited.

94.11 **EFFECTIVE DATE.** This section is effective beginning for property taxes payable in  
94.12 2019.

94.13 Sec. 7. Minnesota Statutes 2016, section 273.124, subdivision 21, is amended to read:

94.14 Subd. 21. **Trust property; homestead.** Real or personal property, including agricultural  
94.15 property, held by a trustee under a trust is eligible for classification as homestead property  
94.16 if the property satisfies the requirements of paragraph (a), (b), (c), ~~or (d)~~, or (e).

94.17 (a) The grantor or surviving spouse of the grantor of the trust occupies and uses the  
94.18 property as a homestead.

94.19 (b) A relative or surviving relative of the grantor who meets the requirements of  
94.20 subdivision 1, paragraph (c), in the case of residential real estate; or subdivision 1, paragraph  
94.21 (d), in the case of agricultural property, occupies and uses the property as a homestead.

94.22 (c) A family farm corporation, joint farm venture, limited liability company, or partnership  
94.23 operating a family farm in which the grantor or the grantor's surviving spouse is a  
94.24 shareholder, member, or partner rents the property; and, either (1) a shareholder, member,  
94.25 or partner of the corporation, joint farm venture, limited liability company, or partnership  
94.26 occupies and uses the property as a homestead; or (2) the property is at least 40 acres,  
94.27 including undivided government lots and correctional 40's, and a shareholder, member, or  
94.28 partner of the tenant-entity is actively farming the property on behalf of the corporation,  
94.29 joint farm venture, limited liability company, or partnership.

94.30 (d) A person who has received homestead classification for property taxes payable in  
94.31 2000 on the basis of an unqualified legal right under the terms of the trust agreement to  
94.32 occupy the property as that person's homestead and who continues to use the property as a  
94.33 homestead; or, a person who received the homestead classification for taxes payable in 2005

95.1 under paragraph (c) who does not qualify under paragraph (c) for taxes payable in 2006 or  
95.2 thereafter but who continues to qualify under paragraph (c) as it existed for taxes payable  
95.3 in 2005.

95.4 (e) The qualifications under subdivision 14, paragraph (b), clause (i), are met. For  
95.5 purposes of this paragraph, "owner" means the grantor of the trust or the surviving spouse  
95.6 of the grantor.

95.7 (f) For purposes of this subdivision, the following terms have the meanings given them:

95.8 (1) "agricultural property" means the house, garage, other farm buildings and structures,  
95.9 and agricultural land;

95.10 (2) "agricultural land" has the meaning given in section 273.13, subdivision 23, except  
95.11 that the phrases "owned by same person" or "under the same ownership" as used in that  
95.12 subdivision mean and include contiguous tax parcels owned by:

95.13 (i) an individual and a trust of which the individual, the individual's spouse, or the  
95.14 individual's deceased spouse is the grantor; or

95.15 (ii) different trusts of which the grantors of each trust are any combination of an  
95.16 individual, the individual's spouse, or the individual's deceased spouse; and

95.17 ~~For purposes of this subdivision,~~ (3) "grantor" is defined as means the person creating  
95.18 or establishing a testamentary, inter Vivos, revocable or irrevocable trust by written  
95.19 instrument or through the exercise of a power of appointment.

95.20 (g) Noncontiguous agricultural land is included as part of a homestead under this  
95.21 subdivision, only if the homestead is classified as class 2a, as defined in section 273.13,  
95.22 subdivision 23, and the detached land is located in the same township or city, or not farther  
95.23 than four townships or cities or combination thereof from the homestead. Any taxpayer of  
95.24 these noncontiguous agricultural lands must notify the county assessor by December 15 for  
95.25 taxes payable in the following year that the noncontiguous agricultural land is part of the  
95.26 taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must  
95.27 also notify the assessor of the other county.

95.28 **EFFECTIVE DATE.** This section is effective beginning for property taxes payable in  
95.29 2019.

96.1 Sec. 8. Minnesota Statutes 2016, section 273.124, is amended by adding a subdivision to  
96.2 read:

96.3 Subd. 23. **Fractional homesteads.** In the case of property that is classified as part  
96.4 homestead and part nonhomestead solely because not all the owners occupy or farm the  
96.5 property, not all the owners have qualifying relatives occupying or farming the property,  
96.6 or not all the spouses of owners occupy the property, the portions of property classified as  
96.7 part homestead and part nonhomestead must correspond to the ownership percentages that  
96.8 each owner has in the property, as determined by the land records in the county recorder's  
96.9 office or registrar of titles. If the ownership percentages of each owner cannot be determined  
96.10 by reference to the land records, the portions of property classified as part homestead and  
96.11 part nonhomestead must correspond to the ownership percentages each owner would have  
96.12 if they each owned an equal share of the property.

96.13 **EFFECTIVE DATE.** This section is effective for assessments beginning in 2018.

96.14 Sec. 9. Minnesota Statutes 2016, section 273.1245, subdivision 2, is amended to read:

96.15 Subd. 2. **Disclosure.** The assessor shall disclose the data described in subdivision 1 to  
96.16 the commissioner of revenue as provided by law. The assessor shall also disclose all or  
96.17 portions of the data described in subdivision 1 to:

96.18 (1) the county treasurer solely for the purpose of proceeding under the Revenue Recapture  
96.19 Act to recover personal property taxes owing; and

96.20 (2) the county veterans service officer for the purpose of determining a person's eligibility  
96.21 for the disabled veteran's homestead market value exclusion under section 273.13, subdivision  
96.22 34.

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

96.24 Sec. 10. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 22, is amended  
96.25 to read:

96.26 Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and  
96.27 (c), real estate which is residential and used for homestead purposes is class 1a. In the case  
96.28 of a duplex or triplex in which one of the units is used for homestead purposes, the entire  
96.29 property is deemed to be used for homestead purposes. The market value of class 1a property  
96.30 must be determined based upon the value of the house, garage, and land.



97.1 The first \$500,000 of market value of class 1a property has a net classification rate of  
97.2 one percent of its market value; and the market value of class 1a property that exceeds  
97.3 \$500,000 has a classification rate of 1.25 percent of its market value.

97.4 (b) Class 1b property includes homestead real estate or homestead manufactured homes  
97.5 used for the purposes of a homestead by:

97.6 (1) any person who is blind as defined in section 256D.35, or the blind person and the  
97.7 blind person's spouse;

97.8 (2) any person who is permanently and totally disabled or by the disabled person and  
97.9 the disabled person's spouse; or

97.10 (3) the surviving spouse of a permanently and totally disabled veteran homesteading a  
97.11 property classified under this paragraph for taxes payable in 2008.

97.12 Property is classified and assessed under clause (2) only if the government agency or  
97.13 income-providing source certifies, upon the request of the homestead occupant, that the  
97.14 homestead occupant satisfies the disability requirements of this paragraph, and that the  
97.15 property is not eligible for the valuation exclusion under subdivision 34.

97.16 Property is classified and assessed under paragraph (b) only if the commissioner of  
97.17 revenue or the county assessor certifies that the homestead occupant satisfies the requirements  
97.18 of this paragraph.

97.19 Permanently and totally disabled for the purpose of this subdivision means a condition  
97.20 which is permanent in nature and totally incapacitates the person from working at an  
97.21 occupation which brings the person an income. The first \$50,000 market value of class 1b  
97.22 property has a net classification rate of .45 percent of its market value. The remaining market  
97.23 value of class 1b property is classified as class 1a or class 2a property, whichever is  
97.24 appropriate.

97.25 (c) Class 1c property is commercial use real and personal property that abuts public  
97.26 water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by  
97.27 the Department of Natural Resources, and is devoted to temporary and seasonal residential  
97.28 occupancy for recreational purposes but not devoted to commercial purposes for more than  
97.29 250 days in the year preceding the year of assessment, and that includes a portion used as  
97.30 a homestead by the owner, which includes a dwelling occupied as a homestead by a  
97.31 shareholder of a corporation that owns the resort, a partner in a partnership that owns the  
97.32 resort, or a member of a limited liability company that owns the resort ~~even if, whether the~~  
97.33 title to the homestead is held by the corporation, partnership, or limited liability company,

98.1 or by a shareholder of a corporation that owns the resort, a partner in a partnership that owns  
98.2 the resort, or a member of a limited liability company that owns the resort. For purposes of  
98.3 this paragraph, property is devoted to a commercial purpose on a specific day if any portion  
98.4 of the property, excluding the portion used exclusively as a homestead, is used for residential  
98.5 occupancy and a fee is charged for residential occupancy. Class 1c property must contain  
98.6 three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse,  
98.7 sleeping room, or individual camping site equipped with water and electrical hookups for  
98.8 recreational vehicles. Class 1c property must provide recreational activities such as the  
98.9 rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski  
98.10 equipment; provide marina services, launch services, or guide services; or sell bait and  
98.11 fishing tackle. Any unit in which the right to use the property is transferred to an individual  
98.12 or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c  
98.13 even though it may remain available for rent. A camping pad offered for rent by a property  
98.14 that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental  
98.15 agreement, as long as the use of the camping pad does not exceed 250 days. If the same  
98.16 owner owns two separate parcels that are located in the same township, and one of those  
98.17 properties is classified as a class 1c property and the other would be eligible to be classified  
98.18 as a class 1c property if it was used as the homestead of the owner, both properties will be  
98.19 assessed as a single class 1c property; for purposes of this sentence, properties are deemed  
98.20 to be owned by the same owner if each of them is owned by a limited liability company,  
98.21 and both limited liability companies have the same membership. The portion of the property  
98.22 used as a homestead is class 1a property under paragraph (a). The remainder of the property  
98.23 is classified as follows: the first \$600,000 of market value is tier I, the next \$1,700,000 of  
98.24 market value is tier II, and any remaining market value is tier III. The classification rates  
98.25 for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners  
98.26 of real and personal property devoted to temporary and seasonal residential occupancy for  
98.27 recreation purposes in which all or a portion of the property was devoted to commercial  
98.28 purposes for not more than 250 days in the year preceding the year of assessment desiring  
98.29 classification as class 1c, must, by January 15 of the assessment year, submit a declaration  
98.30 to the assessor designating: (1) the cabins or units occupied for 250 days or less in the year  
98.31 preceding the year of assessment by January 15 of the assessment year; and (2) the portion  
98.32 of the resort used as a homestead and the owner of the homestead under the title. Those  
98.33 cabins or units and a proportionate share of the land on which they are located must be  
98.34 designated as class 1c as otherwise provided. The remainder of the cabins or units and a  
98.35 proportionate share of the land on which they are located must be designated as class 3a  
98.36 commercial. The owner of property desiring designation as class 1c property must provide

99.1 guest registers or other records demonstrating that the units for which class 1c designation  
99.2 is sought were not occupied for more than 250 days in the year preceding the assessment  
99.3 if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop,  
99.4 (4) conference center or meeting room, and (5) other nonresidential facility operated on a  
99.5 commercial basis not directly related to temporary and seasonal residential occupancy for  
99.6 recreation purposes does not qualify for class 1c.

99.7 (d) Class 1d property includes structures that meet all of the following criteria:

99.8 (1) the structure is located on property that is classified as agricultural property under  
99.9 section 273.13, subdivision 23;

99.10 (2) the structure is occupied exclusively by seasonal farm workers during the time when  
99.11 they work on that farm, and the occupants are not charged rent for the privilege of occupying  
99.12 the property, provided that use of the structure for storage of farm equipment and produce  
99.13 does not disqualify the property from classification under this paragraph;

99.14 (3) the structure meets all applicable health and safety requirements for the appropriate  
99.15 season; and

99.16 (4) the structure is not salable as residential property because it does not comply with  
99.17 local ordinances relating to location in relation to streets or roads.

99.18 The market value of class 1d property has the same classification rates as class 1a property  
99.19 under paragraph (a).

99.20 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2020.

99.21 Sec. 11. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 23, is amended  
99.22 to read:

99.23 Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural land  
99.24 that is homesteaded, along with any class 2b rural vacant land that is contiguous to the class  
99.25 2a land under the same ownership. The market value of the house and garage and immediately  
99.26 surrounding one acre of land has the same classification rates as class 1a or 1b property  
99.27 under subdivision 22. The value of the remaining land including improvements up to the  
99.28 first tier valuation limit of agricultural homestead property has a classification rate of 0.5  
99.29 percent of market value. The remaining property over the first tier has a classification rate  
99.30 of one percent of market value. For purposes of this subdivision, the "first tier valuation  
99.31 limit of agricultural homestead property" and "first tier" means the limit certified under  
99.32 section 273.11, subdivision 23.

100.1 (b) Class 2a agricultural land consists of parcels of property, or portions thereof, that  
100.2 are agricultural land and buildings. Class 2a property has a classification rate of one percent  
100.3 of market value, unless it is part of an agricultural homestead under paragraph (a). Class 2a  
100.4 property must also include any property that would otherwise be classified as 2b, but is  
100.5 interspersed with class 2a property, including but not limited to sloughs, wooded wind  
100.6 shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback requirement,  
100.7 and other similar land that is impractical for the assessor to value separately from the rest  
100.8 of the property or that is unlikely to be able to be sold separately from the rest of the property.

100.9 An assessor may classify the part of a parcel described in this subdivision that is used  
100.10 for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

100.11 (c) Class 2b rural vacant land consists of parcels of property, or portions thereof, that  
100.12 are unplatted real estate, rural in character and not used for agricultural purposes, including  
100.13 land used for growing trees for timber, lumber, and wood and wood products, that is not  
100.14 improved with a structure. The presence of a minor, ancillary nonresidential structure as  
100.15 defined by the commissioner of revenue does not disqualify the property from classification  
100.16 under this paragraph. Any parcel of 20 acres or more improved with a structure that is not  
100.17 a minor, ancillary nonresidential structure must be split-classified, and ten acres must be  
100.18 assigned to the split parcel containing the structure. Class 2b property has a classification  
100.19 rate of one percent of market value unless it is part of an agricultural homestead under  
100.20 paragraph (a), or qualifies as class 2c under paragraph (d).

100.21 (d) Class 2c managed forest land consists of no less than 20 and no more than 1,920  
100.22 acres statewide per taxpayer that is being managed under a forest management plan that  
100.23 meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource  
100.24 management incentive program. It has a classification rate of .65 percent, provided that the  
100.25 owner of the property must apply to the assessor in order for the property to initially qualify  
100.26 for the reduced rate and provide the information required by the assessor to verify that the  
100.27 property qualifies for the reduced rate. If the assessor receives the application and information  
100.28 before May 1 in an assessment year, the property qualifies beginning with that assessment  
100.29 year. If the assessor receives the application and information after April 30 in an assessment  
100.30 year, the property may not qualify until the next assessment year. The commissioner of  
100.31 natural resources must concur that the land is qualified. The commissioner of natural  
100.32 resources shall annually provide county assessors verification information on a timely basis.  
100.33 The presence of a minor, ancillary nonresidential structure as defined by the commissioner  
100.34 of revenue does not disqualify the property from classification under this paragraph.

100.35 (e) Agricultural land as used in this section means:

101.1 (1) contiguous acreage of ten acres or more, used during the preceding year for  
101.2 agricultural purposes; or

101.3 (2) contiguous acreage used during the preceding year for an intensive livestock or  
101.4 poultry confinement operation, provided that land used only for pasturing or grazing does  
101.5 not qualify under this clause.

101.6 "Agricultural purposes" as used in this section means the raising, cultivation, drying, or  
101.7 storage of agricultural products for sale, or the storage of machinery or equipment used in  
101.8 support of agricultural production by the same farm entity. For a property to be classified  
101.9 as agricultural based only on the drying or storage of agricultural products, the products  
101.10 being dried or stored must have been produced by the same farm entity as the entity operating  
101.11 the drying or storage facility. "Agricultural purposes" also includes (i) enrollment in a local  
101.12 conservation program or the Reinvest in Minnesota program under sections 103F.501 to  
101.13 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198  
101.14 or a similar state or federal conservation program if the property was classified as agricultural  
101.15 (+) (A) under this subdivision for taxes payable in 2003 because of its enrollment in a  
101.16 qualifying program and the land remains enrolled or (++) (B) in the year prior to its enrollment,  
101.17 or (ii) use of land, not to exceed the greater of three acres or ten percent of the total land  
101.18 area, to provide environmental benefits such as buffer strips, old growth forest restoration  
101.19 or retention, or retention ponds to prevent soil erosion. For the purposes of item (ii), "total  
101.20 land area" means contiguous parcels under common ownership. For purposes of this section,  
101.21 a "local conservation program" means a program administered by a town, statutory or home  
101.22 rule charter city, or county, including a watershed district, water management organization,  
101.23 or soil and water conservation district, in which landowners voluntarily enroll land and  
101.24 receive incentive payments equal to at least \$50 per acre in exchange for use or other  
101.25 restrictions placed on the land. In order for property to qualify under the local conservation  
101.26 program provision, a taxpayer must apply to the assessor by February 1 of the assessment  
101.27 year and must submit the information required by the assessor, including but not limited to  
101.28 a copy of the program requirements, the specific agreement between the land owner and  
101.29 the local agency, if applicable, and a map of the conservation area. Agricultural classification  
101.30 shall not be based upon the market value of any residential structures on the parcel or  
101.31 contiguous parcels under the same ownership.

101.32 "Agricultural purposes" also includes land consisting of a holding pond designed to  
101.33 prevent runoff onto a divided four-lane expressway that is located at least 150 feet above  
101.34 the expressway, as certified by the local soil and water conservation district in accordance  
101.35 with USDA Field Office Technical Guide conservation practice standards, provided that

102.1 the land is located outside the metropolitan area as defined in section 473.121, and was  
102.2 classified as agricultural in assessment year 2017.

102.3 "Contiguous acreage," for purposes of this paragraph, means all of, or a contiguous  
102.4 portion of, a tax parcel as described in section 272.193, or all of, or a contiguous portion  
102.5 of, a set of contiguous tax parcels under that section that are owned by the same person.

102.6 (f) Agricultural land under this section also includes:

102.7 (1) contiguous acreage that is less than ten acres in size and exclusively used in the  
102.8 preceding year for raising or cultivating agricultural products; or

102.9 (2) contiguous acreage that contains a residence and is less than 11 acres in size, if the  
102.10 contiguous acreage exclusive of the house, garage, and surrounding one acre of land was  
102.11 used in the preceding year for one or more of the following three uses:

102.12 (i) for an intensive grain drying or storage operation, or for intensive machinery or  
102.13 equipment storage activities used to support agricultural activities on other parcels of property  
102.14 operated by the same farming entity;

102.15 (ii) as a nursery, provided that only those acres used intensively to produce nursery stock  
102.16 are considered agricultural land; or

102.17 (iii) for intensive market farming; for purposes of this paragraph, "market farming"  
102.18 means the cultivation of one or more fruits or vegetables or production of animal or other  
102.19 agricultural products for sale to local markets by the farmer or an organization with which  
102.20 the farmer is affiliated.

102.21 "Contiguous acreage," for purposes of this paragraph, means all of a tax parcel as  
102.22 described in section 272.193, or all of a set of contiguous tax parcels under that section that  
102.23 are owned by the same person.

102.24 (g) Land shall be classified as agricultural even if all or a portion of the agricultural use  
102.25 of that property is the leasing to, or use by another person for agricultural purposes.

102.26 Classification under this subdivision is not determinative for qualifying under section  
102.27 273.111.

102.28 (h) The property classification under this section supersedes, for property tax purposes  
102.29 only, any locally administered agricultural policies or land use restrictions that define  
102.30 minimum or maximum farm acreage.

102.31 (i) The term "agricultural products" as used in this subdivision includes production for  
102.32 sale of:

103.1 (1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing  
103.2 animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains, bees,  
103.3 and apiary products by the owner;

103.4 (2) aquacultural products for sale and consumption, as defined under section 17.47, if  
103.5 the aquaculture occurs on land zoned for agricultural use;

103.6 (3) the commercial boarding of horses, which may include related horse training and  
103.7 riding instruction, if the boarding is done on property that is also used for raising pasture  
103.8 to graze horses or raising or cultivating other agricultural products as defined in clause (1);

103.9 (4) property which is owned and operated by nonprofit organizations used for equestrian  
103.10 activities, excluding racing;

103.11 (5) game birds and waterfowl bred and raised (i) on a game farm licensed under section  
103.12 97A.105, provided that the annual licensing report to the Department of Natural Resources,  
103.13 which must be submitted annually by March 30 to the assessor, indicates that at least 500  
103.14 birds were raised or used for breeding stock on the property during the preceding year and  
103.15 that the owner provides a copy of the owner's most recent schedule F; or (ii) for use on a  
103.16 shooting preserve licensed under section 97A.115;

103.17 (6) insects primarily bred to be used as food for animals;

103.18 (7) trees, grown for sale as a crop, including short rotation woody crops, and not sold  
103.19 for timber, lumber, wood, or wood products; and

103.20 (8) maple syrup taken from trees grown by a person licensed by the Minnesota  
103.21 Department of Agriculture under chapter 28A as a food processor.

103.22 (j) If a parcel used for agricultural purposes is also used for commercial or industrial  
103.23 purposes, including but not limited to:

103.24 (1) wholesale and retail sales;

103.25 (2) processing of raw agricultural products or other goods;

103.26 (3) warehousing or storage of processed goods; and

103.27 (4) office facilities for the support of the activities enumerated in clauses (1), (2), and  
103.28 (3),

103.29 the assessor shall classify the part of the parcel used for agricultural purposes as class 1b,  
103.30 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use.

103.31 The grading, sorting, and packaging of raw agricultural products for first sale is considered  
103.32 an agricultural purpose. A greenhouse or other building where horticultural or nursery

104.1 products are grown that is also used for the conduct of retail sales must be classified as  
104.2 agricultural if it is primarily used for the growing of horticultural or nursery products from  
104.3 seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products.  
104.4 Use of a greenhouse or building only for the display of already grown horticultural or nursery  
104.5 products does not qualify as an agricultural purpose.

104.6 (k) The assessor shall determine and list separately on the records the market value of  
104.7 the homestead dwelling and the one acre of land on which that dwelling is located. If any  
104.8 farm buildings or structures are located on this homesteaded acre of land, their market value  
104.9 shall not be included in this separate determination.

104.10 (l) Class 2d airport landing area consists of a landing area or public access area of a  
104.11 privately owned public use airport. It has a classification rate of one percent of market value.  
104.12 To qualify for classification under this paragraph, a privately owned public use airport must  
104.13 be licensed as a public airport under section 360.018. For purposes of this paragraph, "landing  
104.14 area" means that part of a privately owned public use airport properly cleared, regularly  
104.15 maintained, and made available to the public for use by aircraft and includes runways,  
104.16 taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing  
104.17 area also includes land underlying both the primary surface and the approach surfaces that  
104.18 comply with all of the following:

104.19 (i) the land is properly cleared and regularly maintained for the primary purposes of the  
104.20 landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities  
104.21 for servicing, repair, or maintenance of aircraft is not included as a landing area;

104.22 (ii) the land is part of the airport property; and

104.23 (iii) the land is not used for commercial or residential purposes.

104.24 The land contained in a landing area under this paragraph must be described and certified  
104.25 by the commissioner of transportation. The certification is effective until it is modified, or  
104.26 until the airport or landing area no longer meets the requirements of this paragraph. For  
104.27 purposes of this paragraph, "public access area" means property used as an aircraft parking  
104.28 ramp, apron, or storage hangar, or an arrival and departure building in connection with the  
104.29 airport.

104.30 (m) Class 2e consists of land with a commercial aggregate deposit that is not actively  
104.31 being mined and is not otherwise classified as class 2a or 2b, provided that the land is not  
104.32 located in a county that has elected to opt-out of the aggregate preservation program as  
104.33 provided in section 273.1115, subdivision 6. It has a classification rate of one percent of  
104.34 market value. To qualify for classification under this paragraph, the property must be at



105.1 least ten contiguous acres in size and the owner of the property must record with the county  
105.2 recorder of the county in which the property is located an affidavit containing:

105.3 (1) a legal description of the property;

105.4 (2) a disclosure that the property contains a commercial aggregate deposit that is not  
105.5 actively being mined but is present on the entire parcel enrolled;

105.6 (3) documentation that the conditional use under the county or local zoning ordinance  
105.7 of this property is for mining; and

105.8 (4) documentation that a permit has been issued by the local unit of government or the  
105.9 mining activity is allowed under local ordinance. The disclosure must include a statement  
105.10 from a registered professional geologist, engineer, or soil scientist delineating the deposit  
105.11 and certifying that it is a commercial aggregate deposit.

105.12 For purposes of this section and section 273.1115, "commercial aggregate deposit"  
105.13 means a deposit that will yield crushed stone or sand and gravel that is suitable for use as  
105.14 a construction aggregate; and "actively mined" means the removal of top soil and overburden  
105.15 in preparation for excavation or excavation of a commercial deposit.

105.16 (n) When any portion of the property under this subdivision or subdivision 22 begins to  
105.17 be actively mined, the owner must file a supplemental affidavit within 60 days from the  
105.18 day any aggregate is removed stating the number of acres of the property that is actively  
105.19 being mined. The acres actively being mined must be (1) valued and classified under  
105.20 subdivision 24 in the next subsequent assessment year, and (2) removed from the aggregate  
105.21 resource preservation property tax program under section 273.1115, if the land was enrolled  
105.22 in that program. Copies of the original affidavit and all supplemental affidavits must be  
105.23 filed with the county assessor, the local zoning administrator, and the Department of Natural  
105.24 Resources, Division of Land and Minerals. A supplemental affidavit must be filed each  
105.25 time a subsequent portion of the property is actively mined, provided that the minimum  
105.26 acreage change is five acres, even if the actual mining activity constitutes less than five  
105.27 acres.

105.28 (o) The definitions prescribed by the commissioner under paragraphs (c) and (d) are not  
105.29 rules and are exempt from the rulemaking provisions of chapter 14, and the provisions in  
105.30 section 14.386 concerning exempt rules do not apply.

105.31 **EFFECTIVE DATE.** This section is effective for assessment year 2019 and thereafter.

106.1 Sec. 12. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 25, is amended  
106.2 to read:

106.3 Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units  
106.4 and used or held for use by the owner or by the tenants or lessees of the owner as a residence  
106.5 for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a  
106.6 also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt  
106.7 under section 272.02, and contiguous property used for hospital purposes, without regard  
106.8 to whether the property has been platted or subdivided. The market value of class 4a property  
106.9 has a classification rate of 1.25 percent.

106.10 (b) Class 4b includes:

106.11 (1) residential real estate containing less than four units that does not qualify as class  
106.12 4bb, other than seasonal residential recreational property;

106.13 (2) manufactured homes not classified under any other provision;

106.14 (3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm  
106.15 classified under subdivision 23, paragraph (b) containing two or three units; and

106.16 (4) unimproved property that is classified residential as determined under subdivision  
106.17 33.

106.18 The market value of class 4b property has a classification rate of 1.25 percent.

106.19 (c) Class 4bb includes:

106.20 (1) nonhomestead residential real estate containing one unit, other than seasonal  
106.21 residential recreational property;

106.22 (2) a single family dwelling, garage, and surrounding one acre of property on a  
106.23 nonhomestead farm classified under subdivision 23, paragraph (b); and

106.24 (3) a condominium-type storage unit having an individual property identification number  
106.25 that is not used for a commercial purpose.

106.26 Class 4bb property has the same classification rates as class 1a property under subdivision  
106.27 22.

106.28 Property that has been classified as seasonal residential recreational property at any time  
106.29 during which it has been owned by the current owner or spouse of the current owner does  
106.30 not qualify for class 4bb.

106.31 (d) Class 4c property includes:

107.1 (1) except as provided in subdivision 22, paragraph (c), real and personal property  
107.2 devoted to commercial temporary and seasonal residential occupancy for recreation purposes,  
107.3 for not more than 250 days in the year preceding the year of assessment. For purposes of  
107.4 this clause, property is devoted to a commercial purpose on a specific day if any portion of  
107.5 the property is used for residential occupancy, and a fee is charged for residential occupancy.  
107.6 Class 4c property under this clause must contain three or more rental units. A "rental unit"  
107.7 is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site  
107.8 equipped with water and electrical hookups for recreational vehicles. A camping pad offered  
107.9 for rent by a property that otherwise qualifies for class 4c under this clause is also class 4c  
107.10 under this clause regardless of the term of the rental agreement, as long as the use of the  
107.11 camping pad does not exceed 250 days. In order for a property to be classified under this  
107.12 clause, either: (i) the business located on the property must provide recreational activities,  
107.13 at least 40 percent of the annual gross lodging receipts related to the property must be from  
107.14 business conducted during 90 consecutive days, and either (A) at least 60 percent of all paid  
107.15 bookings by lodging guests during the year must be for periods of at least two consecutive  
107.16 nights; or (B) at least 20 percent of the annual gross receipts must be from charges for  
107.17 providing recreational activities; ~~or;~~ (ii) the business must contain 20 or fewer rental units,  
107.18 and must be located in a township or a city with a population of 2,500 or less located outside  
107.19 the metropolitan area, as defined under section 473.121, subdivision 2, that contains a portion  
107.20 of a state trail administered by the Department of Natural Resources; or (iii) the property  
107.21 must contain a residential facility containing no more than five sleeping rooms and must  
107.22 provide an area or areas to prepare meals and to conduct indoor craft or hobby activities.  
107.23 For purposes of item (i)(A), a paid booking of five or more nights shall be counted as two  
107.24 bookings. Class 4c property also includes commercial use real property used exclusively  
107.25 for recreational purposes in conjunction with other class 4c property classified under this  
107.26 clause and devoted to temporary and seasonal residential occupancy for recreational purposes,  
107.27 up to a total of two acres, provided the property is not devoted to commercial recreational  
107.28 use for more than 250 days in the year preceding the year of assessment and is located within  
107.29 two miles of the class 4c property with which it is used. In order for a property to qualify  
107.30 for classification under this clause, the owner must submit a declaration to the assessor  
107.31 designating the cabins or units occupied for 250 days or less in the year preceding the year  
107.32 of assessment by January 15 of the assessment year. Those cabins or units and a proportionate  
107.33 share of the land on which they are located must be designated class 4c under this clause  
107.34 as otherwise provided. The remainder of the cabins or units and a proportionate share of  
107.35 the land on which they are located will be designated as class 3a. The owner of property  
107.36 desiring designation as class 4c property under this clause must provide guest registers or

108.1 other records demonstrating that the units for which class 4c designation is sought were not  
108.2 occupied for more than 250 days in the year preceding the assessment if so requested. The  
108.3 portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center  
108.4 or meeting room, and (5) other nonresidential facility operated on a commercial basis not  
108.5 directly related to temporary and seasonal residential occupancy for recreation purposes  
108.6 does not qualify for class 4c. For the purposes of this paragraph, "recreational activities"  
108.7 means renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country  
108.8 ski equipment; providing marina services, launch services, or guide services; or selling bait  
108.9 and fishing tackle;

108.10 (2) qualified property used as a golf course if:

108.11 (i) it is open to the public on a daily fee basis. It may charge membership fees or dues,  
108.12 but a membership fee may not be required in order to use the property for golfing, and its  
108.13 green fees for golfing must be comparable to green fees typically charged by municipal  
108.14 courses; and

108.15 (ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

108.16 A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with  
108.17 the golf course is classified as class 3a property;

108.18 (3) real property up to a maximum of three acres of land owned and used by a nonprofit  
108.19 community service oriented organization and not used for residential purposes on either a  
108.20 temporary or permanent basis, provided that:

108.21 (i) the property is not used for a revenue-producing activity for more than six days in  
108.22 the calendar year preceding the year of assessment; or

108.23 (ii) the organization makes annual charitable contributions and donations at least equal  
108.24 to the property's previous year's property taxes and the property is allowed to be used for  
108.25 public and community meetings or events for no charge, as appropriate to the size of the  
108.26 facility.

108.27 For purposes of this clause:

108.28 (A) "charitable contributions and donations" has the same meaning as lawful gambling  
108.29 purposes under section 349.12, subdivision 25, excluding those purposes relating to the  
108.30 payment of taxes, assessments, fees, auditing costs, and utility payments;

108.31 (B) "property taxes" excludes the state general tax;

109.1 (C) a "nonprofit community service oriented organization" means any corporation,  
109.2 society, association, foundation, or institution organized and operated exclusively for  
109.3 charitable, religious, fraternal, civic, or educational purposes, and which is exempt from  
109.4 federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal  
109.5 Revenue Code; and

109.6 (D) "revenue-producing activities" shall include but not be limited to property or that  
109.7 portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt  
109.8 liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling  
109.9 alley, a retail store, gambling conducted by organizations licensed under chapter 349, an  
109.10 insurance business, or office or other space leased or rented to a lessee who conducts a  
109.11 for-profit enterprise on the premises.

109.12 Any portion of the property not qualifying under either item (i) or (ii) is class 3a. The  
109.13 use of the property for social events open exclusively to members and their guests for periods  
109.14 of less than 24 hours, when an admission is not charged nor any revenues are received by  
109.15 the organization shall not be considered a revenue-producing activity.

109.16 The organization shall maintain records of its charitable contributions and donations  
109.17 and of public meetings and events held on the property and make them available upon  
109.18 request any time to the assessor to ensure eligibility. An organization meeting the requirement  
109.19 under item (ii) must file an application by May 1 with the assessor for eligibility for the  
109.20 current year's assessment. The commissioner shall prescribe a uniform application form  
109.21 and instructions;

109.22 (4) postsecondary student housing of not more than one acre of land that is owned by a  
109.23 nonprofit corporation organized under chapter 317A and is used exclusively by a student  
109.24 cooperative, sorority, or fraternity for on-campus housing or housing located within two  
109.25 miles of the border of a college campus;

109.26 (5)(i) manufactured home parks as defined in section 327.14, subdivision 3, excluding  
109.27 manufactured home parks described in items (ii) and (iii), (ii) manufactured home parks as  
109.28 defined in section 327.14, subdivision 3, that are described in section 273.124, subdivision  
109.29 3a, and (iii) class I manufactured home parks as defined in section 327C.01, subdivision  
109.30 13;

109.31 (6) real property that is actively and exclusively devoted to indoor fitness, health, social,  
109.32 recreational, and related uses, is owned and operated by a not-for-profit corporation, and is  
109.33 located within the metropolitan area as defined in section 473.121, subdivision 2;

110.1 (7) a leased or privately owned noncommercial aircraft storage hangar not exempt under  
110.2 section 272.01, subdivision 2, and the land on which it is located, provided that:

110.3 (i) the land is on an airport owned or operated by a city, town, county, Metropolitan  
110.4 Airports Commission, or group thereof; and

110.5 (ii) the land lease, or any ordinance or signed agreement restricting the use of the leased  
110.6 premise, prohibits commercial activity performed at the hangar.

110.7 If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be  
110.8 filed by the new owner with the assessor of the county where the property is located within  
110.9 60 days of the sale;

110.10 (8) a privately owned noncommercial aircraft storage hangar not exempt under section  
110.11 272.01, subdivision 2, and the land on which it is located, provided that:

110.12 (i) the land abuts a public airport; and

110.13 (ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement  
110.14 restricting the use of the premises, prohibiting commercial use or activity performed at the  
110.15 hangar; and

110.16 (9) residential real estate, a portion of which is used by the owner for homestead purposes,  
110.17 and that is also a place of lodging, if all of the following criteria are met:

110.18 (i) rooms are provided for rent to transient guests that generally stay for periods of 14  
110.19 or fewer days;

110.20 (ii) meals are provided to persons who rent rooms, the cost of which is incorporated in  
110.21 the basic room rate;

110.22 (iii) meals are not provided to the general public except for special events on fewer than  
110.23 seven days in the calendar year preceding the year of the assessment; and

110.24 (iv) the owner is the operator of the property.

110.25 The market value subject to the 4c classification under this clause is limited to five rental  
110.26 units. Any rental units on the property in excess of five, must be valued and assessed as  
110.27 class 3a. The portion of the property used for purposes of a homestead by the owner must  
110.28 be classified as class 1a property under subdivision 22;

110.29 (10) real property up to a maximum of three acres and operated as a restaurant as defined  
110.30 under section 157.15, subdivision 12, provided it: (i) is located on a lake as defined under  
110.31 section 103G.005, subdivision 15, paragraph (a), clause (3); and (ii) is either devoted to  
110.32 commercial purposes for not more than 250 consecutive days, or receives at least 60 percent

111.1 of its annual gross receipts from business conducted during four consecutive months. Gross  
111.2 receipts from the sale of alcoholic beverages must be included in determining the property's  
111.3 qualification under item (ii). The property's primary business must be as a restaurant and  
111.4 not as a bar. Gross receipts from gift shop sales located on the premises must be excluded.  
111.5 Owners of real property desiring 4c classification under this clause must submit an annual  
111.6 declaration to the assessor by February 1 of the current assessment year, based on the  
111.7 property's relevant information for the preceding assessment year;

111.8 (11) lakeshore and riparian property and adjacent land, not to exceed six acres, used as  
111.9 a marina, as defined in section 86A.20, subdivision 5, which is made accessible to the public  
111.10 and devoted to recreational use for marina services. The marina owner must annually provide  
111.11 evidence to the assessor that it provides services, including lake or river access to the public  
111.12 by means of an access ramp or other facility that is either located on the property of the  
111.13 marina or at a publicly owned site that abuts the property of the marina. No more than 800  
111.14 feet of lakeshore may be included in this classification. Buildings used in conjunction with  
111.15 a marina for marina services, including but not limited to buildings used to provide food  
111.16 and beverage services, fuel, boat repairs, or the sale of bait or fishing tackle, are classified  
111.17 as class 3a property; and

111.18 (12) real and personal property devoted to noncommercial temporary and seasonal  
111.19 residential occupancy for recreation purposes.

111.20 Class 4c property has a classification rate of 1.5 percent of market value, except that (i)  
111.21 each parcel of noncommercial seasonal residential recreational property under clause (12)  
111.22 has the same classification rates as class 4bb property, (ii) manufactured home parks assessed  
111.23 under clause (5), item (i), have the same classification rate as class 4b property, the market  
111.24 value of manufactured home parks assessed under clause (5), item (ii), have a classification  
111.25 rate of 0.75 percent if more than 50 percent of the lots in the park are occupied by  
111.26 shareholders in the cooperative corporation or association and a classification rate of one  
111.27 percent if 50 percent or less of the lots are so occupied, and class I manufactured home  
111.28 parks as defined in section 327C.01, subdivision 13, have a classification rate of 1.0 percent,  
111.29 (iii) commercial-use seasonal residential recreational property and marina recreational land  
111.30 as described in clause (11), has a classification rate of one percent for the first \$500,000 of  
111.31 market value, and 1.25 percent for the remaining market value, (iv) the market value of  
111.32 property described in clause (4) has a classification rate of one percent, (v) the market value  
111.33 of property described in clauses (2), (6), and (10) has a classification rate of 1.25 percent,  
111.34 (vi) that portion of the market value of property in clause (9) qualifying for class 4c property  
111.35 has a classification rate of 1.25 percent, and (vii) property qualifying for classification under

112.1 clause (3) that is owned or operated by a congressionally chartered veterans organization  
112.2 has a classification rate of one percent. The commissioner of veterans affairs must provide  
112.3 a list of congressionally chartered veterans organizations to the commissioner of revenue  
112.4 by June 30, 2017, and by January 1, 2018, and each year thereafter.

112.5 (e) Class 4d property is qualifying low-income rental housing certified to the assessor  
112.6 by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of  
112.7 the units in the building qualify as low-income rental housing units as certified under section  
112.8 273.128, subdivision 3, only the proportion of qualifying units to the total number of units  
112.9 in the building qualify for class 4d. The remaining portion of the building shall be classified  
112.10 by the assessor based upon its use. Class 4d also includes the same proportion of land as  
112.11 the qualifying low-income rental housing units are to the total units in the building. For all  
112.12 properties qualifying as class 4d, the market value determined by the assessor must be based  
112.13 on the normal approach to value using normal unrestricted rents.

112.14 (f) The first tier of market value of class 4d property has a classification rate of 0.75  
112.15 percent. The remaining value of class 4d property has a classification rate of 0.25 percent.  
112.16 For the purposes of this paragraph, the "first tier of market value of class 4d property" means  
112.17 the market value of each housing unit up to the first tier limit. For the purposes of this  
112.18 paragraph, all class 4d property value must be assigned to individual housing units. The  
112.19 first tier limit is \$100,000 for assessment year 2014. For subsequent years, the limit is  
112.20 adjusted each year by the average statewide change in estimated market value of property  
112.21 classified as class 4a and 4d under this section for the previous assessment year, excluding  
112.22 valuation change due to new construction, rounded to the nearest \$1,000, provided, however,  
112.23 that the limit may never be less than \$100,000. Beginning with assessment year 2015, the  
112.24 commissioner of revenue must certify the limit for each assessment year by November 1  
112.25 of the previous year.

112.26 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

112.27 Sec. 13. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 34, is amended  
112.28 to read:

112.29 Subd. 34. **Homestead of disabled veteran or family caregiver.** (a) All or a portion of  
112.30 the market value of property owned by a veteran and serving as the veteran's homestead  
112.31 under this section is excluded in determining the property's taxable market value if the  
112.32 veteran has a service-connected disability of 70 percent or more as certified by the United  
112.33 States Department of Veterans Affairs. To qualify for exclusion under this subdivision, the  
112.34 veteran must have been honorably discharged from the United States armed forces, as



113.1 indicated by United States Government Form DD214 or other official military discharge  
113.2 papers.

113.3 (b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded,  
113.4 except as provided in clause (2); and

113.5 (2) for a total (100 percent) and permanent disability, \$300,000 of market value is  
113.6 excluded.

113.7 (c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b), clause  
113.8 (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds  
113.9 the legal or beneficial title to the homestead and permanently resides there, the exclusion  
113.10 shall carry over to the benefit of the veteran's spouse for the current taxes payable year and  
113.11 for eight additional taxes payable years or until such time as the spouse remarries, or sells,  
113.12 transfers, or otherwise disposes of the property, whichever comes first, except as otherwise  
113.13 provided in paragraph (n). Qualification under this paragraph requires an application under  
113.14 paragraph (h), and a spouse must notify the assessor if there is a change in the spouse's  
113.15 marital status, ownership of the property, or use of the property as a permanent residence.

113.16 (d) If the spouse of a member of any branch or unit of the United States armed forces  
113.17 who dies due to a service-connected cause while serving honorably in active service, as  
113.18 indicated on United States Government Form DD1300 or DD2064, holds the legal or  
113.19 beneficial title to a homestead and permanently resides there, the spouse is entitled to the  
113.20 benefit described in paragraph (b), clause (2), for eight taxes payable years, or until such  
113.21 time as the spouse remarries or sells, transfers, or otherwise disposes of the property,  
113.22 whichever comes first, except as otherwise provided in paragraph (n).

113.23 (e) If a veteran meets the disability criteria of paragraph (a) but does not own property  
113.24 classified as homestead in the state of Minnesota, then the homestead of the veteran's primary  
113.25 family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify  
113.26 for under paragraph (b).

113.27 (f) In the case of an agricultural homestead, only the portion of the property consisting  
113.28 of the house and garage and immediately surrounding one acre of land qualifies for the  
113.29 valuation exclusion under this subdivision.

113.30 (g) A property qualifying for a valuation exclusion under this subdivision is not eligible  
113.31 for the market value exclusion under subdivision 35, or classification under subdivision 22,  
113.32 paragraph (b).

114.1 (h) To qualify for a valuation exclusion under this subdivision a property owner must  
114.2 apply to the assessor by ~~July 1~~ December 15 of the first assessment year for which the  
114.3 exclusion is sought. For an application received after ~~July 1~~ December 15, the exclusion  
114.4 shall become effective for the following assessment year. Except as provided in paragraph  
114.5 (c), the owner of a property that has been accepted for a valuation exclusion must notify  
114.6 the assessor if there is a change in ownership of the property or in the use of the property  
114.7 as a homestead. When a property qualifying for a market value exclusion under this  
114.8 subdivision is sold or transferred, the exclusion must be removed for the current assessment  
114.9 year, provided that the new owner may file a claim for an exclusion if eligible.

114.10 (i) A first-time application by a qualifying spouse for the market value exclusion under  
114.11 paragraph (d) must be made any time within two years of the death of the service member.

114.12 (j) For purposes of this subdivision:

114.13 (1) "active service" has the meaning given in section 190.05;

114.14 (2) "own" means that the person's name is present as an owner on the property deed;

114.15 (3) "primary family caregiver" means a person who is approved by the secretary of the  
114.16 United States Department of Veterans Affairs for assistance as the primary provider of  
114.17 personal care services for an eligible veteran under the Program of Comprehensive Assistance  
114.18 for Family Caregivers, codified as United States Code, title 38, section 1720G; and

114.19 (4) "veteran" has the meaning given the term in section 197.447.

114.20 (k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion  
114.21 under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit  
114.22 under paragraph (b), clause (2), for eight tax payable years or until the spouse remarries  
114.23 or sells, transfers, or otherwise disposes of the property, except as otherwise provided in  
114.24 paragraph (n), if:

114.25 (1) the spouse files a first-time application within two years of the death of the service  
114.26 member or by June 1, 2019, whichever is later;

114.27 (2) upon the death of the veteran, the spouse holds the legal or beneficial title to the  
114.28 homestead and permanently resides there;

114.29 (3) the veteran met the honorable discharge requirements of paragraph (a); and

114.30 (4) the United States Department of Veterans Affairs certifies that:

114.31 (i) the veteran met the total (100 percent) and permanent disability requirement under  
114.32 paragraph (b), clause (2); or

115.1 (ii) the spouse has been awarded dependency and indemnity compensation.

115.2 (l) The purpose of this provision of law providing a level of homestead property tax  
115.3 relief for gravely disabled veterans, their primary family caregivers, and their surviving  
115.4 spouses is to help ease the burdens of war for those among our state's citizens who bear  
115.5 those burdens most heavily.

115.6 (m) By July 1, the county veterans service officer must certify the disability rating and  
115.7 permanent address of each veteran receiving the benefit under paragraph (b) to the assessor.

115.8 (n) A spouse who received the benefit in paragraph (c), (d), or (k) but no longer holds  
115.9 the legal or beneficial title to the property may continue to receive the exclusion for a  
115.10 property other than the property for which the exclusion was initially granted until the spouse  
115.11 remarries or sells, transfers, or otherwise disposes of the property, provided that:

115.12 (1) the spouse applies under paragraph (h) for the continuation of the exclusion allowed  
115.13 under this paragraph;

115.14 (2) the spouse holds the legal or beneficial title to the property for which the continuation  
115.15 of the exclusion is sought under this paragraph, and permanently resides there;

115.16 (3) the estimated market value of the property for which the exclusion is sought under  
115.17 this paragraph is less than or equal to the estimated market value of the property that first  
115.18 received the exclusion, based on the value of each property on the date of the sale of the  
115.19 property that first received the exclusion; and

115.20 (4) the spouse has not previously received the benefit under this paragraph for a property  
115.21 other than the property for which the exclusion is sought.

115.22 The exclusion for a spouse under this paragraph and paragraph (c), (d), or (k) may not  
115.23 exceed a total of eight taxes payable years.

115.24 **EFFECTIVE DATE.** This section is effective beginning with assessments in 2018, for  
115.25 taxes payable in 2019.

115.26 Sec. 14. Minnesota Statutes 2016, section 273.13, subdivision 35, is amended to read:

115.27 Subd. 35. **Homestead market value exclusion.** (a) Prior to determining a property's  
115.28 net tax capacity under this section, property classified as class 1a or 1b under subdivision  
115.29 22, and the portion of property classified as class 2a under subdivision 23 consisting of the  
115.30 house, garage, and surrounding one acre of land, shall be eligible for a market value exclusion  
115.31 as determined under paragraph (b).

116.1 (b) For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market  
116.2 value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400  
116.3 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or  
116.4 more, there is no valuation exclusion. The valuation exclusion shall be rounded to the nearest  
116.5 whole dollar, and may not be less than zero.

116.6 (c) Any valuation exclusions or adjustments under section 273.11 shall be applied prior  
116.7 to determining the amount of the valuation exclusion under this subdivision.

116.8 (d) In the case of a property that is classified as part homestead and part nonhomestead,  
116.9 (i) the exclusion shall apply only to the homestead portion of the property, but (ii) if a portion  
116.10 of a property is classified as nonhomestead solely because not all the owners occupy the  
116.11 property, not all the owners have qualifying relatives occupying the property, or solely  
116.12 because not all the spouses of owners occupy the property, the exclusion amount shall be  
116.13 initially computed as if that nonhomestead portion were also in the homestead class and  
116.14 then prorated to the owner-occupant's percentage of ownership, as determined by section  
116.15 273.124, subdivision 23. For the purpose of this section, when an owner-occupant's spouse  
116.16 does not occupy the property, the percentage of ownership for the owner-occupant spouse  
116.17 is one-half of the couple's ownership percentage.

116.18 **EFFECTIVE DATE.** This section is effective for taxes payable in 2019 and thereafter.

116.19 Sec. 15. Minnesota Statutes 2017 Supplement, section 273.1384, subdivision 2, is amended  
116.20 to read:

116.21 Subd. 2. **Agricultural homestead market value credit.** Property classified as agricultural  
116.22 homestead under section 273.13, subdivision 23, paragraph (a), is eligible for an agricultural  
116.23 credit. The credit is computed using the property's agricultural credit market value, defined  
116.24 for this purpose as the property's market value excluding the market value of the house,  
116.25 garage, and immediately surrounding one acre of land. The credit is equal to 0.3 percent of  
116.26 the first \$115,000 of the property's agricultural credit market value plus 0.1 percent of the  
116.27 property's agricultural credit market value in excess of \$115,000, subject to a maximum  
116.28 credit of \$490 for a full agricultural homestead. In the case of property that is classified as  
116.29 part homestead and part nonhomestead solely because not all the owners occupy or farm  
116.30 the property, not all the owners have qualifying relatives occupying or farming the property,  
116.31 or solely because not all the spouses of owners occupy the property, the credit is computed  
116.32 on the amount of agricultural credit market value corresponding to the owner-occupant's  
116.33 percentage of homestead. the percentage of homestead is equal to 100 divided by the number  
116.34 of owners of the property, or, in the case of a trust, the number of grantors of the trust that

117.1 ~~owns the property.~~ ownership, as determined by section 273.124, subdivision 23, and the  
117.2 maximum credit equals \$490 multiplied by the percentage of ownership.

117.3 **EFFECTIVE DATE.** This section is effective for taxes payable in 2019 and thereafter.

117.4 Sec. 16. Minnesota Statutes 2016, section 275.025, is amended by adding a subdivision  
117.5 to read:

117.6 Subd. 6. **Natural gas pipeline.** (a) The county must abate the state general levy on  
117.7 personal property that is part of an intrastate natural gas transportation or distribution pipeline  
117.8 system if:

117.9 (1) construction of the pipeline system commenced after January 1, 2018; and

117.10 (2) the pipeline system provides service to an area:

117.11 (i) outside the seven-county metropolitan area, as defined in section 473.121, subdivision  
117.12 3; and

117.13 (ii) in which the majority of households or businesses lacked access to natural gas  
117.14 distribution systems as of January 1, 2018.

117.15 (b) In the first year that a taxpayer seeks an abatement under this subdivision, the taxpayer  
117.16 must file an application with the commissioner of revenue by March 1 of the assessment  
117.17 year on a form prescribed by the commissioner.

117.18 (c) The commissioner of revenue must notify any affected county in the first year that  
117.19 a pipeline system becomes eligible for an abatement under this subdivision.

117.20 (d) The abatement under this subdivision applies for a period not to exceed 12 years,  
117.21 provided that once a property no longer qualifies, it may not subsequently qualify for an  
117.22 abatement under this subdivision.

117.23 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2020.

117.24 Sec. 17. Minnesota Statutes 2016, section 275.025, is amended by adding a subdivision  
117.25 to read:

117.26 Subd. 7. **Medical facility in underserved area.** The state general levy for any property  
117.27 qualifying under section 469.1817 is abated. The net tax capacity of the property must be  
117.28 included in the definition of commercial-industrial tax capacity for the purposes of  
117.29 determining the state general levy tax rate under subdivision 4.

117.30 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

118.1 Sec. 18. Minnesota Statutes 2016, section 282.01, subdivision 6, is amended to read:

118.2 Subd. 6. **Duties of commissioner after sale.** (a) When any sale has been made by the  
118.3 county auditor under sections 282.01 to 282.13, the auditor shall immediately certify to the  
118.4 commissioner of revenue such information relating to such sale, on such forms as the  
118.5 commissioner of revenue may prescribe as will enable the commissioner of revenue to  
118.6 prepare an appropriate deed if the sale is for cash, or keep necessary records if the sale is  
118.7 on terms; and not later than October 31 of each year the county auditor shall submit to the  
118.8 commissioner of revenue a statement of all instances wherein any payment of principal,  
118.9 interest, or current taxes on lands held under certificate, due or to be paid during the preceding  
118.10 calendar years, are still outstanding at the time such certificate is made. When such statement  
118.11 shows that a purchaser or the purchaser's assignee is in default, the commissioner of revenue  
118.12 may instruct the county board of the county in which the land is located to cancel said  
118.13 certificate of sale in the manner provided by subdivision 5, provided that upon  
118.14 recommendation of the county board, and where the circumstances are such that the  
118.15 commissioner of revenue after investigation is satisfied that the purchaser has made every  
118.16 effort reasonable to make payment of both the annual installment and said taxes, and that  
118.17 there has been no willful neglect on the part of the purchaser in meeting these obligations,  
118.18 then the commissioner of revenue may extend the time for the payment for such period as  
118.19 the commissioner may deem warranted, not to exceed one year. On payment in full of the  
118.20 purchase price, appropriate conveyance in fee, in such form as may be prescribed by the  
118.21 attorney general, shall be issued by the commissioner of revenue, which conveyance must  
118.22 be recorded by the county and shall have the force and effect of a patent from the state  
118.23 subject to easements and restrictions of record at the date of the tax judgment sale, including,  
118.24 but without limitation, permits for telephone and electric power lines either by underground  
118.25 cable or conduit or otherwise, sewer and water lines, highways, railroads, and pipe lines for  
118.26 gas, liquids, or solids in suspension.

118.27 (b) The commissioner of revenue shall issue an appropriate conveyance in fee when  
118.28 approval from the county auditor is given based upon written confirmation from a licensed  
118.29 closing agent, title insurer, or title insurance agent as specified in section 82.641. For purposes  
118.30 of this paragraph, "written confirmation" means a written commitment or approval that the  
118.31 funding for the conveyance is held in an escrow account available for disbursement upon  
118.32 delivery of a conveyance. The conveyance issued by the commissioner of revenue shall not  
118.33 be effective as a conveyance until it is recorded. The conveyance shall be issued to the  
118.34 county auditor where the land is located. Upon receipt of the conveyance, the county auditor  
118.35 shall hold the conveyance until the conveyance is requested from a licensed closing agent,

119.1 title insurer, or title insurance agent to settle and close on the conveyance. If a request for  
119.2 the conveyance is not made within 30 days of the date the conveyance is issued by the  
119.3 commissioner of revenue, the county auditor shall return the conveyance to the commissioner.  
119.4 If the conveyance is delivered to the licensed closing agent, title insurer, or title insurance  
119.5 agent and the closing does not occur within ten days of the request, the licensed closing  
119.6 agent, title insurer, or title insurance agent shall immediately return the conveyance to the  
119.7 county auditor and, upon receipt, the county auditor shall return the conveyance to the  
119.8 commissioner of revenue. The commissioner of revenue shall cancel and destroy all  
119.9 conveyances returned by the county auditor pursuant to this subdivision. The licensed closing  
119.10 agent, title insurer, or title insurance agent must promptly record the conveyance after the  
119.11 closing and must deliver an attested or certified copy to the county auditor and to the grantee  
119.12 or grantees named on the conveyance.

119.13 **EFFECTIVE DATE.** This section is effective for conveyances issued by the  
119.14 commissioner of revenue after December 31, 2018.

119.15 Sec. 19. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 13, is amended  
119.16 to read:

119.17 Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax  
119.18 exclusive of special assessments, penalties, and interest payable on a claimant's homestead  
119.19 after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2,  
119.20 and any other state paid property tax credits in any calendar year, and after any refund  
119.21 claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the  
119.22 year that the property tax is payable. In the case of a claimant who makes ground lease  
119.23 payments, "property taxes payable" includes the amount of the payments directly attributable  
119.24 to the property taxes assessed against the parcel on which the house is located. Regardless  
119.25 of the limitations in section 280A(c)(5) of the Internal Revenue Code, "property taxes  
119.26 payable" must be apportioned or reduced for the use of a portion of the claimant's homestead  
119.27 for a business purpose if the claimant deducts any business depreciation expenses for the  
119.28 use of a portion of the homestead or deducts expenses under section 280A of the Internal  
119.29 Revenue Code for a business operated in the claimant's homestead. For homesteads which  
119.30 are manufactured homes as defined in section 273.125, subdivision 8, ~~and for homesteads~~  
119.31 ~~which are~~ including manufactured homes located in a manufactured home community owned  
119.32 by a cooperative organized under chapter 308A or 308B, and park trailers taxed as  
119.33 manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall  
119.34 also include 17 percent of the gross rent paid in the preceding year for the site on which the  
119.35 homestead is located. When a homestead is owned by two or more persons as joint tenants

120.1 or tenants in common, such tenants shall determine between them which tenant may claim  
120.2 the property taxes payable on the homestead. If they are unable to agree, the matter shall  
120.3 be referred to the commissioner of revenue whose decision shall be final. Property taxes  
120.4 are considered payable in the year prescribed by law for payment of the taxes.

120.5 In the case of a claim relating to "property taxes payable," the claimant must have owned  
120.6 and occupied the homestead on January 2 of the year in which the tax is payable and (i) the  
120.7 property must have been classified as homestead property pursuant to section 273.124, on  
120.8 or before December 15 of the assessment year to which the "property taxes payable" relate;  
120.9 or (ii) the claimant must provide documentation from the local assessor that application for  
120.10 homestead classification has been made on or before December 15 of the year in which the  
120.11 "property taxes payable" were payable and that the assessor has approved the application.

120.12 **EFFECTIVE DATE.** This section is effective beginning with claims for taxes payable  
120.13 in 2019.

120.14 Sec. 20. Minnesota Statutes 2016, section 290B.04, subdivision 1, is amended to read:

120.15 Subdivision 1. **Initial application.** (a) A taxpayer meeting the program qualifications  
120.16 under section 290B.03 may apply to the commissioner of revenue for the deferral of taxes.  
120.17 Applications are due on or before ~~July~~ November 1 for deferral of any of the following  
120.18 year's property taxes. A taxpayer may request an early notification of approval or denial at  
120.19 any time. The commissioner must notify a taxpayer in writing of the reasons for an  
120.20 application denial and that the application may be amended and resubmitted by the due date  
120.21 specified in this subdivision. A taxpayer may apply in the year in which the taxpayer becomes  
120.22 65 years old, provided that no deferral of property taxes will be made until the calendar  
120.23 year after the taxpayer becomes 65 years old. The application, which shall be prescribed  
120.24 by the commissioner of revenue, shall include the following items and any other information  
120.25 which the commissioner deems necessary:

120.26 (1) the name, address, and Social Security number of the owner or owners;

120.27 (2) a copy of the property tax statement for the current payable year for the homesteaded  
120.28 property;

120.29 (3) the initial year of ownership and occupancy as a homestead;

120.30 (4) the owner's household income for the previous calendar year; and

120.31 (5) information on any mortgage loans or other amounts secured by mortgages or other  
120.32 liens against the property, for which purpose the commissioner may require the applicant  
120.33 to provide a copy of the mortgage note, the mortgage, or a statement of the balance owing



121.1 on the mortgage loan provided by the mortgage holder. The commissioner may require the  
121.2 appropriate documents in connection with obtaining and confirming information on unpaid  
121.3 amounts secured by other liens.

121.4 The application must state that program participation is voluntary. The application must  
121.5 also state that the deferred amount depends directly on the applicant's household income,  
121.6 and that program participation includes authorization for the annual deferred amount, the  
121.7 cumulative deferral and interest that appear on each year's notice prepared by the county  
121.8 under subdivision 6, is public data.

121.9 The application must state that program participants may claim the property tax refund  
121.10 based on the full amount of property taxes eligible for the refund, including any deferred  
121.11 amounts. The application must also state that property tax refunds will be used to offset any  
121.12 deferral and interest under this program, and that any other amounts subject to revenue  
121.13 recapture under section 270A.03, subdivision 7, will also be used to offset any deferral and  
121.14 interest under this program.

121.15 (b) As part of the initial application process, the commissioner may require the applicant  
121.16 to obtain at the applicant's own cost and submit:

121.17 (1) if the property is registered property under chapter 508 or 508A, a copy of the original  
121.18 certificate of title in the possession of the county registrar of titles (sometimes referred to  
121.19 as "condition of register"); or

121.20 (2) if the property is abstract property, a report prepared by a licensed abstracter showing  
121.21 the last deed and any unsatisfied mortgages, liens, judgments, and state and federal tax lien  
121.22 notices which were recorded on or after the date of that last deed with respect to the property  
121.23 or to the applicant.

121.24 The certificate or report under clauses (1) and (2) need not include references to any  
121.25 documents filed or recorded more than 40 years prior to the date of the certification or report.  
121.26 The certification or report must be as of a date not more than 30 days prior to submission  
121.27 of the application.

121.28 The commissioner may also require the county recorder or county registrar of the county  
121.29 where the property is located to provide copies of recorded documents related to the applicant  
121.30 or the property, for which the recorder or registrar shall not charge a fee. The commissioner  
121.31 may use any information available to determine or verify eligibility under this section. The  
121.32 household income from the application is private data on individuals as defined in section  
121.33 13.02, subdivision 12.

122.1 **EFFECTIVE DATE.** This section is effective for applications for deferral of taxes  
122.2 payable in 2019 and thereafter.

122.3 Sec. 21. Minnesota Statutes 2016, section 469.171, subdivision 4, is amended to read:

122.4 Subd. 4. **Restriction.** The tax reductions provided by this section shall not apply to (1)  
122.5 a facility the primary purpose of which is one of the following: ~~retail food and beverage~~  
122.6 ~~services, automobile sales or service, or~~ the provision of recreation or entertainment, or a  
122.7 private or commercial golf course, country club, massage parlor, tennis club, skating facility  
122.8 including roller skating, skateboard, and ice skating, racquet sports facility, including any  
122.9 handball or racquetball court, hot tub facility, suntan facility, or racetrack; (2) property of  
122.10 a public utility; (3) property used in the operation of a financial institution; (4) property  
122.11 owned by a fraternal or veterans' organization; or (5) ~~property of a business operating under~~  
122.12 ~~a franchise agreement that requires the business to be located in the state; except that tax~~  
122.13 ~~reductions may be provided to a retail food or beverage facility or an automobile sales or~~  
122.14 ~~service facility, or a business~~ a retail food or beverage facility operating under a franchise  
122.15 agreement that requires the business to be located in this state ~~except for such a franchised~~  
122.16 ~~retail food or beverage facility.~~

122.17 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
122.18 confirms the legislative intent of the amendment made by Laws 2012, chapter 294, article  
122.19 2, section 25.

122.20 Sec. 22. Minnesota Statutes 2016, section 469.1812, subdivision 1, is amended to read:

122.21 Subdivision 1. **Scope.** For purposes of sections 469.1812 to ~~469.1815~~ 469.1817, the  
122.22 following terms have the meanings given.

122.23 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

122.24 Sec. 23. Minnesota Statutes 2016, section 469.1812, is amended by adding a subdivision  
122.25 to read:

122.26 Subd. 2a. **Medical facility.** "Medical facility" means:

122.27 (1) an office, clinic, building, or portion of a building, the primary use of which is the  
122.28 provision of primary or specialty health care services to patients on an outpatient basis, by  
122.29 one or more state-licensed or registered health care providers;

122.30 (2) a birth center licensed under section 144.615;

122.31 (3) a hospital licensed under sections 144.50 to 144.56;

123.1 (4) an urgent care clinic which provides treatment for medical conditions that are not  
123.2 life-threatening or potentially permanently disabling and do not require critical or emergency  
123.3 interventions; or

123.4 (5) an outpatient surgical center licensed under section 144.55.

123.5 **EFFECTIVE DATE.** This section is effective the day following final enactment for  
123.6 taxes payable beginning in 2019 and for sales and purchases made after June 30, 2018.

123.7 Sec. 24. Minnesota Statutes 2016, section 469.1812, is amended by adding a subdivision  
123.8 to read:

123.9 Subd. 2b. **Medically underserved county.** "Medically underserved county" means a  
123.10 county, any portion of which is designated by the federal secretary of health and human  
123.11 services as a medically underserved area or medically underserved population, as defined  
123.12 under Code of Federal Regulations, title 42, section 51C.102. By December 15 of each year,  
123.13 the commissioner of health must certify to the commissioner of revenue the counties that  
123.14 are medically underserved. By December 31 of each year, the commissioner of revenue  
123.15 must certify the list of medically underserved counties to county assessors, for assessments  
123.16 in the following year.

123.17 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2018  
123.18 for taxes payable in 2019. For assessment year 2018, the certification required to be made  
123.19 by the commissioner of health must be made by June 1, 2018, and the certification required  
123.20 to be made by the commissioner of revenue must be made by June 15, 2018.

123.21 Sec. 25. **[469.1817] MEDICAL FACILITY TAX ABATEMENT.**

123.22 Subdivision 1. **Qualification.** The state general tax under section 275.025 must be abated  
123.23 by the county for any property or portion thereof containing a medical facility that has been  
123.24 granted an abatement under section 469.1813, provided that:

123.25 (1) the facility is located in a medically underserved county at the time the abatement  
123.26 resolution is adopted;

123.27 (2) the facility is not located in a metropolitan county as defined under section 473.121,  
123.28 subdivision 4;

123.29 (3) the resolution of one or more governing bodies granting the abatement specifies that  
123.30 the facility addresses an underserved need for medical services in the area; and

124.1 (4) both the county and the city or town have abated all taxes on the property containing  
124.2 the facility for at least 15 years under section 469.1813, subdivision 2.

124.3 Subd. 2. **Application.** A taxpayer seeking an abatement under this section must file an  
124.4 application with the county assessor by March 1 of the first assessment year for which the  
124.5 abatement is sought, on a form prescribed by the commissioner of revenue.

124.6 Subd. 3. **Duration.** The state general tax is abated for 15 years.

124.7 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

124.8 Sec. 26. Minnesota Statutes 2016, section 473H.08, subdivision 1, is amended to read:

124.9 Subdivision 1. **Till expiration started.** Agricultural preserves shall continue until ~~either~~  
124.10 the landowner or, the authority, or a state agency or governmental unit initiates expiration  
124.11 as provided in this section.

124.12 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
124.13 applies to any agricultural preserve where the previously required eight-year termination  
124.14 period under Minnesota Statutes, section 473H.08, has not yet expired.

124.15 Sec. 27. Minnesota Statutes 2016, section 473H.08, is amended by adding a subdivision  
124.16 to read:

124.17 Subd. 3a. **Expiration for park and trail purposes.** (a) An agricultural preserve expires  
124.18 immediately when a state agency or other governmental unit purchases the property or  
124.19 obtains an easement over the property for the purpose of creating or expanding a public  
124.20 trail or public park. This subdivision applies only to the portion of the agricultural preserve  
124.21 acquired for trail or park purposes, and any portion of the property not acquired for trail or  
124.22 park purposes shall remain an agricultural preserve, regardless if the remaining total acreage  
124.23 is less than 40 acres.

124.24 (b) The acquiring state agency or governmental unit shall give notice of the expiration  
124.25 under paragraph (a) to the authority. The notice must specify the portion of the property  
124.26 being removed from the agricultural preserve and the date on which that portion expires.

124.27 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
124.28 applies to any agricultural preserve where the previously required eight-year termination  
124.29 period under Minnesota Statutes, section 473H.08, has not yet expired.

125.1 Sec. 28. Minnesota Statutes 2016, section 473H.08, subdivision 4, is amended to read:

125.2 Subd. 4. **Notice to others.** Upon receipt of the notice provided in subdivision 2 or 3a,  
125.3 or upon notice served by the authority as provided in subdivision 3, the authority shall  
125.4 forward the original notice to the county recorder for recording, or to the registrar of titles  
125.5 if the land is registered, and shall notify the county auditor, county assessor, the Metropolitan  
125.6 Council, and the county soil and water conservation district of the date of expiration.  
125.7 Designation as an agricultural preserve and all benefits and limitations accruing through  
125.8 sections 473H.02 to 473H.17 for the preserve shall cease on the date of expiration. The  
125.9 restrictive covenant contained in the application shall terminate on the date of expiration.

125.10 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
125.11 applies to any agricultural preserve where the previously required eight-year termination  
125.12 period under Minnesota Statutes, section 473H.08, has not yet expired.

125.13 Sec. 29. Minnesota Statutes 2016, section 477A.013, subdivision 13, is amended to read:

125.14 Subd. 13. **Certified aid adjustments.** ~~(a) A city that received an aid base increase under~~  
125.15 ~~Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (e), shall have its~~  
125.16 ~~total aid under subdivision 9 increased by an amount equal to \$150,000 for aids payable in~~  
125.17 ~~2014 through 2018.~~

125.18 ~~(b)~~ (a) A city that received an aid base increase under Minnesota Statutes 2012, section  
125.19 477A.011, subdivision 36, paragraph (r), shall have its total aid under subdivision 9 increased  
125.20 by an amount equal to \$160,000 for aids payable in 2014 and thereafter.

125.21 ~~(c) A city that received a temporary aid increase under Minnesota Statutes 2012, section~~  
125.22 ~~477A.011, subdivision 36, paragraph (e), shall have its total aid under subdivision 9 increased~~  
125.23 ~~by an amount equal to \$1,000,000 for aids payable in 2014 only.~~

125.24 (b) For aids payable in 2019 only, a city shall have its total aid under subdivision 9  
125.25 increased by an amount equal to its aid decrease between aids payable in 2016 and 2017 if:

125.26 (1) the city's aid decreased by more than \$50,000 between aids payable in 2016 and  
125.27 2017 under this section; and

125.28 (2) the city's unmet need amount calculated for aids payable in 2017 exceeded its aids  
125.29 payable in 2016.

125.30 (c) The city of Lilydale shall have its total aid under subdivision 9 increased by \$150,000  
125.31 for aids payable in 2019 only.

125.32 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2019.

126.1 Sec. 30. Laws 2008, chapter 366, article 5, section 33, the effective date, as amended by  
126.2 Laws 2013, chapter 143, article 4, section 35, is amended to read:

126.3 **EFFECTIVE DATE.** This section is effective for taxes levied in 2008, payable in 2009,  
126.4 and is repealed effective for taxes levied in ~~2018~~ 2023, payable in ~~2019~~ 2024, and thereafter.

126.5 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

126.6 Sec. 31. Laws 2009, chapter 88, article 2, section 46, subdivision 1, as amended by Laws  
126.7 2013, chapter 143, article 4, section 36, is amended to read:

126.8 Subdivision 1. **Agreement.** The city of Cloquet and Perch Lake Township, by resolution  
126.9 of each of their governing bodies, may establish the Cloquet Area Fire and Ambulance  
126.10 Special Taxing District for the purpose of providing fire or ambulance services, or both,  
126.11 throughout the district. In this section, "municipality" means home rule charter and statutory  
126.12 cities, towns, and Indian tribes. The district may exercise all the powers relating to fire and  
126.13 ambulance services of the municipalities that receive fire or ambulance services, or both,  
126.14 from the district. Upon application, any other municipality may join the district with the  
126.15 agreement of the municipalities that comprise the district at the time of its application to  
126.16 join.

126.17 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area  
126.18 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,  
126.19 subdivision 3.

126.20 Sec. 32. Laws 2009, chapter 88, article 2, section 46, subdivision 2, is amended to read:

126.21 Subd. 2. **Board.** The Cloquet Area Fire and Ambulance Special Taxing District Board  
126.22 is governed by a board made up initially of one or more elected officials of the governing  
126.23 body of each participating municipality in the proportions set out in the establishing  
126.24 resolution, subject to change as provided in the district's charter, if any, or in the district's  
126.25 bylaws. Each municipality's representatives serve at the pleasure of that municipality's  
126.26 governing body.

126.27 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area  
126.28 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,  
126.29 subdivision 3.

127.1 Sec. 33. Laws 2009, chapter 88, article 2, section 46, subdivision 3, as amended by Laws  
127.2 2013, chapter 143, article 4, section 37, is amended to read:

127.3 Subd. 3. **Tax.** The district board may impose a property tax on taxable property as  
127.4 provided in this subdivision to pay the costs of providing fire or ambulance services, or  
127.5 both, throughout the district. The board shall annually determine the total amount of the  
127.6 levy that is attributable to the cost of providing fire services and the cost of providing  
127.7 ambulance services within the primary service area. For those municipalities that only  
127.8 receive ambulance services, the costs for the provision of ambulance services shall be levied  
127.9 against taxable property within those municipalities at a rate necessary not to exceed 0.019  
127.10 percent of the estimated market value. For those municipalities that receive both fire and  
127.11 ambulance services, the tax shall be imposed at a rate that does not exceed 0.2835 percent  
127.12 of estimated market value.

127.13 When a member municipality opts to receive fire service from the district or an additional  
127.14 municipality becomes a member of the district, the cost of providing fire services to that  
127.15 community shall be determined by the board and added to the maximum levy amount.

127.16 Each county auditor of a county that contains a municipality subject to the tax under  
127.17 this section must collect the tax and pay it to the Fire and Ambulance Special Taxing District.  
127.18 The district may also impose other fees or charges as allowed by law for the provision of  
127.19 fire and ambulance services.

127.20 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area  
127.21 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,  
127.22 subdivision 3.

127.23 Sec. 34. Laws 2009, chapter 88, article 2, section 46, subdivision 4, is amended to read:

127.24 Subd. 4. **Public indebtedness.** The district may incur debt in the manner provided for  
127.25 in Minnesota Statutes, chapter 475, and the district shall be considered a municipality by  
127.26 Minnesota Statutes, chapter 475, when necessary to accomplish its duties., as defined in  
127.27 Minnesota Statutes, sections 475.51, subdivision 2, and 475.521, subdivision 1, paragraph  
127.28 (c), and may issue certificates of indebtedness or capital notes in the manner provided for  
127.29 a city under Minnesota Statutes, section 412.301, when necessary to accomplish its duties.  
127.30 Any tax levied to pay debt of the district shall be levied in the amounts required and in  
127.31 accordance with Minnesota Statutes, section 475.61. The debt service for debt, the proceeds  
127.32 of which financed capital costs for ambulance service, shall be levied against taxable property  
127.33 within those municipalities in the primary service area. The debt service for debt, the proceeds

128.1 of which financed capital costs for fire service, shall be levied against taxable property  
128.2 within those municipalities receiving fire services.

128.3 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area  
128.4 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,  
128.5 subdivision 3.

128.6 Sec. 35. Laws 2009, chapter 88, article 2, section 46, subdivision 5, is amended to read:

128.7 Subd. 5. **Withdrawal.** Notice of intent to withdraw from participation in the district  
128.8 may be given only in the month of January, with a minimum of twelve months notice of  
128.9 intent to withdraw. Withdrawal becomes effective for taxes levied pursuant to subdivision  
128.10 3 in the year when the notice is given. A property tax levied by the district on taxable  
128.11 property located in a withdrawing municipality to make debt service payments for obligations  
128.12 issued by the district pursuant to subdivision 4 shall remain in effect until the obligations  
128.13 outstanding on the date of withdrawal are satisfied, including any property tax levied in  
128.14 connection with a refunding of such obligations. The district and its members may develop  
128.15 and agree upon other continuing obligations after withdrawal of a municipality.

128.16 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area  
128.17 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,  
128.18 subdivision 3.

128.19 Sec. 36. Laws 2017, First Special Session chapter 1, article 10, section 4, the effective  
128.20 date, is amended to read:

128.21 **EFFECTIVE DATE; APPLICATION.** This section is effective for applications and  
128.22 certifications made in 2018 and thereafter, except the repeal of the exclusion of land under  
128.23 item (iii) is effective retroactively for payments due under Minnesota Statutes, section  
128.24 290C.08, beginning for payments due to be made in 2014. In order to qualify for retroactive  
128.25 payments, the following requirements must be met: (1) the owner of land exceeding 60,000  
128.26 acres that is subject to a single conservation easement funded under Minnesota Statutes,  
128.27 section 97A.056 or a comparable permanent easement conveyed to a governmental or  
128.28 nonprofit entity, must submit an application to the commissioner of revenue, in a form and  
128.29 manner and at a time acceptable to the commissioner, establishing that the affected property  
128.30 and its use met the requirement of Minnesota Statutes, chapter 290C, as amended by this  
128.31 section; (2) the owner and each county in which the land is located must certify to the  
128.32 commissioner that no petitions challenging the market value of the property are pending  
128.33 under Minnesota Statutes, chapter 278; and (3) the requirements of clauses (1) and (2) must



129.1 be satisfied by October 1, 2017. No interest accrues on payment under this section for  
129.2 periods before November 1, 2017.

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

129.4 Sec. 37. **SCHOOL PROPERTY TAX REFORM.**

129.5 (a) A school property tax working group is established as provided in this section. The  
129.6 goals of the working group are to develop one or more legislative proposals for reform of  
129.7 Minnesota's property tax system that would:

129.8 (1) evaluate the farmland tax burden from the costs of school capital investments;

129.9 (2) simplify the tax system used for school district levies;

129.10 (3) coordinate interactions with the state general levy; and

129.11 (4) accomplish the objectives of this paragraph with optimal levels of state aid and local  
129.12 property tax.

129.13 (b) The 16-member working group shall consist of the following members:

129.14 (1) two state representatives, both appointed by the chair of the house of representatives  
129.15 Taxes Committee, one from the majority party and one from the largest minority party;

129.16 (2) two state representatives, both appointed by the chair of the house of representatives  
129.17 Education Finance Committee, one from the majority party and one from the largest minority  
129.18 party;

129.19 (3) four senators appointed by the Subcommittee on Committees of the Senate Rules  
129.20 and Administration Committee, two from the majority party and two from the largest  
129.21 minority party;

129.22 (4) one person appointed by the Minnesota School Boards Association;

129.23 (5) one person appointed by the Minnesota Rural Education Association;

129.24 (6) one person appointed by the Association of Metropolitan School Districts;

129.25 (7) one person appointed by Schools for Equity in Education;

129.26 (8) one person appointed by the Minnesota Farm Bureau;

129.27 (9) one person appointed by the Minnesota Farmers Union;

129.28 (10) one person appointed by the Minnesota Chamber of Commerce; and

129.29 (11) one person appointed by Minnesota Lakes and Rivers Advocates.

130.1 (c) The commissioner of revenue and the commissioner of education, or their designees,  
130.2 shall serve as ex-officio members of the working group.

130.3 (d) All appointments must be made before July 1, 2018. The majority party appointee  
130.4 of the house of representatives Taxes Committee chair shall chair the initial meeting, and  
130.5 the working group shall elect a chair at that initial meeting. The working group will meet  
130.6 at the call of the chair. Members of the working group shall serve without compensation.  
130.7 The commissioner of revenue must provide administrative support to the working group.  
130.8 Minnesota Statutes, chapter 13D, does not apply to meetings of the working group. Meetings  
130.9 of the working group must be open to the public and the working group must provide notice  
130.10 of a meeting to potentially interested persons at least five days before the meeting. A meeting  
130.11 of the working group occurs when a quorum is present.

130.12 (e) The working group shall make its advisory recommendations to the chairs of the  
130.13 house of representatives and senate Taxes and Education Finance Committees on or before  
130.14 January 1, 2019, at which time the working group shall be finished and this section expires.

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

## 130.16 **ARTICLE 5**

### 130.17 **PUBLIC FINANCE**

130.18 Section 1. Minnesota Statutes 2016, section 103E.611, subdivision 2, is amended to read:

130.19 Subd. 2. **Interest.** (a) Interest is an additional drainage lien on all property until paid.  
130.20 The interest rate on the drainage lien principal from the date the drainage lien statement is  
130.21 recorded must be set by the board but may not exceed the rate determined by the state court  
130.22 administrator for judgments under section 549.09, or six percent, whichever is greater.

130.23 (b) Before the tax lists for the year are given to the county treasurer, the auditor shall  
130.24 compute the interest on the unpaid balance of the drainage lien at the rate set by the board.  
130.25 The amount of interest must be computed on the entire unpaid principal from the date the  
130.26 drainage lien was recorded to August 15 of the next calendar year, and afterwards from  
130.27 August 15 to August 15 of each year.

130.28 (c) Interest is due and payable after November 1 of each year the drainage lien principal  
130.29 or interest is due and unpaid.

130.30 Sec. 2. Minnesota Statutes 2016, section 471.831, is amended to read:

130.31 **471.831 MUNICIPALITY MAY FILE BANKRUPTCY PETITION.**

131.1 Subdivision 1. **Any relief under bankruptcy code.** A municipality, as defined in  
131.2 subdivision 2, may file a petition and seek any relief available to it under United States  
131.3 Code, title 11, as amended ~~through December 31, 1996.~~

131.4 Subd. 2. **Municipality defined.** In this section, "municipality" means a municipality as  
131.5 defined in United States Code, title 11, section 101, as amended ~~through December 31,~~  
131.6 ~~1996,~~ but limited to a county, statutory or home rule charter city, or town; or a housing and  
131.7 redevelopment authority, economic development authority, or rural development financing  
131.8 authority established under chapter 469, a home rule charter, or special law.

131.9 Sec. 3. Minnesota Statutes 2016, section 474A.02, subdivision 22b, is amended to read:

131.10 Subd. 22b. **Public facilities project.** "Public facilities project" means any publicly owned  
131.11 facility, or a facility owned by a nonprofit organization that is used for district heating or  
131.12 cooling, whether publicly or privately owned, that is eligible to be financed with the proceeds  
131.13 of public facilities bonds as defined under section 474A.02, subdivision 23a.

131.14 Sec. 4. Minnesota Statutes 2016, section 475.521, subdivision 1, is amended to read:

131.15 Subdivision 1. **Definitions.** For purposes of this section, the following terms have the  
131.16 meanings given.

131.17 (a) "Bonds" mean an obligation defined under section 475.51.

131.18 (b) "Capital improvement" means acquisition or betterment of public lands, buildings  
131.19 or other improvements for the purpose of a city hall, town hall, library, public safety facility,  
131.20 and public works facility. An improvement must have an expected useful life of five years  
131.21 or more to qualify. Capital improvement does not include light rail transit or any activity  
131.22 related to it, or a park, road, bridge, administrative building other than a city or town hall,  
131.23 or land for any of those facilities. For purposes of this section, "capital improvement"  
131.24 includes expenditures for purposes described in this paragraph that have been incurred by  
131.25 a municipality before approval of a capital improvement plan, if such expenditures are  
131.26 included in a capital improvement plan approved on or before the date of the public hearing  
131.27 under subdivision 2 regarding issuance of bonds for such expenditures.

131.28 (c) "Municipality" means a home rule charter or statutory city or a town ~~described in~~  
131.29 ~~section 368.01, subdivision 1 or 1a.~~

132.1

**ARTICLE 6**

132.2

**MISCELLANEOUS**

132.3

Section 1. Minnesota Statutes 2017 Supplement, section 298.17, is amended to read:

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**298.17 OCCUPATION TAXES TO BE APPORTIONED; REFUND.**

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(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.

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(b) Of the money apportioned to the general fund by this section, the following allocations must be made:

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(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;

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(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, that does not contain a municipality qualifying pursuant to section 273.134, paragraph (b), or (ii) to provide economic development loans or grants

133.1 to businesses located within any such county, provided that the county board or an advisory  
133.2 group appointed by the county board to provide recommendations on economic development  
133.3 shall make recommendations to the commissioner of Iron Range resources and rehabilitation  
133.4 regarding the loans. Of the money allocated to Koochiching County, one-third must be paid  
133.5 to the Koochiching County Economic Development Commission. Payment to the Iron  
133.6 Range resources and rehabilitation account shall be made by May 15 annually; and

133.7 (3) there is annually appropriated and credited to the Iron Range resources and  
133.8 rehabilitation account in the special revenue fund for transfer to the Iron Range school  
133.9 consolidation and cooperatively operated school account under section 298.28, subdivision  
133.10 7a, an amount equal to that which would have been generated by a six cent tax imposed by  
133.11 section 298.24 on each taxable ton produced in the preceding calendar year. Payment to the  
133.12 Iron Range resources and rehabilitation account shall be made by May 15 annually.

133.13 ~~(c) The money appropriated pursuant to paragraph (b), clause (2), shall be used (i) to~~  
133.14 ~~provide environmental development grants to local governments located within any county~~  
133.15 ~~in region 3 as defined in governor's executive order number 60, issued on June 12, 1970,~~  
133.16 ~~which does not contain a municipality qualifying pursuant to section 273.134, paragraph~~  
133.17 ~~(b), or (ii) to provide economic development loans or grants to businesses located within~~  
133.18 ~~any such county, provided that the county board or an advisory group appointed by the~~  
133.19 ~~county board to provide recommendations on economic development shall make~~  
133.20 ~~recommendations to the commissioner of Iron Range resources and rehabilitation regarding~~  
133.21 ~~the loans. Payment to the Iron Range resources and rehabilitation account shall be made by~~  
133.22 ~~May 15 annually. After the allocations are made under paragraph (b), any amount remaining~~  
133.23 in the general fund, of the money apportioned to the general fund under this section in the  
133.24 current year, shall be refunded by the commissioner of revenue as provided. By May 15  
133.25 annually, the commissioner shall issue a refund to each producer equal to the amount of tax  
133.26 paid by that producer in the current year under section 298.01, as compared to the total  
133.27 amount of tax paid in the current year under section 298.01 by all producers, provided that  
133.28 a producer shall not be eligible for a refund under this section in an amount greater than the  
133.29 amount of tax paid by that producer in the current year. The total amount of refunds issued  
133.30 under this paragraph in any year shall not exceed \$5,000,000.

133.31 ~~(d) Of the money allocated to Koochiching County, one-third must be paid to the~~  
133.32 ~~Koochiching County Economic Development Commission.~~

133.33 **EFFECTIVE DATE.** This section is effective beginning with distributions made in  
133.34 2020 and thereafter.

134.1 Sec. 2. Minnesota Statutes 2016, section 298.225, subdivision 1, is amended to read:

134.2 Subdivision 1. **Guaranteed distribution.** (a) Except as provided under paragraph (c),  
134.3 the distribution of the taconite production tax as provided in section 298.28, subdivisions  
134.4 3 to 5, 6, paragraph (b), 7, and 8, shall equal the lesser of the following amounts:

134.5 (1) the amount distributed pursuant to this section and section 298.28, with respect to  
134.6 1983 production if the production for the year prior to the distribution year is no less than  
134.7 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the amount  
134.8 of the distributions shall be reduced proportionately at the rate of two percent for each  
134.9 1,000,000 tons, or part of 1,000,000 tons by which the production is less than 42,000,000  
134.10 tons; or

134.11 (2)(i) for the distributions made pursuant to section 298.28, subdivisions 4, paragraphs  
134.12 (b) and (c), and 6, paragraph (c), 31.2 percent of the amount distributed pursuant to this  
134.13 section and section 298.28, with respect to 1983 production;

134.14 (ii) for the distributions made pursuant to section 298.28, subdivision 5, paragraphs (b)  
134.15 and (d), 75 percent of the amount distributed pursuant to this section and section 298.28,  
134.16 with respect to 1983 production provided that the aid guarantee for distributions under  
134.17 section 298.28, subdivision 5, paragraph (b), shall be reduced by five cents per taxable ton  
134.18 for production years 2014 and thereafter.

134.19 (b) The distribution of the taconite production tax as provided in section 298.28,  
134.20 subdivision 2, shall equal the following amount:

134.21 (1) if the production for the year prior to the distribution year is at least 42,000,000  
134.22 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect  
134.23 to 1999 production; or

134.24 (2) if the production for the year prior to the distribution year is less than 42,000,000  
134.25 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect  
134.26 to 1999 production, reduced proportionately at the rate of two percent for each 1,000,000  
134.27 tons or part of 1,000,000 tons by which the production is less than 42,000,000 tons.

134.28 (c) The distribution of the taconite production tax under section 298.28, subdivision 3,  
134.29 paragraph (a), guaranteed under this section is equal to the amount distributed under section  
134.30 298.28, with respect to 1983 production.

134.31 **EFFECTIVE DATE.** This section is effective for distributions in 2020 and thereafter.

135.1 Sec. 3. Minnesota Statutes 2017 Supplement, section 298.227, is amended to read:

135.2 **298.227 TACONITE ECONOMIC DEVELOPMENT FUND.**

135.3 An amount equal to that distributed pursuant to each taconite producer's taxable  
135.4 production and qualifying sales under section 298.28, subdivision 9a, shall be held by the  
135.5 commissioner of Iron Range resources and rehabilitation in a separate taconite economic  
135.6 development fund for each taconite and direct reduced ore producer. Money from the fund  
135.7 for each producer shall be released by the commissioner after review by a joint committee  
135.8 consisting of an equal number of representatives of the salaried employees and the  
135.9 nonsalaried production and maintenance employees of that producer. The District 11 director  
135.10 of the United States Steelworkers of America, on advice of each local employee president,  
135.11 shall select the employee members. In nonorganized operations, the employee committee  
135.12 shall be elected by the nonsalaried production and maintenance employees. The review  
135.13 must be completed no later than six months after the producer presents a proposal for  
135.14 expenditure of the funds to the committee. The funds held pursuant to this section may be  
135.15 released only for workforce development ~~and associated public facility improvement,~~  
135.16 concurrent reclamation, ~~or for acquisition of~~ plant and stationary mining equipment and  
135.17 facilities for the producer or for research and development in Minnesota on new mining, or  
135.18 taconite, iron, or steel production technology, but only if the producer provides a matching  
135.19 expenditure equal to the amount of the distribution to be used for the same purpose ~~beginning~~  
135.20 ~~with distributions in 2014. Effective for proposals for expenditures of money from the fund~~  
135.21 ~~beginning May 26, 2007, the commissioner may not release the funds before the next~~  
135.22 ~~scheduled meeting of the board.~~ If a proposed expenditure is not approved by the  
135.23 commissioner, after consultation with the advisory board, the funds must be deposited in  
135.24 the Taconite Environmental Protection Fund under sections 298.222 to 298.225. If a taconite  
135.25 production facility is sold after operations at the facility had ceased, any money remaining  
135.26 in the fund for the former producer may be released to the purchaser of the facility on the  
135.27 terms otherwise applicable to the former producer under this section. If a producer fails to  
135.28 provide matching funds for a proposed expenditure within six months after the commissioner  
135.29 approves release of the funds, the funds ~~are available for release to another producer in~~  
135.30 ~~proportion to the distribution provided and under the conditions of this section~~ may be  
135.31 released by the commissioner for deposit in the taconite area environmental protection fund  
135.32 created in section 298.223. Any portion of the fund which is not released by the commissioner  
135.33 within one year of its deposit in the fund shall be ~~divided between~~ distributed to the taconite  
135.34 environmental protection fund ~~created in section 298.223 and the Douglas J. Johnson~~  
135.35 ~~economic protection trust fund created in section 298.292 for placement in their respective~~

136.1 ~~special accounts. Two-thirds of the unreleased funds shall be distributed to the taconite~~  
136.2 ~~environmental protection fund and one-third to the Douglas J. Johnson economic protection~~  
136.3 ~~trust fund.~~

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

136.5 Sec. 4. Minnesota Statutes 2016, section 298.28, subdivision 9a, is amended to read:

136.6 Subd. 9a. **Taconite economic development fund.** (a) 25.1 cents per ton for distributions  
136.7 in 2002 and thereafter must be paid to the taconite economic development fund. No  
136.8 distribution shall be made under this paragraph in 2004 or any subsequent year in which  
136.9 total industry production falls below 30 million tons. Distribution shall only be made to a  
136.10 Minnesota taconite pellet producer's fund under section 298.227 if the producer timely pays  
136.11 its tax under section 298.24 by the dates provided under section 298.27, or pursuant to the  
136.12 due dates provided by an administrative agreement with the commissioner.

136.13 (b) An amount equal to 50 percent of the tax under section 298.24 for concentrate sold  
136.14 in the form of pellet chips and fines not exceeding 5/16 inch in size and not including crushed  
136.15 pellets shall be paid to the taconite economic development fund. The amount paid shall not  
136.16 exceed \$700,000 annually for all ~~companies~~ Minnesota taconite pellet producers. If the  
136.17 initial amount to be paid to the fund exceeds this amount, each ~~company's~~ Minnesota taconite  
136.18 pellet producer's payment shall be prorated so the total does not exceed \$700,000.

136.19 **EFFECTIVE DATE.** This section is effective retroactively from December 31, 2016.

136.20 Sec. 5. Laws 1986, chapter 379, section 1, subdivision 1, is amended to read:

136.21 Subdivision 1. **Liquor and food tax authorized.** (a) Notwithstanding Minnesota Statutes,  
136.22 section 477A.016, or any ordinance, city charter, or other provision of law, the city of St.  
136.23 Cloud may, by ordinance, impose a sales tax supplemental to the general sales tax imposed  
136.24 in Minnesota Statutes, chapter 297A, the proceeds of which shall be used in accordance  
136.25 with subdivision 2. The tax imposed by the city may be not more than one percent on the  
136.26 gross receipts from all retail on-sales of intoxicating liquor and fermented malt beverages  
136.27 sold at licensed on-sale liquor establishments located within its geographic boundaries, or  
136.28 not more than one percent on the gross receipts from the retail sale of food and beverages  
136.29 not subject to the liquor tax by a restaurant or place of refreshment located within its  
136.30 geographic boundaries, or both. For purposes of this act, the city shall define the terms  
136.31 "restaurant" and "place of refreshment" by resolution. The governing body of the city may  
136.32 adopt an ordinance establishing a convention center taxing district. The ordinance shall  
136.33 describe with particularity the area within the city to be included in the district. If the city



137.1 establishes a convention center taxing district, the sales taxes authorized under this  
137.2 subdivision may be imposed only upon the sales occurring at on-sale liquor establishments,  
137.3 restaurants, or other places of refreshment located within the district.

137.4 (b) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any  
137.5 ordinance, city charter, or other provision of law, the city of St. Cloud may, if approved by  
137.6 the voters at a general election, increase by ordinance the tax allowed under paragraph (a)  
137.7 by up to one-half of one percent. The election must be held before the governing body of  
137.8 the city considers the ordinance. The proceeds of the increased tax must be used for  
137.9 remodeling, improvements, and expansion of the Municipal Athletic Center, including  
137.10 making payments on any associated bonds.

137.11 **EFFECTIVE DATE.** This section is effective the day after the city of St. Cloud and  
137.12 its chief clerical officer timely comply with Minnesota Statutes, section 645.021.

137.13 Sec. 6. Laws 1986, chapter 379, section 1, subdivision 3, is amended to read:

137.14 Subd. 3. **Expiration of taxing authority.** (a) The authority granted by subdivision 1,  
137.15 paragraph (a), to the city to impose a liquor and food tax shall expire when the principal  
137.16 and interest on any bonds or other obligations issued to finance construction of a convention  
137.17 center facility or related facilities have been paid or at an earlier time as the city shall, by  
137.18 ordinance, determine.

137.19 (b) The authority granted by subdivision 1, paragraph (b), to increase the tax authorized  
137.20 under subdivision 1, paragraph (a), shall expire at the earlier of:

137.21 (1) 25 years; or

137.22 (2) when principal and interest on any bonds or other obligations issued to finance the  
137.23 remodeling, improvements, and expansion of the Municipal Athletic Center have been paid.

137.24 (c) The authority granted by subdivision 1, paragraph (b), may also terminate by city  
137.25 ordinance.

137.26 **EFFECTIVE DATE.** This section is effective the day after the city of St. Cloud and  
137.27 its chief clerical officer comply with Minnesota Statutes, section 645.021.

137.28 Sec. 7. Laws 1986, chapter 379, section 2, subdivision 1, is amended to read:

137.29 Subdivision 1. **Additional tax authorized.** (a) Notwithstanding Minnesota Statutes,  
137.30 section 477A.016, or any ordinance, city charter, or other provision of law, the city of St.  
137.31 Cloud may, by ordinance, impose a tax at a rate not to exceed two percent in addition to

138.1 the tax authorized under Laws 1979, chapter 197, on the gross receipts from the furnishing  
138.2 for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort other  
138.3 than the renting or leasing of it for a continuous period of 30 days or more.

138.4 (b) Notwithstanding Minnesota Statutes, section 477A.016, the city of St. Cloud may,  
138.5 if approved by the voters at a general election, increase by ordinance the tax allowed under  
138.6 paragraph (a) by up to one percent. The election must be held before the governing body  
138.7 of the city considers the ordinance. The proceeds of the increased tax must be used  
138.8 exclusively for the marketing and promotion of the Municipal Athletic Center.

138.9 **EFFECTIVE DATE.** This section is effective the day after the city of St. Cloud and  
138.10 its chief clerical officer timely comply with Minnesota Statutes, section 645.021.

138.11 Sec. 8. Laws 1986, chapter 462, section 31, as amended by Laws 1991, chapter 291, article  
138.12 8, section 24, and Laws 2011, chapter 112, article 4, section 6, is amended to read:

138.13 Sec. 31. **AUTHORITY FOR TAXATION.**

138.14 Notwithstanding Minnesota Statutes, section 477A.016, or any other law, and  
138.15 supplemental to the tax imposed by Laws 1982, chapter 523, article 25, section 1, the city  
138.16 of St. Paul may impose, by ordinance, a tax, at a rate not greater than ~~three~~ four percent, on  
138.17 the gross receipts from the furnishing for consideration of lodging and related services at a  
138.18 hotel, rooming house, tourist court, motel, or resort, other than the renting or leasing of  
138.19 space for a continuous period of 30 days or more. The tax does not apply to the furnishing  
138.20 of lodging and related services by a business having less than 50 lodging rooms. The tax  
138.21 shall be collected by and its proceeds paid to the city. Ninety-five percent of the revenues  
138.22 generated by this tax shall be used to fund a convention bureau to market and promote the  
138.23 city as a tourist or convention center.

138.24 **EFFECTIVE DATE.** This section is effective the first day of the calendar quarter  
138.25 beginning at least 30 days after the governing body of the city of St. Paul and its chief  
138.26 clerical officer timely complete their compliance with Minnesota Statutes, section 645.021,  
138.27 subdivisions 2 and 3.

138.28 Sec. 9. Laws 2008, chapter 366, article 5, section 26, as amended by Laws 2013, chapter  
138.29 143, article 9, section 11, is amended to read:

138.30 Sec. 26. **BLOOMINGTON TAX INCREMENT FINANCING; FIVE-YEAR RULE.**

138.31 (a) The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that  
138.32 activities must be undertaken within a five-year period from the date of certification of a

139.1 tax increment financing district, are increased to a ~~15~~ 20-year period for the Port Authority  
139.2 of the City of Bloomington's Tax Increment Financing District No. 1-I, Bloomington Central  
139.3 Station.

139.4 (b) Notwithstanding the provisions of Minnesota Statutes, section 469.176, or any other  
139.5 law to the contrary, the city of Bloomington and its port authority may extend the duration  
139.6 limits of the district for a period through December 31, 2039.

139.7 (c) Effective for taxes payable in 2014, tax increment for the district must be computed  
139.8 using the current local tax rate, notwithstanding the provisions of Minnesota Statutes, section  
139.9 469.177, subdivision 1a.

139.10 (d) The requirements of Minnesota Statutes, section 469.1763, subdivision 4, relating  
139.11 to use of increments after the end of the time limit in Minnesota Statutes, section 469.1763,  
139.12 subdivision 3, do not apply to the Port Authority of the City of Bloomington's Tax Increment  
139.13 Financing District No. 1-I, Bloomington Central Station.

139.14 **EFFECTIVE DATE.** This section is effective upon timely compliance by the city of  
139.15 Bloomington with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

139.16 Sec. 10. Laws 2011, First Special Session chapter 7, article 4, section 10, subdivision 3,  
139.17 is amended to read:

139.18 Subd. 3. **Use of revenues.** (a) Revenues received from taxes authorized by subdivisions  
139.19 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for the  
139.20 following projects:

139.21 (1) \$4,500,000 for construction and completion of park improvement projects, including  
139.22 St. Louis River riverfront improvements; Veteran's Park construction and improvements;  
139.23 improvements to the Hilltop Park soccer complex and Braun Park baseball complex; capital  
139.24 equipment and building and grounds improvements at the Pine Valley Park/Pine Valley  
139.25 Hockey Arena/Cloquet Area Recreation Center; and development of pedestrian trails within  
139.26 the city;

139.27 (2) \$5,800,00 for extension of utilities and the construction of all improvements associated  
139.28 with the development of property adjacent to Highway 33 and Interstate Highway 35,  
139.29 including payment of all debt service on bonds issued for these; and

139.30 (3) \$6,200,000 for engineering and construction of infrastructure improvements,  
139.31 including, ~~but not limited to~~ roads, bridges, storm sewer, sanitary sewer, and water in areas  
139.32 identified as part of the city's comprehensive land use plan.

140.1 (b) Authorized expenses include, but are not limited to, acquiring property and paying  
140.2 construction expenses related to these improvements, and paying debt service on bonds or  
140.3 other obligations issued to finance acquisition and construction of these improvements.

140.4 (c) Notwithstanding the revenue allocations in paragraph (a), clause (3), if the amount  
140.5 spent for the improvements under paragraph (a), clause (2), are less than the \$5,800,000  
140.6 allowed under that clause, the total amount spent for the purpose listed in paragraph (a),  
140.7 clause (3), may be increased by the difference between \$5,800,000 and the amount actually  
140.8 spent under paragraph (a), clause (2). However, the total expenditures for projects under  
140.9 this subdivision may not exceed \$16,500,000, excluding any costs related to issuance of  
140.10 bonds under subdivision 4.

140.11 **EFFECTIVE DATE.** This section is effective the day after the governing body of the  
140.12 city of Cloquet and its chief clerical officer comply with the provisions of Minnesota Statutes,  
140.13 section 645.021, subdivisions 2 and 3.

140.14 Sec. 11. Laws 2017, First Special Session chapter 1, article 4, section 31, is amended to  
140.15 read:

140.16 Sec. 31. **APPROPRIATION; FIRE REMEDIATION GRANTS.**

140.17 \$1,392,258 is appropriated in fiscal year 2018 from the general fund to the commissioner  
140.18 of public safety for grants to remediate the effects of fires in the city of Melrose on September  
140.19 8, 2016. The commissioner must allocate the grants as follows:

140.20 (1) ~~\$1,296,458~~ \$1,381,258 to the city of Melrose; and

140.21 (2) ~~\$95,800~~ \$11,000 to Stearns County.

140.22 A grant recipient must use the money appropriated under this section for remediation  
140.23 costs, including disaster recovery, infrastructure, reimbursement for emergency personnel  
140.24 costs, reimbursement for equipment costs, and reimbursements for property tax abatements,  
140.25 incurred by public or private entities as a result of the fires. This is a onetime appropriation  
140.26 and is available until June 30, ~~2018~~ 2019.

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

140.28 Sec. 12. **CITY OF EXCELSIOR; TAXES AUTHORIZED.**

140.29 Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes,  
140.30 section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city  
140.31 charter, the city of Excelsior may impose, by ordinance, a sales and use tax of up to one-half

141.1 of one percent for the purposes specified in subdivision 2, as approved by the voters at the  
141.2 November 4, 2014, election. Any additional bonding authority for the purposes specified  
141.3 in subdivision 2 must be approved by the voters at a general election. Except as otherwise  
141.4 provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the  
141.5 imposition, administration, collection, and enforcement of the tax authorized under this  
141.6 subdivision.

141.7 Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized  
141.8 under subdivision 1 must be used by the city of Excelsior to pay the costs of collecting and  
141.9 administering the tax and to finance the capital and administrative costs of improvements  
141.10 to the commons as indicated in the November 2016 findings of the commons master planning  
141.11 work group. Authorized expenses include, but are not limited to, improvements for  
141.12 walkability and accessibility, enhancement of beach area and facilities, prevention and  
141.13 management of shoreline erosion, redesign of the port and bandshell, improvement of  
141.14 playground equipment, and securing and paying debt service on bonds issued under  
141.15 subdivision 3 or other obligations issued to the improvements listed in this subdivision in  
141.16 the city of Excelsior.

141.17 Subd. 3. **Bonding authority.** (a) The city of Excelsior may issue bonds under Minnesota  
141.18 Statutes, chapter 475, to finance all or a portion of the costs of the projects authorized in  
141.19 subdivision 2. The aggregate principal amount of bonds issued under this subdivision may  
141.20 not exceed \$5,000,000, plus an amount to be applied to the payment of the costs of issuing  
141.21 the bonds. The bonds may be paid from or secured by any funds available to the city of  
141.22 Excelsior, including the tax authorized under subdivision 1. The issuance of bonds under  
141.23 this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

141.24 (b) The bonds are not included in computing any debt limitation applicable to the city  
141.25 of Excelsior, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal  
141.26 and interest on the bonds is not subject to any levy limitation. A separate election to approve  
141.27 the bonds under Minnesota Statutes, section 475.58, is not required.

141.28 Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the  
141.29 earlier of: (1) 25 years after the tax is first imposed; or (2) when the city council determines  
141.30 that \$5,000,000 has been received from the tax to pay for the cost of the projects authorized  
141.31 under subdivision 2, plus an amount sufficient to pay the costs related to issuance of the  
141.32 bonds authorized under subdivision 3, including interest on the bonds. Any funds remaining  
141.33 after payment of all such costs and retirement or redemption of the bonds shall be placed  
141.34 in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier  
141.35 time if the city so determines by ordinance.

142.1 **EFFECTIVE DATE.** This section is effective the day after compliance by the governing  
142.2 body of the city of Excelsior with Minnesota Statutes, section 645.021, subdivisions 2 and  
142.3 3.

142.4 Sec. 13. **CITY OF CHAMPLIN; TAX INCREMENT FINANCING DISTRICT;**  
142.5 **PROJECT REQUIREMENTS.**

142.6 Subdivision 1. **Five-year rule.** The governing body of the city of Champlin may elect  
142.7 to extend the five-year rule under under Minnesota Statutes, section 469.1763, subdivision  
142.8 3, to a ten-year period for the Mississippi Crossings tax increment financing district.

142.9 Subd. 2. **Revenues for decertification.** Minnesota Statutes, section 469.1763, subdivision  
142.10 4, does not apply to the Mississippi Crossings tax increment financing district.

142.11 **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota Statutes,  
142.12 section 645.021, subdivisions 2 and 3.

142.13 Sec. 14. **TRANSFER 2018 DISTRIBUTION ONLY.**

142.14 For the 2018 distribution, the fund established under Minnesota Statutes, section 298.28,  
142.15 subdivision 7, shall receive ten cents per ton of any excess of the balance remaining after  
142.16 distribution of amounts required under Minnesota Statutes, section 298.28, subdivision 6.

142.17 **EFFECTIVE DATE.** This section is effective for the 2018 distribution, and the transfer  
142.18 must be made within ten days of the August 2018 payment.

142.19 Sec. 15. **APPROPRIATION.**

142.20 \$5,000 in fiscal year 2019 only is appropriated from the general fund to the commissioner  
142.21 of revenue for a grant of \$2,600 to the city of Mazeppa and a grant of \$2,400 to Wabasha  
142.22 County. The grants, which shall be paid by July 20, 2018, may be used for property tax  
142.23 abatements and other costs incurred by public and private entities as a result of a fire in the  
142.24 city of Mazeppa on March 11, 2018. This is a onetime appropriation.

142.25 **EFFECTIVE DATE.** This section is effective July 1, 2018.

142.26 Sec. 16. **APPROPRIATION.**

142.27 In addition to other amounts appropriated, \$1,977,000 in fiscal year 2018 and \$1,978,000  
142.28 in fiscal year 2019 are appropriated from the general fund to the commissioner of revenue  
142.29 to administer this act. These are onetime appropriations.

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

143.1

**ARTICLE 7**

143.2

**DEPARTMENT OF REVENUE; PROPERTY TAX; POLICY CHANGES**

143.3

Section 1. Minnesota Statutes 2016, section 162.145, subdivision 3, is amended to read:

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143.5

143.6

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.

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(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.

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(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.

143.16

**EFFECTIVE DATE.** This section is effective for aids payable in 2018 and thereafter.

143.17

Sec. 2. Minnesota Statutes 2016, section 270.41, subdivision 3, is amended to read:

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Subd. 3. **Assessor sanctions; refusal to license.** (a) Following a recommendation from the commissioner of revenue, the board may (i) refuse to grant or renew, or may suspend or revoke, a license of an applicant or licensee, or (ii) censure, warn, or fine any licensed assessor, or any other person employed by an assessment jurisdiction or contracting with an assessment jurisdiction for the purpose of valuing or classifying property for property tax purposes, for any of the following causes or acts:

143.24

(1) failure to complete required training;

143.25

(2) inefficiency or neglect of duty;

143.26

143.27

143.28

(3) failure to comply with the Code of Conduct and Ethics for Licensed Minnesota Assessors adopted by the board pursuant to Laws 2005, First Special Session chapter 3, article 1, section 38;

143.29

(4) conviction of a crime involving moral turpitude;

143.30

143.31

(5) failure to faithfully and fully perform his or her duties through malfeasance, misfeasance, or nonfeasance; or

144.1 (6) any other cause or act that in the board's opinion warrants a refusal to issue a license  
144.2 or the imposition of a sanction provided under this subdivision.

144.3 (b) When appropriate for the level of infraction, a written warning must be given to  
144.4 assessors who have no prior identified infractions. The warning must identify the infraction  
144.5 and, as appropriate, detail future expectations of performance and behavior. Fines must not  
144.6 exceed \$1,000 for the first occurrence and must not exceed \$3,000 for each occurrence  
144.7 thereafter, and suspensions must not exceed one year for each occurrence, depending in  
144.8 each case upon the severity of the infraction and the level of negligence or intent. The  
144.9 commissioner of revenue shall give notice to an applicant or licensee of the commissioner's  
144.10 recommendation that the board impose sanctions or refuse to grant or renew a license. An  
144.11 action by the board to impose a ~~sanction~~ fine, to suspend or revoke a license, or to refuse  
144.12 to grant or renew a license is subject to review in a contested case hearing under chapter  
144.13 14. A licensee must submit a request for a hearing to the board within 30 days of the notice  
144.14 date of the commissioner's recommendation for sanctions or for refusal to grant or renew  
144.15 a license.

144.16 **EFFECTIVE DATE.** This section is effective for sanctions or refusals to grant or renew  
144.17 a license recommended by the commissioner of revenue after June 30, 2018.

144.18 Sec. 3. Minnesota Statutes 2017 Supplement, section 272.115, subdivision 1, is amended  
144.19 to read:

144.20 Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5, 6, or 7,  
144.21 whenever any real estate is sold for a consideration in excess of ~~\$1,000~~ \$3,000, whether by  
144.22 warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor,  
144.23 grantee or the legal agent of either shall file a certificate of value with the county auditor  
144.24 in the county in which the property is located when the deed or other document is presented  
144.25 for recording. Contract for deeds are subject to recording under section 507.235, subdivision  
144.26 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration  
144.27 thereof, paid or to be paid, including the amount of any lien or liens assumed. The items  
144.28 and value of personal property transferred with the real property must be listed and deducted  
144.29 from the sale price. The certificate of value shall include the classification to which the  
144.30 property belongs for the purpose of determining the fair market value of the property, and  
144.31 shall include any proposed change in use of the property known to the person filing the  
144.32 certificate that could change the classification of the property. The certificate shall include  
144.33 financing terms and conditions of the sale which are necessary to determine the actual,  
144.34 present value of the sale price for purposes of the sales ratio study. If the property is being



145.1 acquired as part of a like-kind exchange under section 1031 of the Internal Revenue Code  
145.2 of 1986, as amended through December 31, 2006, that must be indicated on the certificate.  
145.3 The commissioner of revenue shall promulgate administrative rules specifying the financing  
145.4 terms and conditions which must be included on the certificate. The certificate of value  
145.5 must include the Social Security number or the federal employer identification number of  
145.6 the grantors and grantees. However, a married person who is not an owner of record and  
145.7 who is signing a conveyance instrument along with the person's spouse solely to release  
145.8 and convey their marital interest, if any, in the real property being conveyed is not a grantor  
145.9 for the purpose of the preceding sentence. A statement in the deed that is substantially in  
145.10 the following form is sufficient to allow the county auditor to accept a certificate for filing  
145.11 without the Social Security number of the named spouse: "(Name) claims no ownership  
145.12 interest in the real property being conveyed and is executing this instrument solely to release  
145.13 and convey a marital interest, if any, in that real property." The identification numbers of  
145.14 the grantors and grantees are private data on individuals or nonpublic data as defined in  
145.15 section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or  
145.16 nonpublic data may be disclosed to the commissioner of revenue for purposes of tax  
145.17 administration. The information required to be shown on the certificate of value is limited  
145.18 to the information required as of the date of the acknowledgment on the deed or other  
145.19 document to be recorded.

145.20 **EFFECTIVE DATE.** This section is effective for certificates of value filed after  
145.21 December 31, 2018.

145.22 Sec. 4. Minnesota Statutes 2016, section 287.21, subdivision 1, is amended to read:

145.23 Subdivision 1. **Determination of tax.** (a) A tax is imposed on each deed or instrument  
145.24 by which any real property in this state is granted, assigned, transferred, or otherwise  
145.25 conveyed. The tax applies against the net consideration. For purposes of the tax, the  
145.26 conversion of a corporation to a limited liability company, a limited liability company to a  
145.27 corporation, a partnership to a limited partnership, a limited partnership to another limited  
145.28 partnership or other entity, or a similar conversion of one entity to another does not grant,  
145.29 assign, transfer, or convey real property.

145.30 (b) The tax is determined in the following manner: (1) when transfers are made by  
145.31 instruments pursuant to (i) consolidations or mergers, or (ii) designated transfers, the tax is  
145.32 \$1.65; (2) when there is no consideration or when the consideration, exclusive of the value  
145.33 of any lien or encumbrance remaining thereon at the time of sale, is ~~\$500~~ \$3,000 or less,  
145.34 the tax is \$1.65; or (3) when the consideration, exclusive of the value of any lien or

146.1 encumbrance remaining at the time of sale, exceeds ~~\$500~~ \$3,000, the tax is .0033 of the net  
146.2 consideration.

146.3 (c) If, within six months from the date of a designated transfer, an ownership interest in  
146.4 the grantee entity is transferred by an initial owner to any person or entity with the result  
146.5 that the designated transfer would not have been a designated transfer if made to the grantee  
146.6 entity with its subsequent ownership, then a tax is imposed at .0033 of the net consideration  
146.7 for the designated transfer. If the subsequent transfer of ownership interests was reasonably  
146.8 expected at the time of the designated transfer, the applicable penalty under section 287.31,  
146.9 subdivision 1, must be paid. The deed tax imposed under this paragraph is due within 30  
146.10 days of the subsequent transfer that caused the tax to be imposed under this paragraph.  
146.11 Involuntary transfers of ownership shall not be considered transfers of ownership under this  
146.12 paragraph. The commissioner may adopt rules defining the types of transfers to be considered  
146.13 involuntary.

146.14 (d) The tax is due at the time a taxable deed or instrument is presented for recording,  
146.15 except as provided in paragraph (c). The commissioner may require the tax to be documented  
146.16 in a manner prescribed by the commissioner, and may require that the documentation be  
146.17 attached to and recorded as part of the deed or instrument. The county recorder or registrar  
146.18 of titles shall accept the attachment for recording as part of the deed or instrument and may  
146.19 not require, as a condition of recording a deed or instrument, evidence that a transfer is a  
146.20 designated transfer in addition to that required by the commissioner. Such an attachment  
146.21 shall not, however, provide actual or constructive notice of the information contained therein  
146.22 for purposes of determining any interest in the real property. The commissioner shall  
146.23 prescribe the manner in which the tax due under paragraph (c) is to be paid and may require  
146.24 grantees of designated transfers to file with the commissioner subsequent statements verifying  
146.25 that the tax provided under paragraph (c) does not apply.

146.26 **EFFECTIVE DATE.** This section is effective for deeds recorded after December 31,  
146.27 2018.

## 146.28 **ARTICLE 8**

### 146.29 **DEPARTMENT OF REVENUE; MISCELLANEOUS; POLICY CHANGES**

146.30 Section 1. Minnesota Statutes 2016, section 270B.08, subdivision 2, is amended to read:

146.31 Subd. 2. **Revocation or cancellation.** When a taxpayer's sales tax permit has been  
146.32 revoked or canceled under section 270C.722 or 297A.84, the commissioner may disclose  
146.33 to any person data identifying the holder of the revoked or canceled permit, ~~stating~~ the basis

147.1 for the revocation or cancellation, the date of the revocation or cancellation, and stating  
147.2 ~~whether the~~ if a revoked or canceled permit has been reinstated, the date upon which the  
147.3 permit was reinstated.

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

147.5 Sec. 2. Minnesota Statutes 2016, section 297A.84, is amended to read:

147.6 **297A.84 PERMITS ISSUED AND NOT ISSUED; CANCELLATION.**

147.7 **Subdivision 1. Definitions.** (a) The following definitions apply for the purposes of this  
147.8 section.

147.9 (b) "Applicant" means an individual, corporation, or partnership. Applicant also includes  
147.10 any officer of a corporation or member of a partnership.

147.11 (c) "Delinquent sales tax" means tax not paid by the date the tax was due and payable  
147.12 under section 289A.20, subdivision 4, or an assessment not paid if the applicant has been  
147.13 issued an order assessing sales and use tax under section 270C.33, subdivision 4.

147.14 **Subd. 2. Permits issued.** Except as provided in subdivision 3, the commissioner ~~shall~~  
147.15 must issue a permit to each applicant who has complied with section 297A.83, and with  
147.16 section 297A.92 if security is required. A person is considered to have a permit if the person  
147.17 has a Minnesota tax identification number issued by the commissioner that is currently  
147.18 active for taxes imposed by this chapter. A permit is valid until canceled or revoked. It is  
147.19 not assignable and is valid only for the person in whose name it is granted and for the  
147.20 transaction of business at the places designated on the permit.

147.21 **Subd. 3. Permits not issued.** (a) Except as provided in paragraph (b), the commissioner  
147.22 must not issue a permit to an applicant if the applicant is liable for delinquent sales tax.

147.23 (b) The commissioner must issue a permit to an applicant if an appeal period of an order  
147.24 assessing sales tax under section 270C.33, subdivision 5, has not ended. The commissioner  
147.25 may cancel a permit issued under this paragraph in the manner provided in subdivision 4  
147.26 if the applicant owes delinquent sales tax after the appeal period has ended.

147.27 **Subd. 4. Nonconforming permits; cancellation; reissue.** (a) If the commissioner issues  
147.28 a permit that does not conform with the requirements of this section or applicable rules, the  
147.29 commissioner may cancel the permit upon notice to the permit holder. The notice must be  
147.30 served by first class and certified mail at the permit holder's last known address. The  
147.31 cancellation is effective immediately.

148.1 (b) If a permit holder shows that a canceled permit was issued in conformance with the  
148.2 requirements of this section and applicable rules, the commissioner must reissue the permit.

148.3 **EFFECTIVE DATE.** This section is effective for permit applications filed after  
148.4 December 31, 2018.

148.5 Sec. 3. Minnesota Statutes 2016, section 297A.85, is amended to read:

148.6 **297A.85 CANCELLATION OF PERMITS.**

148.7 The commissioner may cancel a permit if one of the following conditions occurs:

148.8 (1) the permit holder has not filed a sales or use tax return for at least one year;

148.9 (2) the permit holder has not reported any sales or use tax liability on the permit holder's  
148.10 returns for at least two years;

148.11 (3) the permit holder requests cancellation of the permit; ~~or~~

148.12 (4) the permit is subject to cancellation ~~pursuant to~~ under section 270C.722, subdivision  
148.13 2, paragraph (a); or

148.14 (5) the permit is subject to cancellation under section 297A.84.

148.15 **EFFECTIVE DATE.** This section is effective for permit applications filed after  
148.16 December 31, 2018.

148.17 **ARTICLE 9**

148.18 **DEPARTMENT OF REVENUE ASSESSMENT AUTHORITY**

148.19 Section 1. Minnesota Statutes 2017 Supplement, section 270C.445, subdivision 6, is  
148.20 amended to read:

148.21 Subd. 6. **Enforcement; administrative order; penalties; cease and desist.** (a) The  
148.22 commissioner may impose an administrative penalty of not more than \$1,000 per violation  
148.23 of subdivision 3 or 5, or section 270C.4451, provided that a penalty may not be imposed  
148.24 for any conduct for which a tax preparer penalty is imposed under section 289A.60,  
148.25 subdivision 13. The commissioner may terminate a tax preparer's authority to transmit  
148.26 returns electronically to the state, if the commissioner determines the tax preparer engaged  
148.27 in a pattern and practice of violating this section. Imposition of a penalty under this paragraph  
148.28 is subject to the contested case procedure under chapter 14. The commissioner shall collect  
148.29 the penalty in the same manner as the income tax. There is no right to make a claim for  
148.30 refund under section 289A.50 of the penalty imposed under this paragraph. Penalties imposed  
148.31 under this paragraph are public data.

149.1 (b) In addition to the penalty under paragraph (a), if the commissioner determines that  
149.2 a tax preparer has violated subdivision 3 or 5, or section 270C.4451, the commissioner may  
149.3 issue an administrative order to the tax preparer requiring the tax preparer to cease and  
149.4 desist from committing the violation. The administrative order may include an administrative  
149.5 penalty provided in paragraph (a).

149.6 (c) If the commissioner issues an administrative order under paragraph (b), the  
149.7 commissioner must send the order to the tax preparer addressed to the last known address  
149.8 of the tax preparer.

149.9 (d) A cease and desist order under paragraph (b) must:

149.10 (1) describe the act, conduct, or practice committed and include a reference to the law  
149.11 that the act, conduct, or practice violates; and

149.12 (2) provide notice that the tax preparer may request a hearing as provided in this  
149.13 subdivision.

149.14 (e) Within 30 days after the commissioner issues an administrative order under paragraph  
149.15 (b), the tax preparer may request a hearing to review the commissioner's action. The request  
149.16 for hearing must be made in writing and must be served on the commissioner at the address  
149.17 specified in the order. The hearing request must specifically state the reasons for seeking  
149.18 review of the order. The date on which a request for hearing is served by mail is the postmark  
149.19 date on the envelope in which the request for hearing is mailed.

149.20 (f) If a tax preparer does not timely request a hearing regarding an administrative order  
149.21 issued under paragraph (b), the order becomes a final order of the commissioner and is not  
149.22 subject to review by any court or agency.

149.23 (g) If a tax preparer timely requests a hearing regarding an administrative order issued  
149.24 under paragraph (b), the hearing must be commenced within ten days after the commissioner  
149.25 receives the request for a hearing.

149.26 (h) A hearing timely requested under paragraph (e) is subject to the contested case  
149.27 procedure under chapter 14, as modified by this subdivision. The administrative law judge  
149.28 must issue a report containing findings of fact, conclusions of law, and a recommended  
149.29 order within ten days after the completion of the hearing, the receipt of late-filed exhibits,  
149.30 or the submission of written arguments, whichever is later.

149.31 (i) Within five days of the date of the administrative law judge's report issued under  
149.32 paragraph (h), any party aggrieved by the administrative law judge's report may submit  
149.33 written exceptions and arguments to the commissioner. Within 15 days after receiving the

150.1 administrative law judge's report, the commissioner must issue an order vacating, modifying,  
150.2 or making final the administrative order.

150.3 (j) The commissioner and the tax preparer requesting a hearing may by agreement  
150.4 lengthen any time periods prescribed in paragraphs (g) to (i).

150.5 (k) An administrative order issued under paragraph (b) is in effect until it is modified  
150.6 or vacated by the commissioner or an appellate court. The administrative hearing provided  
150.7 by paragraphs (e) to (i) and any appellate judicial review as provided in chapter 14 constitute  
150.8 the exclusive remedy for a tax preparer aggrieved by the order.

150.9 (l) The commissioner may impose an administrative penalty, in addition to the penalty  
150.10 under paragraph (a), up to \$5,000 per violation of a cease and desist order issued under  
150.11 paragraph (b). Imposition of a penalty under this paragraph is subject to the contested case  
150.12 procedure under chapter 14. Within 30 days after the commissioner imposes a penalty under  
150.13 this paragraph, the tax preparer assessed the penalty may request a hearing to review the  
150.14 penalty order. The request for hearing must be made in writing and must be served on the  
150.15 commissioner at the address specified in the order. The hearing request must specifically  
150.16 state the reasons for seeking review of the order. The cease and desist order issued under  
150.17 paragraph (b) is not subject to review in a proceeding to challenge the penalty order under  
150.18 this paragraph. The date on which a request for hearing is served by mail is the postmark  
150.19 date on the envelope in which the request for hearing is mailed. If the tax preparer does not  
150.20 timely request a hearing, the penalty order becomes a final order of the commissioner and  
150.21 is not subject to review by any court or agency. A penalty imposed by the commissioner  
150.22 under this paragraph may be collected and enforced by the commissioner as an income tax  
150.23 liability. There is no right to make a claim for refund under section 289A.50 of the penalty  
150.24 imposed under this paragraph. A penalty imposed under this paragraph is public data.

150.25 (m) If a tax preparer violates a cease and desist order issued under paragraph (b), the  
150.26 commissioner may terminate the tax preparer's authority to transmit returns electronically  
150.27 to the state. Termination under this paragraph is public data.

150.28 (n) A cease and desist order issued under paragraph (b) is public data when it is a final  
150.29 order.

150.30 (o) Notwithstanding any other law, the commissioner may impose a penalty or take other  
150.31 action under this subdivision against a tax preparer, with respect to a return, within the  
150.32 period to assess tax on that return as provided by ~~section~~ sections 289A.38 to 289A.384.

151.1 (p) Notwithstanding any other law, the imposition of a penalty or any other action against  
151.2 a tax preparer under this subdivision, other than with respect to a return, must be taken by  
151.3 the commissioner within five years of the violation of statute.

151.4 **EFFECTIVE DATE.** This section is effective for tax years beginning after December  
151.5 31, 2017.

151.6 Sec. 2. Minnesota Statutes 2017 Supplement, section 289A.37, subdivision 2, is amended  
151.7 to read:

151.8 Subd. 2. **Erroneous refunds.** (a) Except as provided in paragraph (b), an erroneous  
151.9 refund occurs when the commissioner issues a payment to a person that exceeds the amount  
151.10 the person is entitled to receive under law. An erroneous refund is considered an  
151.11 underpayment of tax on the date issued.

151.12 (b) To the extent that the amount paid does not exceed the amount claimed by the  
151.13 taxpayer, an erroneous refund does not include the following:

151.14 (1) any amount of a refund or credit paid pursuant to a claim for refund filed by a  
151.15 taxpayer, including but not limited to refunds of claims made under section 290.06,  
151.16 subdivision 23; 290.067; 290.0671; 290.0672; 290.0674; 290.0675; 290.0677; 290.068;  
151.17 290.0681; or 290.0692; or chapter 290A; or

151.18 (2) any amount paid pursuant to a claim for refund of an overpayment of tax filed by a  
151.19 taxpayer.

151.20 (c) The commissioner may make an assessment to recover an erroneous refund at any  
151.21 time within two years from the issuance of the erroneous refund. If all or part of the erroneous  
151.22 refund was induced by fraud or misrepresentation of a material fact, the assessment may  
151.23 be made at any time.

151.24 (d) Assessments of amounts that are not erroneous refunds under paragraph (b) must be  
151.25 conducted under ~~section~~ sections 289A.38 to 289A.384.

151.26 **EFFECTIVE DATE.** This section is effective for tax years beginning after December  
151.27 31, 2017.

151.28 Sec. 3. Minnesota Statutes 2016, section 289A.38, subdivision 10, is amended to read:

151.29 Subd. 10. **Incorrect determination of federal adjusted gross income.** Notwithstanding  
151.30 any other provision of this chapter, if a taxpayer whose net income is determined under  
151.31 section 290.01, subdivision 19, omits from income an amount that will under the Internal

152.1 Revenue Code extend the statute of limitations for the assessment of federal income taxes,  
152.2 or otherwise incorrectly determines the taxpayer's federal adjusted gross income resulting  
152.3 in adjustments by the Internal Revenue Service, then the period of assessment and  
152.4 determination of tax will be that under the Internal Revenue Code. When a change is made  
152.5 to federal income during the extended time provided under this subdivision, the provisions  
152.6 under ~~subdivisions 7 to 9~~ sections 289A.381 to 289A.384 regarding additional extensions  
152.7 apply.

152.8 **EFFECTIVE DATE.** This section is effective for tax years beginning after December  
152.9 31, 2017.

152.10 Sec. 4. **[289A.381] DEFINITIONS; FEDERAL ADJUSTMENTS.**

152.11 Subdivision 1. **Definitions relating to federal adjustments.** Unless otherwise specified,  
152.12 the definitions in this section apply for the purposes of sections 289A.381 to 289A.385.

152.13 Subd. 2. **Administrative adjustment request.** "Administrative adjustment request"  
152.14 means an administrative adjustment request filed by a partnership under section 6227 of  
152.15 the Internal Revenue Code.

152.16 Subd. 3. **Federal adjustment.** "Federal adjustment" means any change in an amount  
152.17 calculated under the Internal Revenue Code, whether to income, gross estate, a credit, an  
152.18 item of preference, or any other item that is used by a taxpayer to compute a tax administered  
152.19 under this chapter for the reviewed year whether that change results from action by the  
152.20 Internal Revenue Service or other competent authority, including a partnership-level audit,  
152.21 or the filing of an amended federal return, federal refund claim, or an administrative  
152.22 adjustment request by the taxpayer.

152.23 Subd. 4. **Federal adjustments report.** "Federal adjustments report" includes a method  
152.24 or form prescribed by the commissioner for use by a taxpayer to report federal adjustments,  
152.25 including an amended Minnesota tax return or a uniform multistate report.

152.26 Subd. 5. **Final determination date.** (a) "Final determination date" means:

152.27 (1) for a federal adjustment arising from an audit by the Internal Revenue Service or  
152.28 other competent authority, the first day on which no federal adjustment arising from that  
152.29 audit remains to be finally determined, whether by agreement, or, if appealed or contested,  
152.30 by a final decision with respect to which all rights of appeal have been waived or exhausted;

152.31 (2) for a federal adjustment arising from the filing of an amended federal return, a federal  
152.32 refund claim, or the filing by a partnership of an administrative adjustment request, the day  
152.33 which the amended return, refund claim, or administrative adjustment request was filed; or



153.1 (3) for agreements required to be signed by the Internal Revenue Service and the taxpayer,  
153.2 the date on which the last party signed the agreement.

153.3 Subd. 6. **Final federal adjustment.** "Final federal adjustment" means a federal adjustment  
153.4 for which the final determination date for that federal adjustment has passed.

153.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
153.6 31, 2017.

153.7 Sec. 5. **[289A.382] REPORTING FEDERAL ADJUSTMENTS; GENERAL RULE.**

153.8 (a) Within 180 days of a final determination date, a taxpayer must file a federal adjustment  
153.9 report with the commissioner reporting all final federal adjustments by the Internal Revenue  
153.10 Service or other competent authority.

153.11 (b) Within 180 days of a final determination date, a taxpayer must file a federal adjustment  
153.12 report with the commissioner reporting any federal adjustments reported by the taxpayer  
153.13 to the Internal Revenue Service, including but not limited to:

153.14 (1) federal refund claims;

153.15 (2) a change reported on a timely filed amended federal income tax return; and

153.16 (3) a change reported on an amended return filed pursuant to section 6225(c) of the  
153.17 Internal Revenue Code.

153.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
153.19 31, 2017.

153.20 Sec. 6. **[289A.384] ASSESSMENT OF TAX, INTEREST, PENALTIES, AND**  
153.21 **ADDITIONAL AMOUNTS.**

153.22 Subdivision 1. **Assessment of additional tax, interest, and penalties.** The commissioner  
153.23 may assess, in accordance with subdivisions 2 and 3, additional tax, interest, and penalties  
153.24 following a final federal adjustment:

153.25 (1) arising from an audit by the Internal Revenue Service, including a partnership-level  
153.26 audit;

153.27 (2) reported by the taxpayer on an amended federal tax return; or

153.28 (3) as part of an administrative adjustment request on or before the dates provided in  
153.29 this section.

154.1 Subd. 2. **Timely and untimely reported federal adjustments.** If a taxpayer files a  
154.2 federal adjustment report, within or after the periods prescribed in section 289A.382, the  
154.3 commissioner may assess additional Minnesota amounts related to the federal adjustments  
154.4 including in-lieu-of amounts, taxes, interest, and penalties at the later of:

154.5 (1) the expiration of the period of limitations in section 289A.38; or

154.6 (2) the expiration of the one-year period following the date of the filing with the  
154.7 commissioner of the federal adjustments report.

154.8 Subd. 3. **Unreported reported federal adjustments.** If the taxpayer fails to file a federal  
154.9 adjustments report, the commissioner may assess additional amounts related to the federal  
154.10 adjustments including in-lieu-of amounts, taxes, penalties, and interest, at the later of:

154.11 (1) the expiration of the period of limitations in section 289A.38; or

154.12 (2) the expiration of the six-year period following the final determination date.

154.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
154.14 31, 2017.

154.15 Sec. 7. **[289A.385] CLAIMS FOR REFUND OR CREDITS OF STATE TAX**  
154.16 **ARISING FROM FINAL FEDERAL ADJUSTMENTS MADE BY THE INTERNAL**  
154.17 **REVENUE SERVICE.**

154.18 Notwithstanding the general period of limitations on claims for refund in section 289A.40,  
154.19 taxpayers subject to the reporting requirements of section 289A.382 may file claims for  
154.20 refund related to federal adjustments made by the Internal Revenue Service on or before  
154.21 the last day for the assessment of tax under section 289A.384.

154.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
154.23 31, 2017.

154.24 Sec. 8. Minnesota Statutes 2016, section 289A.42, is amended to read:

154.25 **289A.42 CONSENT TO EXTEND STATUTE.**

154.26 Subdivision 1. **Extension agreement.** If before the expiration of time prescribed in  
154.27 sections 289A.38 to 289A.384 and 289A.40 for the assessment of tax or the filing of a claim  
154.28 for refund, both the commissioner and the taxpayer have consented in writing to the  
154.29 assessment or filing of a claim for refund after that time, the tax may be assessed or the  
154.30 claim for refund filed at any time before the expiration of the agreed-upon period. The  
154.31 period may be extended by later agreements in writing before the expiration of the period

155.1 previously agreed upon. The taxpayer and the commissioner may also agree to extend the  
155.2 period for collection of the tax.

155.3 Subd. 2. **Federal extensions.** When a taxpayer consents to an extension of time for the  
155.4 assessment of federal withholding or income taxes, the period in which the commissioner  
155.5 may recompute the tax is also extended, notwithstanding any period of limitations to the  
155.6 contrary, as follows:

155.7 (1) for the periods provided in section ~~289A.38, subdivisions 8 and 9;~~ 289A.384,  
155.8 subdivisions 2 and 3.

155.9 (2) ~~for six months following the expiration of the extended federal period of limitations~~  
155.10 ~~when no change is made by the federal authority. If no change is made by the federal~~  
155.11 ~~authority, and, but for this subdivision, the commissioner's time period to adjust the tax has~~  
155.12 ~~expired, and if the commissioner has completed a field audit of the taxpayer, no additional~~  
155.13 ~~changes resulting in additional tax due or a refund may be made. For purposes of this~~  
155.14 ~~subdivision, "field audit" has the meaning given it in section 289A.38, subdivision 9.~~

155.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
155.16 31, 2017.

155.17 Sec. 9. Minnesota Statutes 2016, section 289A.60, subdivision 24, is amended to read:

155.18 Subd. 24. **Penalty for failure to notify of federal change.** If a person fails to report to  
155.19 the commissioner a change or correction of the person's federal return in the manner and  
155.20 time prescribed in section ~~289A.38, subdivision 7~~ 289A.382, there must be added to the tax  
155.21 an amount equal to ten percent of the amount of any underpayment of Minnesota tax  
155.22 attributable to the federal change.

155.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
155.24 31, 2017.

155.25 Sec. 10. Minnesota Statutes 2016, section 297F.17, subdivision 6, is amended to read:

155.26 Subd. 6. **Time limit for bad debt refund.** Claims for refund must be filed with the  
155.27 commissioner during the one-year period beginning with the timely filing of the taxpayer's  
155.28 federal income tax return containing the bad debt deduction that is being claimed. Claimants  
155.29 under this subdivision are subject to the notice requirements of section ~~289A.38, subdivision~~  
155.30 ~~7~~ 289A.382.

155.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
155.32 31, 2017.

156.1 Sec. 11. Minnesota Statutes 2016, section 297G.16, subdivision 7, is amended to read:

156.2 Subd. 7. **Time limit for a bad debt deduction.** Claims for refund must be filed with  
156.3 the commissioner within one year of the filing of the taxpayer's income tax return containing  
156.4 the bad debt deduction that is being claimed. Claimants under this subdivision are subject  
156.5 to the notice requirements of section ~~289A.38, subdivision 7~~ 298A.382.

156.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
156.7 31, 2017.

156.8 Sec. 12. **REPEALER.**

156.9 Minnesota Statutes 2016, section 289A.38, subdivisions 7, 8, and 9, are repealed.

156.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
156.11 31, 2017.

## 156.12 **ARTICLE 10**

### 156.13 **DEPARTMENT OF REVENUE; INDIVIDUAL INCOME AND CORPORATE** 156.14 **FRANCHISE TAXES; TECHNICAL CHANGES**

156.15 Section 1. Minnesota Statutes 2017 Supplement, section 290.0137, is amended to read:

#### 156.16 **290.0137 ACCELERATED RECOGNITION OF CERTAIN INSTALLMENT** 156.17 **SALE GAINS.**

156.18 (a) In the case of a nonresident individual or a person who becomes a nonresident  
156.19 individual during the tax year, taxable net income shall include the ~~allocable~~ amount realized  
156.20 upon a sale of the assets of, or any interest in, an S corporation or partnership that operated  
156.21 in Minnesota during the year of sale, including any income or gain to be recognized in future  
156.22 years pursuant to an installment sale method of reporting under the Internal Revenue Code.

156.23 (1) For the purposes of this paragraph, an individual who becomes a nonresident of  
156.24 Minnesota in any year after an installment sale is required to recognize the full amount of  
156.25 any income or gain described in this paragraph on the individual's final Minnesota resident  
156.26 tax return to the extent that such income has not been recognized in a prior year.

156.27 (2) For the purposes of this section, "realized" has the meaning given in section 1001(b)  
156.28 of the Internal Revenue Code.

156.29 (3) For the purposes of this section, "installment sale" means any installment sale under  
156.30 section 453 of the Internal Revenue Code and any other sale that is reported utilizing a

157.1 method of accounting authorized under subchapter E of the Internal Revenue Code that  
157.2 allows taxpayers to delay reporting or recognizing a realized gain until a future year.

157.3 ~~(4) For the purposes of this section, "allocable amount" means the full amount to be~~  
157.4 ~~apportioned to Minnesota under section 290.191 or 290.20, or the full amount to be assigned~~  
157.5 ~~to Minnesota under section 290.17.~~

157.6 (b) Notwithstanding paragraph (a), nonresident taxpayers may elect to defer recognizing  
157.7 unrecognized installment sale gains by making an election under this paragraph. The election  
157.8 must be filed on a form to be determined or prescribed by the commissioner and must be  
157.9 filed by the due date of the individual income tax return, including any extension. Electing  
157.10 taxpayers must make an irrevocable agreement to:

157.11 (1) file Minnesota tax returns in all subsequent years when gains from the installment  
157.12 sales are recognized and reported to the Internal Revenue Service;

157.13 (2) allocate gains to the state of Minnesota as though the gains were realized in the year  
157.14 of sale under section 290.17, 290.191, or 290.20; and

157.15 (3) include all relevant federal tax documents reporting the installment sale with  
157.16 subsequent Minnesota tax returns.

157.17 (c) Income or gain recognized for Minnesota purposes pursuant to paragraph (a) must  
157.18 be excluded from taxable net income in any future year that the taxpayer files a Minnesota  
157.19 tax return to the extent that the income or gain has already been subject to tax pursuant to  
157.20 paragraph (a).

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

157.22 Sec. 2. Minnesota Statutes 2016, section 290.06, subdivision 2c, is amended to read:

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

157.27 (1) On the first \$35,480, 5.35 percent;

157.28 (2) On all over \$35,480, but not over \$140,960, 7.05 percent;

157.29 (3) On all over \$140,960, but not over \$250,000, 7.85 percent;

157.30 (4) On all over \$250,000, 9.85 percent.

158.1 Married individuals filing separate returns, estates, and trusts must compute their income  
158.2 tax by applying the above rates to their taxable income, except that the income brackets  
158.3 will be one-half of the above amounts after the adjustment required in subdivision 2d.

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

158.6 (1) On the first \$24,270, 5.35 percent;

158.7 (2) On all over \$24,270, but not over \$79,730, 7.05 percent;

158.8 (3) On all over \$79,730, but not over \$150,000, 7.85 percent;

158.9 (4) On all over \$150,000, 9.85 percent.

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

158.13 (1) On the first \$29,880, 5.35 percent;

158.14 (2) On all over \$29,880, but not over \$120,070, 7.05 percent;

158.15 (3) On all over \$120,070, but not over \$200,000, 7.85 percent;

158.16 (4) On all over \$200,000, 9.85 percent.

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

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

158.28 (1) the numerator is the individual's Minnesota source federal adjusted gross income as  
158.29 defined in section 62 of the Internal Revenue Code and increased by:

158.30 (i) the additions required under ~~section~~ sections 290.0131, subdivisions 2 and 6 to 11,  
158.31 and 290.0137, paragraph (a); and reduced by

159.1 (ii) the Minnesota assignable portion of the subtraction for United States government  
159.2 interest under section 290.0132, subdivision 2, ~~and~~ the subtractions under ~~section~~ sections  
159.3 290.0132, subdivisions 9, 10, 14, 15, 17, and 18, and 290.0137, paragraph (c), after applying  
159.4 the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

159.5 (2) the denominator is the individual's federal adjusted gross income as defined in section  
159.6 62 of the Internal Revenue Code, increased by:

159.7 (i) ~~the amounts specified in section~~ additions required under sections 290.0131,  
159.8 subdivisions 2 and 6 to 11, and 290.0137, paragraph (a); and reduced by

159.9 (ii) ~~the amounts specified in section~~ subtractions under sections 290.0132, subdivisions  
159.10 2, 9, 10, 14, 15, 17, and 18, and 290.0137, paragraph (c).

159.11 **EFFECTIVE DATE.** The amendment to paragraph (a) is effective for taxable years  
159.12 beginning after December 31, 2017. The amendment to paragraph (e) is effective the day  
159.13 following final enactment.

159.14 Sec. 3. Minnesota Statutes 2016, section 290.06, subdivision 2d, is amended to read:

159.15 Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after  
159.16 December 31, 2013, the minimum and maximum dollar amounts for each rate bracket for  
159.17 which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage  
159.18 determined under paragraph (b). For the purpose of making the adjustment as provided in  
159.19 this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets  
159.20 as they existed for taxable years beginning after December 31, 2012, and before January 1,  
159.21 2014. The rate applicable to any rate bracket must not be changed. The dollar amounts  
159.22 setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate  
159.23 brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in  
159.24 \$5, it must be rounded up to the nearest \$10 amount.

159.25 (b) The commissioner shall adjust the rate brackets and by the percentage determined  
159.26 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section  
159.27 1(f)(3)(B) the word "2012" shall be substituted for the word "1992." For 2014, the  
159.28 commissioner shall then determine the percent change from the 12 months ending on August  
159.29 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from  
159.30 the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the  
159.31 year preceding the taxable year. The commissioner shall determine the rate bracket for  
159.32 married filing separate returns after this adjustment is done. The rate bracket for married  
159.33 filing separate must be one-half of the rate bracket for married filing joint. The determination

160.1 of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall  
160.2 not be subject to the Administrative Procedure Act contained in chapter 14.

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

160.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
160.6 31, 2017.

160.7 Sec. 4. Minnesota Statutes 2016, section 290.92, subdivision 28, is amended to read:

160.8 Subd. 28. **Payments to horse racing license holders.** Effective with payments made  
160.9 after April 1, 1988, any holder of a license issued by the Minnesota Racing Commission  
160.10 who makes a payment for personal or professional services to a holder of a class C license  
160.11 issued by the commission, except an amount paid as a purse, shall deduct from the payment  
160.12 and withhold 6.25 percent of the amount as Minnesota withholding tax when the amount  
160.13 paid to that individual by the same person during the calendar year exceeds \$600. For  
160.14 purposes of the provisions of this section, a payment to any person which is subject to  
160.15 withholding under this subdivision must be treated as if the payment was a wage paid by  
160.16 an employer to an employee. Every individual who is to receive a payment which is subject  
160.17 to withholding under this subdivision shall furnish the license holder with a statement, made  
160.18 under the penalties of perjury, containing the name, address, and Social Security account  
160.19 number of the person receiving the payment. No withholding is required if the individual  
160.20 presents a signed certificate from the individual's employer which states that the individual  
160.21 is an employee of that employer. A nonresident individual who holds a class C license must  
160.22 be treated as an athlete for purposes of applying the provisions of subdivision 4a and section  
160.23 290.17, subdivision 2~~(1)(b)~~(ii)(a)(2)(ii).

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

160.25 Sec. 5. Minnesota Statutes 2017 Supplement, section 462D.03, subdivision 2, is amended  
160.26 to read:

160.27 Subd. 2. **Designation of qualified beneficiary.** (a) The account holder must designate  
160.28 a first-time home buyer as the qualified beneficiary of the account ~~by April 15 of the year~~  
160.29 in a form and manner prescribed by the commissioner following the taxable year in which  
160.30 the account was established. The account holder may be the qualified beneficiary. The  
160.31 account holder may change the designated qualified beneficiary at any time, but no more  
160.32 than one qualified beneficiary may be designated for an account at any one time. For purposes  
160.33 of the one beneficiary restriction, a married couple qualifies as one beneficiary. Changing



161.1 the designated qualified beneficiary of an account does not affect computation of the ten-year  
161.2 period under section 462D.06, subdivision 2.

161.3 (b) The commissioner shall establish a process for account holders to notify the state  
161.4 that permits recording of the account, the account holder or holders, any transfers under  
161.5 section 462D.04, subdivision 2, and the designated qualified beneficiary for each account.  
161.6 This may be done upon filing the account holder's income tax return or in any other way  
161.7 the commissioner determines to be appropriate.

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

## 161.9 **ARTICLE 11**

### 161.10 **DEPARTMENT OF REVENUE; SALES AND USE TAXES; TECHNICAL CHANGES**

161.11 Section 1. Minnesota Statutes 2016, section 297A.68, subdivision 17, is amended to read:

161.12 Subd. 17. **Ships used in interstate commerce; other vessels.** Repair, replacement, and  
161.13 rebuilding parts and materials, and lubricants, for the following are exempt:

161.14 (1) ships or vessels used or to be used principally in interstate or foreign commerce ~~are~~  
161.15 ~~exempt;~~ and

161.16 (2) vessels with a gross registered tonnage of at least 3,000 tons ~~are exempt.~~

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

161.18 Sec. 2. Minnesota Statutes 2016, section 297A.68, subdivision 44, is amended to read:

161.19 Subd. 44. **Greater Minnesota business expansions.** (a) Purchases and use of tangible  
161.20 personal property or taxable services by a qualified business, ~~as defined in section 116J.8738,~~  
161.21 are exempt if:

161.22 (1) the commissioner of employment and economic development certifies to the  
161.23 commissioner of revenue, in a format approved by the commissioner of revenue, that the  
161.24 qualified business meets the requirements under section 116J.8738;

161.25 (2) the business subsidy agreement provides that the exemption under this subdivision  
161.26 applies;

161.27 ~~(2)~~ (3) the property or services are primarily used or consumed at the facility in greater  
161.28 Minnesota identified in the business subsidy agreement; and

162.1 ~~(3)~~ (4) the purchase was made and delivery received during the duration of the  
162.2 ~~certification of the business as a qualified business under section 116J.8738~~ business subsidy  
162.3 agreement.

162.4 (b) Purchase and use of construction materials and supplies used or consumed in, and  
162.5 equipment incorporated into, the construction of improvements to real property in greater  
162.6 Minnesota are exempt if the improvements after completion of construction are to be used  
162.7 in the conduct of the trade or business of the qualified business, ~~as defined in section~~  
162.8 ~~116J.8738~~ and the commissioner of employment and economic development certifies to  
162.9 the commissioner of revenue, in a format approved by the commissioner of revenue, that  
162.10 the qualified business meets the requirements under section 116J.8738. This exemption  
162.11 applies regardless of whether the purchases are made by the business or a contractor.

162.12 (c) The exemptions under this subdivision apply to a local sales and use tax.

162.13 (d) The tax on purchases imposed under this subdivision must be imposed and collected  
162.14 as if the rate under section 297A.62 applied, and then refunded in the manner provided in  
162.15 section 297A.75. The total amount refunded for a facility over the certification period is  
162.16 limited to the amount listed in the business subsidy agreement. No more than \$7,000,000  
162.17 may be refunded in a fiscal year for all purchases under this subdivision. Refunds must be  
162.18 allocated on a first-come, first-served basis. If more than \$7,000,000 of eligible claims are  
162.19 made in a fiscal year, claims by qualified businesses carry over to the next fiscal year, and  
162.20 the commissioner of revenue must first allocate refunds to qualified businesses eligible for  
162.21 a refund in the preceding fiscal year. Any portion of the balance of funds allocated for  
162.22 refunds under this paragraph does not cancel and shall be carried forward to and available  
162.23 for refunds in subsequent fiscal years. Notwithstanding section 297A.75, subdivision 4, for  
162.24 an eligible refund claim that carries over to a subsequent fiscal year, the interest on the  
162.25 amount carried over must be paid on the refund no sooner than from 90 days after July 1  
162.26 of the fiscal year in which funds are available for the eligible claim.

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

162.28 Sec. 3. Minnesota Statutes 2016, section 297A.71, subdivision 45, is amended to read:

162.29 Subd. 45. **Biopharmaceutical manufacturing facility.** (a) Materials and supplies used  
162.30 or consumed in, capital equipment incorporated into, and privately owned infrastructure in  
162.31 support of the construction, improvement, or expansion of a biopharmaceutical manufacturing  
162.32 facility in the state are exempt if the commissioner of employment and economic  
162.33 development certifies to the commissioner of revenue that the following criteria are met:

- 163.1 (1) the facility is used for the manufacturing of biologics;
- 163.2 (2) the total capital investment made at the facility exceeds \$50,000,000; and
- 163.3 (3) the facility creates and maintains at least 190 full-time equivalent positions at the
- 163.4 facility. These positions must be new jobs in Minnesota and not the result of relocating jobs
- 163.5 that currently exist in Minnesota.

163.6 (b) The tax must be imposed and collected as if the rate under section 297A.62 applied,

163.7 and refunded in the manner provided in section 297A.75.

163.8 (c) To be eligible for a refund, the owner of the biopharmaceutical manufacturing facility

163.9 must:

163.10 (1) initially apply to the ~~Department~~ commissioner of employment and economic

163.11 development for certification no later than one year from the final completion date of

163.12 construction, improvement, or expansion of the facility; and

163.13 (2) for each year that the owner of the biopharmaceutical manufacturing facility applies

163.14 for a refund, the ~~owner~~ commissioner must have received written certification from the

163.15 ~~Department~~ commissioner of employment and economic development that the facility has

163.16 met the criteria of paragraph (a).

163.17 (d) The refund is to be paid annually at a rate of 25 percent of the total allowable refund

163.18 payable to date, with the commissioner making annual payments of the remaining refund

163.19 until all of the refund has been paid.

163.20 (e) For purposes of this subdivision, "biopharmaceutical" and "biologics" are

163.21 interchangeable and mean medical drugs or medicinal preparations produced using

163.22 technology that uses biological systems, living organisms, or derivatives of living organisms

163.23 to make or modify products or processes for specific use. The medical drugs or medicinal

163.24 preparations include but are not limited to proteins, antibodies, nucleic acids, and vaccines.

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

163.26 Sec. 4. Minnesota Statutes 2016, section 297A.77, is amended by adding a subdivision to

163.27 read:

163.28 **Subd. 5. Records must be kept.** Every person liable for any tax imposed by this chapter,

163.29 or for the collection thereof, shall keep such records, render such statements, make such

163.30 returns, and comply with such rules, as the commissioner may from time to time prescribe.

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

164.1

**ARTICLE 12**

164.2

**DEPARTMENT OF REVENUE; TOBACCO TAXES; TECHNICAL CHANGES**

164.3

Section 1. Minnesota Statutes 2016, section 297F.01, subdivision 19, is amended to read:

164.4

Subd. 19. **Tobacco products.** (a) "Tobacco products" means any product containing,

164.5

made, or derived from tobacco that is intended for human consumption, whether chewed,

164.6

smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, or

164.7

any component, part, or accessory of a tobacco product, including, but not limited to, cigars;

164.8

cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking

164.9

tobacco; snuff; snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing

164.10

tobacco; shorts; refuse scraps, clippings, cuttings and sweepings of tobacco, and other kinds

164.11

and forms of tobacco; but does not include cigarettes as defined in this section. Tobacco

164.12

products includes vapor products. Tobacco products excludes any tobacco product that has

164.13

been approved by the United States Food and Drug Administration for sale as a tobacco

164.14

cessation product, as a tobacco dependence product, or for other medical purposes, and is

164.15

being marketed and sold solely for such an approved purpose.

164.16

(b) Except for the imposition of tax under section 297F.05, subdivisions 3 and 4, tobacco

164.17

products includes a premium cigar, as defined in subdivision 13a.

164.18

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

164.19

Sec. 2. Minnesota Statutes 2016, section 297F.01, is amended by adding a subdivision to

164.20

read:

164.21

Subd. 22b. **Vapor products.** (a) "Vapor products" means any cartridge, bottle, or other

164.22

package that contains nicotine made or derived from tobacco, that is in a solution that is

164.23

consumed, or meant to be consumed, through the use of a heating element, power source,

164.24

electronic circuit, or other electronic, chemical, or mechanical means that produces vapor

164.25

from the nicotine. This paragraph expires December 31, 2018.

164.26

(b) Beginning January 1, 2019, "vapor products" means any cartridge, bottle, or other

164.27

package that contains nicotine, including nicotine produced from sources other than tobacco,

164.28

that is in a solution that is consumed, or meant to be consumed, through the use of a heating

164.29

element, power source, electronic circuit, or other electronic, chemical, or mechanical means

164.30

that produces vapor from the nicotine.

164.31

(c) Vapor products includes any electronic cigarette, electronic cigar, electronic cigarillo,

164.32

electronic pipe, or similar product or device, and any batteries, heating elements, or other

165.1 components, parts, or accessories sold with and meant to be used in the consumption of the  
165.2 nicotine solution.

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

165.4 Sec. 3. Minnesota Statutes 2016, section 297F.01, subdivision 23, is amended to read:

165.5 Subd. 23. **Wholesale sales price.** "Wholesale sales price" means the price at which a  
165.6 distributor purchases a tobacco product. Wholesale sales price includes the applicable federal  
165.7 excise tax, freight charges, or packaging costs, regardless of whether they were included in  
165.8 the purchase price. Wholesale sales price of a vapor product does not include the cost of a  
165.9 product, device, component, part, or accessory described in subdivision 22b that is sold  
165.10 with a nicotine solution if the distributor sells the cartridge of nicotine solution separately  
165.11 and can isolate the cost of the product, device, component, part, or accessory.

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

### 165.13 **ARTICLE 13**

#### 165.14 **DEPARTMENT OF REVENUE; PROPERTY TAXES; TECHNICAL CHANGES**

165.15 Section 1. Minnesota Statutes 2016, section 270C.85, subdivision 2, is amended to read:

165.16 Subd. 2. **Powers and duties.** The commissioner shall have and exercise the following  
165.17 powers and duties in administering the property tax laws:;

165.18 ~~(a)~~ (1) confer with, advise, and give the necessary instructions and directions to local  
165.19 assessors and local boards of review throughout the state as to their duties under the laws  
165.20 of the state;;

165.21 ~~(b)~~ (2) direct proceedings, actions, and prosecutions to be instituted to enforce the laws  
165.22 relating to the liability and punishment of public officers and officers and agents of  
165.23 corporations for failure or negligence to comply with the provisions of the property tax  
165.24 laws, and cause complaints to be made against local assessors, members of boards of  
165.25 equalization, members of boards of review, or any other assessing or taxing officer, to the  
165.26 proper authority, for their removal from office for misconduct or negligence of duty;;

165.27 ~~(c)~~ (3) require county attorneys to assist in the commencement of prosecutions in actions  
165.28 or proceedings for removal, forfeiture, and punishment, for violation of the property tax  
165.29 laws in their respective districts or counties;;

165.30 ~~(d)~~ (4) require town, city, county, and other public officers to report and certify  
165.31 information, at the parcel level or in the aggregate, as to the assessment and taxation of real

166.1 and personal property, and such other information as may be needful in the work of the  
 166.2 commissioner, in such form as the commissioner may prescribe. The commissioner shall  
 166.3 prescribe the content, format, manner, and time of filing of all required reports and  
 166.4 certifications;

166.5 ~~(e)~~ (5) transmit to the governor, on or before the third Monday in December of each  
 166.6 even-numbered year, and to each member of the legislature, on or before November 15 of  
 166.7 each even-numbered year, the report of the department for the preceding years, showing all  
 166.8 the taxable property subject to the property tax laws and the value of the same, in tabulated  
 166.9 form;

166.10 ~~(f)~~ (6) inquire into the methods of assessment and taxation and ascertain whether the  
 166.11 assessors faithfully discharge their duties; and

166.12 ~~(g)~~ (7) assist local assessors in determining the estimated market value of industrial  
 166.13 special-use property. For purposes of this ~~paragraph~~ clause, "industrial special-use property"  
 166.14 means property that:

166.15 ~~(1)~~ (i) is designed and equipped for a particular type of industry;

166.16 ~~(2)~~ (ii) is not easily adapted to some other use due to the unique nature of the facilities;

166.17 ~~(3)~~ (iii) has facilities totaling at least 75,000 square feet in size; and

166.18 ~~(4)~~ (iv) has a total estimated market value of \$10,000,000 or greater based on the  
 166.19 assessor's preliminary determination.

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

166.21 Sec. 2. Minnesota Statutes 2017 Supplement, section 270C.89, subdivision 1, is amended  
 166.22 to read:

166.23 Subdivision 1. **Initial report.** Each county assessor shall file ~~by April 1~~ with the  
 166.24 commissioner a copy of ~~the abstract~~ preliminary assessment information that the  
 166.25 commissioner may require under section 270C.85, subdivision 2, clause (4), that will be  
 166.26 acted upon by the local and county boards of review. The abstract must list the real and  
 166.27 personal property in the county itemized by assessment districts. The assessor of each county  
 166.28 in the state shall file with the commissioner, within ten working days following final action  
 166.29 of the local board of review or equalization and within five days following final action of  
 166.30 the county board of equalization, any changes made by the local or county board. ~~The~~  
 166.31 ~~information must be filed in the manner prescribed by the commissioner.~~

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

167.1 Sec. 3. Minnesota Statutes 2016, section 270C.89, subdivision 2, is amended to read:

167.2 Subd. 2. **Final report.** The final ~~abstract of assessments~~ assessment information after  
167.3 adjustments by the State Board of Equalization and inclusion of any omitted property shall  
167.4 be ~~submitted~~ reported to the commissioner ~~on or before September 1 of each calendar year~~  
167.5 under section 270C.85, subdivision 2, clause (4). ~~The final abstract must separately report~~  
167.6 ~~the captured tax capacity of tax increment financing districts under section 469.177,~~  
167.7 ~~subdivision 2, the areawide net tax capacity contribution values determined under sections~~  
167.8 ~~276A.05, subdivision 1, and 473F.07, subdivision 1, and the value subject to the power line~~  
167.9 ~~credit under section 273.42.~~

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

167.11 Sec. 4. Minnesota Statutes 2016, section 270C.91, is amended to read:

167.12 **270C.91 RECORD OF PROCEEDINGS CHANGING NET TAX CAPACITY;**  
167.13 **DUTIES OF COUNTY AUDITOR.**

167.14 A record of all proceedings of the commissioner affecting any change in the net tax  
167.15 capacity of any property, as revised by the State Board of Equalization, shall be kept by the  
167.16 commissioner and a copy thereof, duly certified, shall be mailed each year to the auditor of  
167.17 each county wherein such property is situated, on or before June 30 ~~or 30 days after~~  
167.18 ~~submission of the abstract required by section 270C.89, whichever is later.~~ This record shall  
167.19 specify the amounts or amount, or both, added to or deducted from the net tax capacity of  
167.20 the real property of each of the several towns and cities, and of the real property not in towns  
167.21 or cities, also the percent or amount of both, added to or deducted from the several classes  
167.22 of personal property in each of the towns and cities, and also the amount added to or deducted  
167.23 from the assessment of any person. The county auditor shall add to or deduct from such  
167.24 tract or lot, or portion thereof, of any real property in the county the required percent or  
167.25 amount, or both, on the net tax capacity thereof as it stood after equalized by the county  
167.26 board, adding in each case a fractional sum of 50 cents or more, and deducting in each case  
167.27 any fractional sum of less than 50 cents, so that no net tax capacity of any separate tract or  
167.28 lot shall contain any fraction of a dollar; and add to, or deduct from, the several classes of  
167.29 personal property in the county the required percent or amount, or both, on the net tax  
167.30 capacity thereof as it stood after equalized by the county board, adding or deducting in  
167.31 manner aforesaid any fractional sum so that no net tax capacity of any separate class of  
167.32 personal property shall contain a fraction of a dollar, and add to or deduct from assessment  
167.33 of any person, as they stood after equalization by the county board, the required amounts  
167.34 to agree with the assessments as returned by the commissioner.

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

168.2 Sec. 5. Minnesota Statutes 2016, section 273.061, subdivision 9, is amended to read:

168.3 Subd. 9. **Additional general duties.** Additional duties of the county assessor ~~shall be~~  
168.4 are as follows:

168.5 (1) to make all assessments, based upon the appraised values reported by the local  
168.6 assessors or assistants and the county assessor's own knowledge of the value of the property  
168.7 assessed;

168.8 (2) to personally view and determine the value of any property ~~which~~ that because of  
168.9 its type or character may be difficult for the local assessor to appraise;

168.10 (3) to make all changes ordered by the local boards of review, relative to the net tax  
168.11 capacity of the property of any individual, firm or corporation after notice has been given  
168.12 and hearings held as provided by law;

168.13 (4) to enter all assessments in the assessment books, furnished by the county auditor,  
168.14 with each book and the tabular statements for each book in correct balance;

168.15 (5) to prepare all assessment cards, charts, maps and any other forms prescribed by the  
168.16 commissioner of revenue;

168.17 (6) to attend the meeting of the county board of equalization; to investigate and report  
168.18 on any assessment ordered by said board; to enter all changes made by said board in the  
168.19 assessment books and prepare ~~the abstract of assessments for the commissioner of revenue~~  
168.20 information reported to the commissioner under section 270C.85, subdivision 2, clause (4);  
168.21 to enter all changes made by the State Board of Equalization in the assessment books; to  
168.22 deduct all exemptions authorized by law from each assessment and certify to the county  
168.23 auditor the taxable value of each parcel of land, as described and listed in the assessment  
168.24 books by the county auditor, and the taxable value of the personal property of each person,  
168.25 firm, or corporation assessed;

168.26 (7) to investigate and make recommendations relative to all applications for the abatement  
168.27 of taxes or applications for the reduction of the net tax capacity of any property; and

168.28 (8) to perform all other duties relating to the assessment of property for the purpose of  
168.29 taxation which may be required by the commissioner of revenue.

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



169.1 Sec. 6. Minnesota Statutes 2017 Supplement, section 273.0755, is amended to read:

169.2 **273.0755 TRAINING AND EDUCATION OF PROPERTY TAX PERSONNEL.**

169.3 (a) Beginning with the four-year period starting on July 1, 2000, every person licensed  
169.4 by the state Board of Assessors at the Accredited Minnesota Assessor level or higher, shall  
169.5 successfully complete a weeklong Minnesota laws course sponsored by the Department of  
169.6 Revenue at least once in every four-year period. An assessor need not attend the course if  
169.7 they successfully pass the test for the course.

169.8 (b) The commissioner of revenue may require that each county, and each city for which  
169.9 the city assessor performs the duties of county assessor, have ~~(i)~~ (1) a person on the assessor's  
169.10 staff who is certified by the Department of Revenue in sales ratio calculations, ~~(ii)~~ (2) an  
169.11 officer or employee who is certified by the Department of Revenue in tax calculations, and  
169.12 ~~(iii)~~ (3) an officer or employee who is certified by the Department of Revenue in the proper  
169.13 preparation of ~~abstracts of assessment. The commissioner of revenue may require that each~~  
169.14 ~~county have an officer or employee who is certified by the Department of Revenue in the~~  
169.15 ~~proper preparation of abstracts of tax lists~~ information reported to the commissioner under  
169.16 section 270C.85, subdivision 2, clause (4). Certifications under this paragraph expire after  
169.17 four years.

169.18 (c) Beginning with the four-year educational licensing period starting on July 1, 2004,  
169.19 every Minnesota assessor licensed by the State Board of Assessors must attend and participate  
169.20 in a seminar that focuses on ethics, professional conduct and the need for standardized  
169.21 assessment practices developed and presented by the commissioner of revenue. This  
169.22 requirement must be met at least once in every subsequent four-year period. This requirement  
169.23 applies to all assessors licensed for one year or more in the four-year period.

169.24 (d) When the commissioner of revenue determines that an individual or board that  
169.25 performs functions related to property tax administration has performed those functions in  
169.26 a manner that is not uniform or equitable, the commissioner may require that the individual  
169.27 or members of the board complete supplemental training. The commissioner may not require  
169.28 that an individual complete more than 32 hours of supplemental training pursuant to this  
169.29 paragraph. If the individual is required to complete supplemental training due to that  
169.30 individual's membership on a local or county board of appeal and equalization, the  
169.31 commissioner may not require that the individual complete more than two hours of  
169.32 supplemental training.

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

170.1 Sec. 7. Minnesota Statutes 2016, section 273.113, subdivision 3, is amended to read:

170.2 Subd. 3. **Reimbursement for lost revenue.** The county auditor shall certify to the  
170.3 commissioner of revenue, ~~as part of the abstracts of tax lists required to be filed with the~~  
170.4 ~~commissioner~~ under section ~~275.29~~ 270C.85, subdivision 2, clause (4), the amount of tax  
170.5 lost to the county from the property tax credit under subdivision 2. Any prior year adjustments  
170.6 must also be certified ~~in the abstracts of tax lists~~. The commissioner of revenue shall review  
170.7 the certifications to determine their accuracy. The commissioner may make the changes in  
170.8 the certification that are considered necessary or return a certification to the county auditor  
170.9 for corrections. The commissioner shall reimburse each taxing district, other than school  
170.10 districts, for the taxes lost. The payments must be made at the time provided in section  
170.11 473H.10 for payment to taxing jurisdictions in the same proportion that the ad valorem tax  
170.12 is distributed. Reimbursements to school districts must be made as provided in section  
170.13 273.1392. The amount necessary to make the reimbursements under this section is annually  
170.14 appropriated from the general fund to the commissioner of revenue.

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

170.16 Sec. 8. Minnesota Statutes 2016, section 273.119, subdivision 2, is amended to read:

170.17 Subd. 2. **Reimbursement for lost revenue.** The county may transfer money from the  
170.18 county conservation account created in section 40A.152 to the county revenue fund to  
170.19 reimburse the fund for the cost of the property tax credit. The county auditor shall certify  
170.20 to the commissioner of revenue, ~~as part of the abstracts of tax lists required to be filed with~~  
170.21 ~~the commissioner~~ under section ~~275.29~~ 270C.85, subdivision 2, clause (4), the amount of  
170.22 tax lost to the county from the property tax credit under subdivision 1 and the extent that  
170.23 the tax lost exceeds funds available in the county conservation account. Any prior year  
170.24 adjustments must also be certified ~~in the abstracts of tax lists~~. The commissioner of revenue  
170.25 shall review the certifications to determine their accuracy. The commissioner may make  
170.26 the changes in the certification that are considered necessary or return a certification to the  
170.27 county auditor for corrections. The commissioner shall reimburse each taxing district, other  
170.28 than school districts, from the Minnesota conservation fund under section 40A.151 for the  
170.29 taxes lost in excess of the county account. The payments must be made at the time provided  
170.30 in section 473H.10, subdivision 3, for payment to taxing jurisdictions in the same proportion  
170.31 that the ad valorem tax is distributed.

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

171.1 Sec. 9. Minnesota Statutes 2016, section 273.1231, subdivision 3, is amended to read:

171.2 Subd. 3. **Disaster or emergency area.** (a) "Disaster or emergency area" means a  
171.3 geographic area for which:

171.4 (1)(i) the president of the United States, the secretary of agriculture, or the administrator  
171.5 of the Small Business Administration has determined that a disaster exists pursuant to federal  
171.6 law, or

171.7 (ii) a local emergency has been declared pursuant to section 12.29; and

171.8 (2) an application by the local unit of government requesting property tax relief under  
171.9 this section has been received by the governor and approved by the executive council.

171.10 (b) The executive council must not approve an application unless:

171.11 (1) a completed disaster survey is included; and

171.12 (2) within the boundaries of the applicant, (i) the average damage for the buildings that  
171.13 are damaged is at least \$5,000, and (ii) either at least 25 taxable buildings were damaged,  
171.14 or the total dollar amount of damage to all taxable buildings equals or exceeds one percent  
171.15 of the total taxable market value of buildings for the applicant as reported to the commissioner  
171.16 of revenue under section ~~270C.89, subdivision 2~~ 270C.85, subdivision 2, clause (4), for the  
171.17 assessment in the year prior to the year of the damage.

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

171.19 Sec. 10. Minnesota Statutes 2016, section 273.136, subdivision 2, is amended to read:

171.20 Subd. 2. **Reduction amounts submitted to county.** The commissioner of revenue shall  
171.21 determine, not later than April 1 of each year, the amount of reduction resulting from section  
171.22 273.135 in each county containing a tax relief area as defined by section 273.134, paragraph  
171.23 (b), basing determinations on a review of ~~abstracts of tax lists submitted by the county~~  
171.24 ~~auditors pursuant to section 275.29~~ information reported to the commissioner under section  
171.25 270C.85, subdivision 2, clause (4). The commissioner may make changes ~~in the abstracts~~  
171.26 ~~of tax lists~~ as deemed necessary. The commissioner of revenue, after such review, shall  
171.27 submit to the St. Louis County auditor, on or before April 15, the amount of the first half  
171.28 payment payable hereunder and on or before September 15 the amount of the second half  
171.29 payment.

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

172.1 Sec. 11. Minnesota Statutes 2016, section 273.1384, subdivision 3, is amended to read:

172.2 Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions  
172.3 allowed under subdivision 2 within the county for each taxes payable year and shall certify  
172.4 that amount to the commissioner of revenue ~~as a part of the abstracts of tax lists submitted~~  
172.5 ~~by the county auditors under section 275.29~~ under section 270C.85, subdivision 2, clause  
172.6 (4). Any prior year adjustments shall also be certified ~~on the abstracts of tax lists.~~ The  
172.7 commissioner shall review the certifications for accuracy, and may make such changes as  
172.8 are deemed necessary, or return the certification to the county auditor for correction. The  
172.9 credit under this section must be used to proportionately reduce the net tax capacity-based  
172.10 property tax payable to each local taxing jurisdiction as provided in section 273.1393.

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

172.12 Sec. 12. Minnesota Statutes 2017 Supplement, section 273.1387, subdivision 3, is amended  
172.13 to read:

172.14 Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions  
172.15 allowed under this section within the county for each taxes payable year and shall certify  
172.16 that amount to the commissioner of revenue ~~as a part of the abstracts of tax lists submitted~~  
172.17 ~~under section 275.29~~ under section 270C.85, subdivision 2, clause (4). Any prior year  
172.18 adjustments shall also be certified ~~on the abstracts of tax lists.~~ The commissioner shall  
172.19 review the certifications for accuracy, and may make such changes as are deemed necessary,  
172.20 or return the certification to the county auditor for correction. The credit under this section  
172.21 must be used to reduce the school district net tax capacity-based property tax as provided  
172.22 in section 273.1393.

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

172.24 Sec. 13. Minnesota Statutes 2016, section 273.18, is amended to read:

172.25 **273.18 LISTING, VALUATION, AND ASSESSMENT OF EXEMPT PROPERTY**  
172.26 **BY COUNTY AUDITORS.**

172.27 (a) In every sixth year after the year 2010, the county auditor shall enter the description  
172.28 of each tract of real property exempt by law from taxation, with the name of the owner, and  
172.29 the assessor shall value and assess the same in the same manner that other real property is  
172.30 valued and assessed, and shall designate in each case the purpose for which the property is  
172.31 used.

173.1 (b) ~~For purposes of the apportionment of fire state aid under section 69.021, subdivision~~  
173.2 ~~7,~~ The county auditor shall include ~~on the abstract of assessment of exempt real property~~  
173.3 ~~filed under this section~~ in the exempt property information that the commissioner may  
173.4 require under section 270C.85, subdivision 2, clause (4), the total number of acres of all  
173.5 natural resources lands for which in lieu payments are made under sections 477A.11 to  
173.6 477A.14. The assessor shall estimate its market value, provided that if the assessor is not  
173.7 able to estimate the market value of the land on a per parcel basis, the assessor shall furnish  
173.8 the commissioner of revenue with an estimate of the average value per acre of this land  
173.9 within the county.

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

173.11 Sec. 14. Minnesota Statutes 2016, section 274.14, is amended to read:

173.12 **274.14 LENGTH OF SESSION; RECORD.**

173.13 The board must meet after the second Friday in June on at least one meeting day and  
173.14 may meet for up to ten consecutive meeting days. The actual meeting dates must be contained  
173.15 on the valuation notices mailed to each property owner in the county as provided in section  
173.16 273.121. For this purpose, "meeting days" is defined as any day of the week excluding  
173.17 Sunday. At the board's discretion, "meeting days" may include Saturday. No action taken  
173.18 by the county board of review after June 30 is valid, except for corrections permitted in  
173.19 sections 273.01 and 274.01. The county auditor shall keep an accurate record of the  
173.20 proceedings and orders of the board. The record must be published like other proceedings  
173.21 of county commissioners. A copy of the published record must be sent to the commissioner  
173.22 of revenue, ~~with the abstract of assessment required by section 274.16~~ within five days  
173.23 following final action of the county board of equalization.

173.24 For counties that conduct either regular board of review meetings or open book meetings,  
173.25 at least one of the meeting days must include a meeting that does not end before 7:00 p.m.  
173.26 For counties that require taxpayer appointments for the board of review, appointments must  
173.27 include some available times that extend until at least 7:00 p.m. The county may have a  
173.28 Saturday meeting in lieu of, or in addition to, the extended meeting times under this  
173.29 paragraph.

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

173.31 Sec. 15. Minnesota Statutes 2016, section 274.16, is amended to read:

173.32 **274.16 CORRECTED LISTS, ~~ABSTRACTS.~~**

174.1 The county assessor or, in Ramsey County, the official designated by the board of county  
174.2 commissioners shall calculate the changes of the assessment lists determined by the county  
174.3 board of equalization, and make corrections accordingly, in the real or personal lists, or  
174.4 both, and shall make ~~duplicate abstracts~~ duplicates of them. One must be filed in the assessor's  
174.5 office, and one must be forwarded to the commissioner of revenue as provided in section  
174.6 270C.89.

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

174.8 Sec. 16. Minnesota Statutes 2017 Supplement, section 275.025, subdivision 1, is amended  
174.9 to read:

174.10 Subdivision 1. **Levy amount.** The state general levy is levied against  
174.11 commercial-industrial property and seasonal residential recreational property, as defined  
174.12 in this section. The state general levy for commercial-industrial property is \$784,590,000  
174.13 for taxes payable in 2018 and thereafter. The state general levy for seasonal-recreational  
174.14 property is \$44,190,000 for taxes payable in 2018 and thereafter. The tax under this section  
174.15 is not treated as a local tax rate under section 469.177 and is not the levy of a governmental  
174.16 unit under chapters 276A and 473F.

174.17 The commissioner shall increase or decrease the preliminary or final rate for a year as  
174.18 necessary to account for errors and tax base changes that affected a preliminary or final rate  
174.19 for either of the two preceding years. Adjustments are allowed to the extent that the necessary  
174.20 information is available to the commissioner at the time the rates for a year must be certified,  
174.21 and for the following reasons:

174.22 (1) an erroneous report of taxable value by a local official;

174.23 (2) an erroneous calculation by the commissioner; and

174.24 (3) an increase or decrease in taxable value for commercial-industrial or seasonal  
174.25 residential recreational property reported ~~on the abstracts of tax lists submitted under section~~  
174.26 ~~275.29 that was not reported on the abstracts of assessment submitted under section 270C.89~~  
174.27 to the commissioner under section 270C.85, subdivision 2, clause (4), for the same year.

174.28 The commissioner may, but need not, make adjustments if the total difference in the tax  
174.29 levied for the year would be less than \$100,000.

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

175.1 Sec. 17. Minnesota Statutes 2016, section 290B.09, subdivision 1, is amended to read:

175.2 Subdivision 1. **Determination; payment.** The county auditor shall determine the total  
175.3 current year's deferred amount of property tax under this chapter in the county, and ~~submit~~  
175.4 report those amounts ~~as part of the abstracts of tax lists submitted by the county auditors~~  
175.5 under section 275.29 to the commissioner under section 270C.85, subdivision 2, clause (4).  
175.6 The commissioner may make changes ~~in the abstracts of tax lists~~ as deemed necessary. The  
175.7 commissioner of revenue, after such review, shall pay the deferred amount of property tax  
175.8 to each county treasurer on or before August 31.

175.9 The county treasurer shall distribute as part of the October settlement the funds received  
175.10 as if they had been collected as a part of the property tax.

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

175.12 Sec. 18. Minnesota Statutes 2016, section 469.177, subdivision 1, is amended to read:

175.13 Subdivision 1. **Original net tax capacity.** (a) Upon or after adoption of a tax increment  
175.14 financing plan, the auditor of any county in which the district is situated shall, upon request  
175.15 of the authority, certify the original net tax capacity of the tax increment financing district  
175.16 and that portion of the district overlying any subdistrict as described in the tax increment  
175.17 financing plan and shall certify in each year thereafter the amount by which the original net  
175.18 tax capacity has increased or decreased as a result of a change in tax exempt status of  
175.19 property within the district and any subdistrict, reduction or enlargement of the district or  
175.20 changes pursuant to subdivision 4. The auditor shall certify the amount within 30 days after  
175.21 receipt of the request and sufficient information to identify the parcels included in the district.  
175.22 The certification relates to the taxes payable year as provided in subdivision 6.

175.23 (b) If the classification under section 273.13 of property located in a district changes to  
175.24 a classification that has a different assessment ratio, the original net tax capacity of that  
175.25 property must be redetermined at the time when its use is changed as if the property had  
175.26 originally been classified in the same class in which it is classified after its use is changed.

175.27 (c) The amount to be added to the original net tax capacity of the district as a result of  
175.28 previously tax exempt real property within the district becoming taxable equals the net tax  
175.29 capacity of the real property as most recently assessed pursuant to ~~section 273.18~~ information  
175.30 reported to the commissioner under section 270C.85, subdivision 2, clause (4), or, if that  
175.31 assessment was made more than one year prior to the date of title transfer rendering the  
175.32 property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If  
175.33 improvements are made to tax exempt property after the municipality approves the district

176.1 and before the parcel becomes taxable, the assessor shall, at the request of the authority,  
176.2 separately assess the estimated market value of the improvements. If the property becomes  
176.3 taxable, the county auditor shall add to original net tax capacity, the net tax capacity of the  
176.4 parcel, excluding the separately assessed improvements. If substantial taxable improvements  
176.5 were made to a parcel after certification of the district and if the property later becomes tax  
176.6 exempt, in whole or part, as a result of the authority acquiring the property through  
176.7 foreclosure or exercise of remedies under a lease or other revenue agreement or as a result  
176.8 of tax forfeiture, the amount to be added to the original net tax capacity of the district as a  
176.9 result of the property again becoming taxable is the amount of the parcel's value that was  
176.10 included in original net tax capacity when the parcel was first certified. The amount to be  
176.11 added to the original net tax capacity of the district as a result of enlargements equals the  
176.12 net tax capacity of the added real property as most recently certified by the commissioner  
176.13 of revenue as of the date of modification of the tax increment financing plan pursuant to  
176.14 section 469.175, subdivision 4.

176.15 (d) If the net tax capacity of a property increases because the property no longer qualifies  
176.16 under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open  
176.17 Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act,  
176.18 chapter 473H, the Rural Preserve Property Tax Program under section 273.114, or because  
176.19 platted, unimproved property is improved or market value is increased after approval of the  
176.20 plat under section 273.11, subdivision 14a or 14b, the increase in net tax capacity must be  
176.21 added to the original net tax capacity. If the net tax capacity of a property increases because  
176.22 the property no longer qualifies for the homestead market value exclusion under section  
176.23 273.13, subdivision 35, the increase in net tax capacity must be added to original net tax  
176.24 capacity if the original construction of the affected home was completed before the date the  
176.25 assessor certified the original net tax capacity of the district.

176.26 (e) The amount to be subtracted from the original net tax capacity of the district as a  
176.27 result of previously taxable real property within the district becoming tax exempt or  
176.28 qualifying in whole or part for an exclusion from taxable market value, or a reduction in  
176.29 the geographic area of the district, shall be the amount of original net tax capacity initially  
176.30 attributed to the property becoming tax exempt, being excluded from taxable market value,  
176.31 or being removed from the district. If the net tax capacity of property located within the tax  
176.32 increment financing district is reduced by reason of a court-ordered abatement, stipulation  
176.33 agreement, voluntary abatement made by the assessor or auditor or by order of the  
176.34 commissioner of revenue, the reduction shall be applied to the original net tax capacity of  
176.35 the district when the property upon which the abatement is made has not been improved



177.1 since the date of certification of the district and to the captured net tax capacity of the district  
177.2 in each year thereafter when the abatement relates to improvements made after the date of  
177.3 certification. The county auditor may specify reasonable form and content of the request  
177.4 for certification of the authority and any modification thereof pursuant to section 469.175,  
177.5 subdivision 4.

177.6 (f) If a parcel of property contained a substandard building or improvements described  
177.7 in section 469.174, subdivision 10, paragraph (e), that were demolished or removed and if  
177.8 the authority elects to treat the parcel as occupied by a substandard building under section  
177.9 469.174, subdivision 10, paragraph (b), or by improvements under section 469.174,  
177.10 subdivision 10, paragraph (e), the auditor shall certify the original net tax capacity of the  
177.11 parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated  
177.12 market value of the parcel for the year in which the building or other improvements were  
177.13 demolished or removed, but applying the classification rates for the current year.

177.14 (g) For a redevelopment district qualifying under section 469.174, subdivision 10,  
177.15 paragraph (a), clause (4), as a qualified disaster area, the auditor shall certify the value of  
177.16 the land as the original tax capacity for any parcel in the district that contains a building  
177.17 that suffered substantial damage as a result of the disaster or emergency.

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

177.19 Sec. 19. **REPEALER.**

177.20 Minnesota Statutes 2016, section 275.29, is repealed.

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

## 177.22 **ARTICLE 14**

### 177.23 **DEPARTMENT OF REVENUE; MISCELLANEOUS; TECHNICAL CHANGES**

177.24 Section 1. Minnesota Statutes 2016, section 272.02, subdivision 27, is amended to read:

177.25 Subd. 27. **Superior National Forest; recreational property for use by ~~disabled~~**  
177.26 **veterans with a disability.** Real and personal property is exempt if it is located in the  
177.27 Superior National Forest, and owned or leased and operated by a nonprofit organization  
177.28 that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue  
177.29 Code and primarily used to provide recreational opportunities for ~~disabled~~ veterans with a  
177.30 disability and their families.

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

178.1 Sec. 2. Minnesota Statutes 2016, section 272.02, subdivision 81, is amended to read:

178.2 Subd. 81. **Certain recreational property for ~~disabled~~ veterans with a disability.** Real  
178.3 and personal property is exempt if it is located in a county in the metropolitan area with a  
178.4 population of less than 500,000 according to the 2000 federal census, and owned or leased  
178.5 and operated by a nonprofit organization, and primarily used to provide recreational  
178.6 opportunities for ~~disabled~~ veterans with a disability and their families.

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

178.8 Sec. 3. Minnesota Statutes 2016, section 273.032, is amended to read:

178.9 **273.032 MARKET VALUE DEFINITION.**

178.10 (a) Unless otherwise provided, for the purpose of determining any property tax levy  
178.11 limitation based on market value or any limit on net debt, the issuance of bonds, certificates  
178.12 of indebtedness, or capital notes based on market value, any qualification to receive state  
178.13 aid based on market value, or any state aid amount based on market value, the terms "market  
178.14 value," "estimated market value," and "market valuation," whether equalized or unequalized,  
178.15 mean the estimated market value of taxable property within the local unit of government  
178.16 before any of the following or similar adjustments for:

178.17 (1) the market value exclusions under:

178.18 (i) section 273.11, subdivisions 14a and 14c (vacant platted land);

178.19 (ii) section 273.11, subdivision 16 (certain improvements to homestead property);

178.20 (iii) section 273.11, subdivisions 19 and 20 (certain improvements to business properties);

178.21 (iv) section 273.11, subdivision 21 (homestead property damaged by mold);

178.22 (v) section 273.13, subdivision 34 (homestead of a ~~disabled~~ veteran with a disability or  
178.23 family caregiver); or

178.24 (vi) section 273.13, subdivision 35 (homestead market value exclusion); or

178.25 (2) the deferment of value under:

178.26 (i) the Minnesota Agricultural Property Tax Law, section 273.111;

178.27 (ii) the Aggregate Resource Preservation Law, section 273.1115;

178.28 (iii) the Minnesota Open Space Property Tax Law, section 273.112;

178.29 (iv) the rural preserves property tax program, section 273.114; or

178.30 (v) the Metropolitan Agricultural Preserves Act, section 473H.10; or

179.1 (3) the adjustments to tax capacity for:

179.2 (i) tax increment financing under sections 469.174 to 469.1794;

179.3 (ii) fiscal disparities under chapter 276A or 473F; or

179.4 (iii) powerline credit under section 273.425.

179.5 (b) Estimated market value under paragraph (a) also includes the market value of  
179.6 tax-exempt property if the applicable law specifically provides that the limitation,  
179.7 qualification, or aid calculation includes tax-exempt property.

179.8 (c) Unless otherwise provided, "market value," "estimated market value," and "market  
179.9 valuation" for purposes of property tax levy limitations and calculation of state aid, refer  
179.10 to the estimated market value for the previous assessment year and for purposes of limits  
179.11 on net debt, the issuance of bonds, certificates of indebtedness, or capital notes refer to the  
179.12 estimated market value as last finally equalized.

179.13 (d) For purposes of a provision of a home rule charter or of any special law that is not  
179.14 codified in the statutes and that imposes a levy limitation based on market value or any limit  
179.15 on debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market  
179.16 value, the terms "market value," "taxable market value," and "market valuation," whether  
179.17 equalized or unequalized, mean "estimated market value" as defined in paragraph (a).

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

179.19 Sec. 4. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 22, is amended  
179.20 to read:

179.21 Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and  
179.22 (c), real estate which is residential and used for homestead purposes is class 1a. In the case  
179.23 of a duplex or triplex in which one of the units is used for homestead purposes, the entire  
179.24 property is deemed to be used for homestead purposes. The market value of class 1a property  
179.25 must be determined based upon the value of the house, garage, and land.

179.26 The first \$500,000 of market value of class 1a property has a net classification rate of  
179.27 one percent of its market value; and the market value of class 1a property that exceeds  
179.28 \$500,000 has a classification rate of 1.25 percent of its market value.

179.29 (b) Class 1b property includes homestead real estate or homestead manufactured homes  
179.30 used for the purposes of a homestead by:

179.31 (1) any person who is blind as defined in section 256D.35, or the ~~blind~~ person who is  
179.32 blind and the ~~blind person's~~ spouse of the person who is blind;

180.1 (2) any person who is permanently and totally disabled or by the ~~disabled~~ person with  
180.2 a disability and the ~~disabled person's~~ spouse of the person with a disability; or

180.3 (3) the surviving spouse of a veteran who was permanently and totally disabled ~~veteran~~  
180.4 homesteading a property classified under this paragraph for taxes payable in 2008.

180.5 Property is classified and assessed under clause (2) only if the government agency or  
180.6 income-providing source certifies, upon the request of the homestead occupant, that the  
180.7 homestead occupant satisfies the disability requirements of this paragraph, and that the  
180.8 property is not eligible for the valuation exclusion under subdivision 34.

180.9 Property is classified and assessed under paragraph (b) only if the commissioner of  
180.10 revenue or the county assessor certifies that the homestead occupant satisfies the requirements  
180.11 of this paragraph.

180.12 Permanently and totally disabled for the purpose of this subdivision means a condition  
180.13 which is permanent in nature and totally incapacitates the person from working at an  
180.14 occupation which brings the person an income. The first \$50,000 market value of class 1b  
180.15 property has a net classification rate of .45 percent of its market value. The remaining market  
180.16 value of class 1b property is classified as class 1a or class 2a property, whichever is  
180.17 appropriate.

180.18 (c) Class 1c property is commercial use real and personal property that abuts public  
180.19 water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by  
180.20 the Department of Natural Resources, and is devoted to temporary and seasonal residential  
180.21 occupancy for recreational purposes but not devoted to commercial purposes for more than  
180.22 250 days in the year preceding the year of assessment, and that includes a portion used as  
180.23 a homestead by the owner, which includes a dwelling occupied as a homestead by a  
180.24 shareholder of a corporation that owns the resort, a partner in a partnership that owns the  
180.25 resort, or a member of a limited liability company that owns the resort even if the title to  
180.26 the homestead is held by the corporation, partnership, or limited liability company. For  
180.27 purposes of this paragraph, property is devoted to a commercial purpose on a specific day  
180.28 if any portion of the property, excluding the portion used exclusively as a homestead, is  
180.29 used for residential occupancy and a fee is charged for residential occupancy. Class 1c  
180.30 property must contain three or more rental units. A "rental unit" is defined as a cabin,  
180.31 condominium, townhouse, sleeping room, or individual camping site equipped with water  
180.32 and electrical hookups for recreational vehicles. Class 1c property must provide recreational  
180.33 activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill  
180.34 or cross-country ski equipment; provide marina services, launch services, or guide services;

181.1 or sell bait and fishing tackle. Any unit in which the right to use the property is transferred  
181.2 to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies  
181.3 for class 1c even though it may remain available for rent. A camping pad offered for rent  
181.4 by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of  
181.5 the rental agreement, as long as the use of the camping pad does not exceed 250 days. If  
181.6 the same owner owns two separate parcels that are located in the same township, and one  
181.7 of those properties is classified as a class 1c property and the other would be eligible to be  
181.8 classified as a class 1c property if it was used as the homestead of the owner, both properties  
181.9 will be assessed as a single class 1c property; for purposes of this sentence, properties are  
181.10 deemed to be owned by the same owner if each of them is owned by a limited liability  
181.11 company, and both limited liability companies have the same membership. The portion of  
181.12 the property used as a homestead is class 1a property under paragraph (a). The remainder  
181.13 of the property is classified as follows: the first \$600,000 of market value is tier I, the next  
181.14 \$1,700,000 of market value is tier II, and any remaining market value is tier III. The  
181.15 classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25  
181.16 percent. Owners of real and personal property devoted to temporary and seasonal residential  
181.17 occupancy for recreation purposes in which all or a portion of the property was devoted to  
181.18 commercial purposes for not more than 250 days in the year preceding the year of assessment  
181.19 desiring classification as class 1c, must submit a declaration to the assessor designating the  
181.20 cabins or units occupied for 250 days or less in the year preceding the year of assessment  
181.21 by January 15 of the assessment year. Those cabins or units and a proportionate share of  
181.22 the land on which they are located must be designated as class 1c as otherwise provided.  
181.23 The remainder of the cabins or units and a proportionate share of the land on which they  
181.24 are located must be designated as class 3a commercial. The owner of property desiring  
181.25 designation as class 1c property must provide guest registers or other records demonstrating  
181.26 that the units for which class 1c designation is sought were not occupied for more than 250  
181.27 days in the year preceding the assessment if so requested. The portion of a property operated  
181.28 as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5)  
181.29 other nonresidential facility operated on a commercial basis not directly related to temporary  
181.30 and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

181.31 (d) Class 1d property includes structures that meet all of the following criteria:

181.32 (1) the structure is located on property that is classified as agricultural property under  
181.33 section 273.13, subdivision 23;

181.34 (2) the structure is occupied exclusively by seasonal farm workers during the time when  
181.35 they work on that farm, and the occupants are not charged rent for the privilege of occupying

182.1 the property, provided that use of the structure for storage of farm equipment and produce  
182.2 does not disqualify the property from classification under this paragraph;

182.3 (3) the structure meets all applicable health and safety requirements for the appropriate  
182.4 season; and

182.5 (4) the structure is not salable as residential property because it does not comply with  
182.6 local ordinances relating to location in relation to streets or roads.

182.7 The market value of class 1d property has the same classification rates as class 1a property  
182.8 under paragraph (a).

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

182.10 Sec. 5. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 34, is amended  
182.11 to read:

182.12 Subd. 34. **Homestead of ~~disabled~~ veteran with a disability or family caregiver.** (a)

182.13 All or a portion of the market value of property owned by a veteran and serving as the  
182.14 veteran's homestead under this section is excluded in determining the property's taxable  
182.15 market value if the veteran has a service-connected disability of 70 percent or more as  
182.16 certified by the United States Department of Veterans Affairs. To qualify for exclusion  
182.17 under this subdivision, the veteran must have been honorably discharged from the United  
182.18 States armed forces, as indicated by United States Government Form DD214 or other official  
182.19 military discharge papers.

182.20 (b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded,  
182.21 except as provided in clause (2); and

182.22 (2) for a total (100 percent) and permanent disability, \$300,000 of market value is  
182.23 excluded.

182.24 (c) If a ~~disabled~~ veteran with a disability qualifying for a valuation exclusion under  
182.25 paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the  
182.26 veteran the spouse holds the legal or beneficial title to the homestead and permanently  
182.27 resides there, the exclusion shall carry over to the benefit of the veteran's spouse for the  
182.28 current taxes payable year and for eight additional taxes payable years or until such time  
182.29 as the spouse remarries, or sells, transfers, or otherwise disposes of the property, whichever  
182.30 comes first. Qualification under this paragraph requires an application under paragraph (h),  
182.31 and a spouse must notify the assessor if there is a change in the spouse's marital status,  
182.32 ownership of the property, or use of the property as a permanent residence.

183.1 (d) If the spouse of a member of any branch or unit of the United States armed forces  
183.2 who dies due to a service-connected cause while serving honorably in active service, as  
183.3 indicated on United States Government Form DD1300 or DD2064, holds the legal or  
183.4 beneficial title to a homestead and permanently resides there, the spouse is entitled to the  
183.5 benefit described in paragraph (b), clause (2), for eight taxes payable years, or until such  
183.6 time as the spouse remarries or sells, transfers, or otherwise disposes of the property,  
183.7 whichever comes first.

183.8 (e) If a veteran meets the disability criteria of paragraph (a) but does not own property  
183.9 classified as homestead in the state of Minnesota, then the homestead of the veteran's primary  
183.10 family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify  
183.11 for under paragraph (b).

183.12 (f) In the case of an agricultural homestead, only the portion of the property consisting  
183.13 of the house and garage and immediately surrounding one acre of land qualifies for the  
183.14 valuation exclusion under this subdivision.

183.15 (g) A property qualifying for a valuation exclusion under this subdivision is not eligible  
183.16 for the market value exclusion under subdivision 35, or classification under subdivision 22,  
183.17 paragraph (b).

183.18 (h) To qualify for a valuation exclusion under this subdivision a property owner must  
183.19 apply to the assessor by July 1 of the first assessment year for which the exclusion is sought.  
183.20 For an application received after July 1, the exclusion shall become effective for the following  
183.21 assessment year. Except as provided in paragraph (c), the owner of a property that has been  
183.22 accepted for a valuation exclusion must notify the assessor if there is a change in ownership  
183.23 of the property or in the use of the property as a homestead.

183.24 (i) A first-time application by a qualifying spouse for the market value exclusion under  
183.25 paragraph (d) must be made any time within two years of the death of the service member.

183.26 (j) For purposes of this subdivision:

183.27 (1) "active service" has the meaning given in section 190.05;

183.28 (2) "own" means that the person's name is present as an owner on the property deed;

183.29 (3) "primary family caregiver" means a person who is approved by the secretary of the  
183.30 United States Department of Veterans Affairs for assistance as the primary provider of  
183.31 personal care services for an eligible veteran under the Program of Comprehensive Assistance  
183.32 for Family Caregivers, codified as United States Code, title 38, section 1720G; and

183.33 (4) "veteran" has the meaning given the term in section 197.447.

184.1 (k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion  
184.2 under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit  
184.3 under paragraph (b), clause (2), for eight taxes payable years or until the spouse remarries  
184.4 or sells, transfers, or otherwise disposes of the property if:

184.5 (1) the spouse files a first-time application within two years of the death of the service  
184.6 member or by June 1, 2019, whichever is later;

184.7 (2) upon the death of the veteran, the spouse holds the legal or beneficial title to the  
184.8 homestead and permanently resides there;

184.9 (3) the veteran met the honorable discharge requirements of paragraph (a); and

184.10 (4) the United States Department of Veterans Affairs certifies that:

184.11 (i) the veteran met the total (100 percent) and permanent disability requirement under  
184.12 paragraph (b), clause (2); or

184.13 (ii) the spouse has been awarded dependency and indemnity compensation.

184.14 (l) The purpose of this provision of law providing a level of homestead property tax  
184.15 relief for ~~gravely disabled~~ veterans with a disability, their primary family caregivers, and  
184.16 their surviving spouses is to help ease the burdens of war for those among our state's citizens  
184.17 who bear those burdens most heavily.

184.18 (m) By July 1, the county veterans service officer must certify the disability rating and  
184.19 permanent address of each veteran receiving the benefit under paragraph (b) to the assessor.

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

184.21 Sec. 6. Minnesota Statutes 2016, section 289A.08, subdivision 6, is amended to read:

184.22 Subd. 6. **Returns of married persons.** ~~A husband and wife~~ Individuals who are married  
184.23 to each other must file a joint Minnesota income tax return if they filed a joint federal income  
184.24 tax return. If the ~~husband and wife~~ spouses have elected to file separate federal income tax  
184.25 returns, they must file separate Minnesota income tax returns. This election to file a joint  
184.26 or separate return must be changed if they change their election for federal purposes. In the  
184.27 event taxpayers desire to change their election, the change must be done in the manner and  
184.28 on the form prescribed by the commissioner.

184.29 The determination of whether an individual is married shall be made under the provisions  
184.30 of section 7703 of the Internal Revenue Code.

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



185.1 Sec. 7. Minnesota Statutes 2016, section 289A.25, subdivision 1, is amended to read:

185.2 Subdivision 1. **Requirements to pay.** An individual, trust, S corporation, or partnership  
185.3 must, when prescribed in subdivision 3, paragraph (b), make payments of estimated tax.  
185.4 For individuals, the term "estimated tax" means the amount the taxpayer estimates is the  
185.5 sum of the taxes imposed by chapter 290 for the taxable year. For trusts, S corporations,  
185.6 and partnerships, the term estimated tax means the amount the taxpayer estimates is the  
185.7 sum of the taxes for the taxable year imposed by chapter 290 and the composite income tax  
185.8 imposed by section 289A.08, subdivision 7. If the individual is an infant or incompetent  
185.9 person, the payments must be made by the individual's guardian. If joint payments on  
185.10 estimated tax are made but a joint return is not made for the taxable year, the estimated tax  
185.11 for that year may be treated as the estimated tax of either ~~the husband or the wife~~ spouse or  
185.12 may be divided between them.

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

185.14 Sec. 8. Minnesota Statutes 2016, section 289A.31, subdivision 2, is amended to read:

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

185.19 (b) In the case of individuals who were ~~a husband and wife~~ married as determined in  
185.20 section 7703 of the Internal Revenue Code prior to the dissolution of their marriage or their  
185.21 legal separation, or prior to the death of one of the individuals, for tax liabilities reported  
185.22 on a joint or combined return, the liability of each person is limited to the proportion of the  
185.23 tax due on the return that equals that person's proportion of the total tax due if ~~the husband~~  
185.24 ~~and wife~~ each spouse filed separate returns for the taxable year. This provision is effective  
185.25 only when the commissioner receives written notice of the marriage dissolution, legal  
185.26 separation, or death of a spouse from the ~~husband or wife~~ surviving spouse. No refund may  
185.27 be claimed by an ex-spouse, legally separated or widowed spouse for any taxes paid more  
185.28 than 60 days before receipt by the commissioner of the written notice.

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

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

186.2 Sec. 9. Minnesota Statutes 2016, section 289A.37, subdivision 6, is amended to read:

186.3 Subd. 6. **Order of assessment if joint income tax return.** If a joint income tax return  
186.4 is filed by a ~~husband and wife~~ spouses, an order of assessment may be a single joint notice.  
186.5 If the commissioner has been notified by either spouse that that spouse's address has changed  
186.6 and if that spouse requests it, then, instead of the single joint notice mailed to the last known  
186.7 address of the ~~husband and wife~~ spouses, a duplicate or original of the joint notice must be  
186.8 sent to the requesting spouse at the address designated by the requesting spouse. The other  
186.9 joint notice must be mailed to the other spouse at that spouse's last known address. An  
186.10 assessment is not invalid for failure to send it to a spouse if the spouse actually receives the  
186.11 notice in the same period as if it had been mailed to that spouse at the correct address or if  
186.12 the spouse has failed to provide an address to the commissioner other than the last known  
186.13 address.

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

186.15 Sec. 10. Minnesota Statutes 2016, section 290.0802, subdivision 2, is amended to read:

186.16 Subd. 2. **Subtraction.** (a) A qualified individual is allowed a subtraction from federal  
186.17 taxable income of the individual's subtraction base amount. The excess of the subtraction  
186.18 base amount over the taxable net income computed without regard to the subtraction for  
186.19 the elderly or ~~disabled~~ a person with a disability under section 290.0132, subdivision 5,  
186.20 may be used to reduce the amount of a lump sum distribution subject to tax under section  
186.21 290.032.

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

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

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

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

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

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

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

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

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

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

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

187.8 Sec. 11. Minnesota Statutes 2016, section 290.0802, subdivision 3, is amended to read:

187.9 Subd. 3. **Restrictions; married couples.** Except in the case of a ~~husband and wife~~  
187.10 spouses who live apart at all times during the taxable year, if the taxpayer is married at the  
187.11 close of the taxable year, the subtraction under subdivision 2 is allowable only if the taxpayers  
187.12 file joint federal and state income tax returns for the taxable year.

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

187.14 Sec. 12. Minnesota Statutes 2017 Supplement, section 290.091, subdivision 2, is amended  
187.15 to read:

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

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

187.20 (1) the taxpayer's federal alternative minimum taxable income as defined in section  
187.21 55(b)(2) of the Internal Revenue Code;

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

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

187.25 (ii) the medical expense deduction;

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

187.27 (iv) the impairment-related work expenses of a ~~disabled~~ person with a disability;

187.28 (3) for depletion allowances computed under section 613A(c) of the Internal Revenue  
187.29 Code, with respect to each property (as defined in section 614 of the Internal Revenue Code),

188.1 to the extent not included in federal alternative minimum taxable income, the excess of the  
188.2 deduction for depletion allowable under section 611 of the Internal Revenue Code for the  
188.3 taxable year over the adjusted basis of the property at the end of the taxable year (determined  
188.4 without regard to the depletion deduction for the taxable year);

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

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

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

188.11 less the sum of the amounts determined under the following:

188.12 (i) interest income as defined in section 290.0132, subdivision 2;

188.13 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision  
188.14 3, to the extent included in federal alternative minimum taxable income;

188.15 (iii) the amount of investment interest paid or accrued within the taxable year on  
188.16 indebtedness to the extent that the amount does not exceed net investment income, as defined  
188.17 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted  
188.18 in computing federal adjusted gross income;

188.19 (iv) amounts subtracted from federal taxable income as provided by section 290.0132,  
188.20 subdivisions 7, 9 to 15, 17, 21, 24, and 26; and

188.21 (v) the amount of the net operating loss allowed under section 290.095, subdivision 11,  
188.22 paragraph (c).

188.23 In the case of an estate or trust, alternative minimum taxable income must be computed  
188.24 as provided in section 59(c) of the Internal Revenue Code.

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

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

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

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

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

189.4 Sec. 13. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 3, is amended  
189.5 to read:

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

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

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

189.9 (i) all nontaxable income;

189.10 (ii) the amount of a passive activity loss that is not disallowed as a result of section 469,  
189.11 paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss  
189.12 carryover allowed under section 469(b) of the Internal Revenue Code;

189.13 (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a  
189.14 solvent individual excluded from gross income under section 108(g) of the Internal Revenue  
189.15 Code;

189.16 (iv) cash public assistance and relief;

189.17 (v) any pension or annuity (including railroad retirement benefits, all payments received  
189.18 under the federal Social Security Act, Supplemental Security Income, and veterans benefits),  
189.19 which was not exclusively funded by the claimant or spouse, or which was funded exclusively  
189.20 by the claimant or spouse and which funding payments were excluded from federal adjusted  
189.21 gross income in the years when the payments were made;

189.22 (vi) interest received from the federal or a state government or any instrumentality or  
189.23 political subdivision thereof;

189.24 (vii) workers' compensation;

189.25 (viii) nontaxable strike benefits;

189.26 (ix) the gross amounts of payments received in the nature of disability income or sick  
189.27 pay as a result of accident, sickness, or other disability, whether funded through insurance  
189.28 or otherwise;

189.29 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of  
189.30 1986, as amended through December 31, 1995;

190.1 (xi) contributions made by the claimant to an individual retirement account, including  
190.2 a qualified voluntary employee contribution; simplified employee pension plan;  
190.3 self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of  
190.4 the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal  
190.5 Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for  
190.6 the claimant and spouse;

190.7 (xii) to the extent not included in federal adjusted gross income, distributions received  
190.8 by the claimant or spouse from a traditional or Roth style retirement account or plan;

190.9 (xiii) nontaxable scholarship or fellowship grants;

190.10 (xiv) the amount of deduction allowed under section 199 of the Internal Revenue Code;

190.11 (xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue  
190.12 Code;

190.13 (xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue  
190.14 Code; and

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

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

190.22 (b) "Income" does not include:

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

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

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

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

190.32 (5) relief granted under this chapter;

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

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

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

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

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

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

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

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

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

191.15 (d) For purposes of this subdivision, the "exemption amount" means the exemption  
191.16 amount under section 151(d) of the Internal Revenue Code for the taxable year for which  
191.17 the income is reported; "retirement base amount" means the deductible amount for the  
191.18 taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue  
191.19 Code, adjusted for inflation as provided in section 219(b)(5)(C) of the Internal Revenue  
191.20 Code, without regard to whether the claimant or spouse claimed a deduction; and "traditional  
191.21 or Roth style retirement account or plan" means retirement plans under sections 401, 403,  
191.22 408, 408A, and 457 of the Internal Revenue Code.

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

191.24 Sec. 14. Minnesota Statutes 2016, section 290A.03, subdivision 4, is amended to read:

191.25 Subd. 4. **Household.** "Household" means a claimant and an individual related to the  
191.26 claimant as ~~husband or wife~~ the claimant's spouse who are domiciled in the same homestead.

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

192.1 Sec. 15. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 8, is amended  
192.2 to read:

192.3 Subd. 8. **Claimant.** (a) "Claimant" means a person, other than a dependent, as defined  
192.4 under sections 151 and 152 of the Internal Revenue Code disregarding section 152(b)(3)  
192.5 of the Internal Revenue Code, who filed a claim authorized by this chapter and who was a  
192.6 resident of this state as provided in chapter 290 during the calendar year for which the claim  
192.7 for relief was filed.

192.8 (b) In the case of a claim relating to rent constituting property taxes, the claimant shall  
192.9 have resided in a rented or leased unit on which ad valorem taxes or payments made in lieu  
192.10 of ad valorem taxes, including payments of special assessments imposed in lieu of ad valorem  
192.11 taxes, are payable at some time during the calendar year covered by the claim.

192.12 (c) "Claimant" shall not include a resident of a nursing home, intermediate care facility,  
192.13 long-term residential facility, or a facility that accepts housing support payments whose  
192.14 rent constituting property taxes is paid pursuant to the Supplemental Security Income  
192.15 program under title XVI of the Social Security Act, the Minnesota supplemental aid program  
192.16 under sections 256D.35 to 256D.54, the medical assistance program pursuant to title XIX  
192.17 of the Social Security Act, or the housing support program under chapter 256I.

192.18 If only a portion of the rent constituting property taxes is paid by these programs, the  
192.19 resident shall be a claimant for purposes of this chapter, but the refund calculated pursuant  
192.20 to section 290A.04 shall be multiplied by a fraction, the numerator of which is income as  
192.21 defined in subdivision 3, paragraphs (a) and (b), reduced by the total amount of income  
192.22 from the above sources other than vendor payments under the medical assistance program  
192.23 and the denominator of which is income as defined in subdivision 3, paragraphs (a) and (b),  
192.24 plus vendor payments under the medical assistance program, to determine the allowable  
192.25 refund pursuant to this chapter.

192.26 (d) Notwithstanding paragraph (c), if the claimant was a resident of the nursing home,  
192.27 intermediate care facility, long-term residential facility, or facility for which the rent was  
192.28 paid for the claimant by the housing support program for only a portion of the calendar year  
192.29 covered by the claim, the claimant may compute rent constituting property taxes by  
192.30 disregarding the rent constituting property taxes from the nursing home or facility and use  
192.31 only that amount of rent constituting property taxes or property taxes payable relating to  
192.32 that portion of the year when the claimant was not in the facility. The claimant's household  
192.33 income is the income for the entire calendar year covered by the claim.



193.1 (e) In the case of a claim for rent constituting property taxes of a part-year Minnesota  
193.2 resident, the income and rental reflected in this computation shall be for the period of  
193.3 Minnesota residency only. Any rental expenses paid which may be reflected in arriving at  
193.4 federal adjusted gross income cannot be utilized for this computation. When two individuals  
193.5 of a household are able to meet the qualifications for a claimant, they may determine among  
193.6 them as to who the claimant shall be. If they are unable to agree, the matter shall be referred  
193.7 to the commissioner of revenue whose decision shall be final. If a homestead property owner  
193.8 was a part-year Minnesota resident, the income reflected in the computation made pursuant  
193.9 to section 290A.04 shall be for the entire calendar year, including income not assignable to  
193.10 Minnesota.

193.11 (f) If a homestead is occupied by two or more renters, who are not ~~husband and wife~~  
193.12 married to each other, the rent shall be deemed to be paid equally by each, and separate  
193.13 claims shall be filed by each. The income of each shall be each renter's household income  
193.14 for purposes of computing the amount of credit to be allowed.

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

193.16 Sec. 16. Minnesota Statutes 2016, section 290A.05, is amended to read:

193.17 **290A.05 COMBINED HOUSEHOLD INCOME.**

193.18 If a person occupies a homestead with another person ~~or persons~~ not related to the person  
193.19 as ~~husband and wife~~ the person's spouse, excluding dependents, roomers or boarders on  
193.20 contract, and has property tax payable with respect to the homestead, the household income  
193.21 of the claimant or claimants for the purpose of computing the refund allowed by section  
193.22 290A.04 shall include the total income received by the other persons residing in the  
193.23 homestead. For purposes of this section, "dependent" includes a parent of the claimant or  
193.24 spouse who lives in the claimant's homestead and does not have an ownership interest in  
193.25 the homestead. If a person occupies a homestead with another person or persons not related  
193.26 to the person as ~~husband and wife~~ the person's spouse or as dependents, the property tax  
193.27 payable or rent constituting property tax shall be reduced as follows.

193.28 If the other person or persons are residing at the homestead under rental or lease  
193.29 agreement, the amount of property tax payable or rent constituting property tax shall be that  
193.30 portion not covered by the rental agreement.

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

194.1 Sec. 17. Minnesota Statutes 2016, section 290A.08, is amended to read:

194.2 **290A.08 ONE CLAIMANT PER HOUSEHOLD.**

194.3 Only one claimant per household per year is entitled to relief under this chapter. Payment  
194.4 of the claim for relief may be made payable to the ~~husband and wife~~ spouses as one claimant.  
194.5 The commissioner, upon written request, may issue separate checks, to the ~~husband and~~  
194.6 ~~wife~~ spouses for one-half of the relief provided the original check has not been issued or  
194.7 has been returned. Individuals related as ~~husband and wife~~ spouses who were married during  
194.8 the year may elect to file a joint claim which shall include each spouse's income, rent  
194.9 constituting property taxes, and property taxes payable. ~~Husbands and wives~~ Spouses who  
194.10 were married for the entire year and were domiciled in the same household for the entire  
194.11 year must file a joint claim. The maximum dollar amount allowable for a joint claim shall  
194.12 not exceed the amount that one person could receive.

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

194.14 Sec. 18. Minnesota Statutes 2016, section 290A.09, is amended to read:

194.15 **290A.09 PROOF OF CLAIM.**

194.16 Every claimant shall supply to the commissioner of revenue, in support of the claim,  
194.17 proof of eligibility under this chapter, including but not limited to amount of rent paid or  
194.18 property taxes accrued, name and address of owner or managing agent of property rented,  
194.19 changes in homestead, household membership, household income, size and nature of property  
194.20 claimed as a homestead.

194.21 ~~Disabled~~ Persons with a disability filing claims shall submit proof of disability in the  
194.22 form and manner as the commissioner may prescribe. The department may require  
194.23 examination and certification by the claimant's physician or by a physician designated by  
194.24 the commissioner. The cost of any examination shall be borne by the claimant, unless the  
194.25 examination proves the disability, in which case the cost of the examination shall be borne  
194.26 by the commissioner.

194.27 A determination of disability of a claimant by the Social Security Administration under  
194.28 Title II or Title XVI of the Social Security Act shall constitute presumptive proof of disability.

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

195.1 Sec. 19. Minnesota Statutes 2016, section 297A.61, subdivision 18, is amended to read:

195.2 Subd. 18. **Disabled Person with a disability.** "Disabled Person with a disability" means  
195.3 an individual who has a permanent and total disability as defined in section 273.13,  
195.4 subdivision 22.

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

195.6 Sec. 20. Minnesota Statutes 2017 Supplement, section 297A.67, subdivision 6, is amended  
195.7 to read:

195.8 Subd. 6. **Other exempt meals.** (a) Prepared food, candy, and soft drinks purchased for  
195.9 and served exclusively to individuals who are 60 years of age or over and their spouses or  
195.10 to ~~disabled~~ persons with a disability and their spouses by governmental agencies, nonprofit  
195.11 organizations, or churches, or pursuant to any program funded in whole or in part through  
195.12 United States Code, title 42, sections 3001 through 3045, wherever delivered, prepared, or  
195.13 served, are exempt. Taxable food sold through vending machines is not exempt.

195.14 (b) Prepared food, candy, and soft drinks purchased for and served exclusively to children  
195.15 who are less than 14 years of age or ~~disabled~~ children with a disability who are less than  
195.16 16 years of age and who are attending a child care or early childhood education program,  
195.17 are exempt if they are:

195.18 (1) purchased by a nonprofit child care facility that is exempt under section 297A.70,  
195.19 subdivision 4, and that primarily serves families with income of 250 percent or less of  
195.20 federal poverty guidelines; and

195.21 (2) prepared at the site of the child care facility.

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

195.23 Sec. 21. Minnesota Statutes 2016, section 297A.67, subdivision 12, is amended to read:

195.24 Subd. 12. **Parts and accessories used to make a motor vehicle ~~disabled~~ accessible**  
195.25 **to a person with a disability.** Parts, accessories, and labor charges that are used solely to  
195.26 modify a motor vehicle to make it ~~disabled~~ accessible to persons with a disability are exempt.

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

195.28 Sec. 22. Minnesota Statutes 2016, section 297A.70, subdivision 3, is amended to read:

195.29 Subd. 3. **Sales of certain goods and services to government.** (a) The following sales  
195.30 to or use by the specified governments and political subdivisions of the state are exempt:

196.1 (1) repair and replacement parts for emergency rescue vehicles, fire trucks, and fire  
196.2 apparatus to a political subdivision;

196.3 (2) machinery and equipment, except for motor vehicles, used directly for mixed  
196.4 municipal solid waste management services at a solid waste disposal facility as defined in  
196.5 section 115A.03, subdivision 10;

196.6 (3) chore and homemaking services to a political subdivision of the state to be provided  
196.7 to elderly individuals or ~~disabled individuals~~ persons with a disability;

196.8 (4) telephone services to the Office of MN.IT Services that are used to provide  
196.9 telecommunications services through the MN.IT services revolving fund;

196.10 (5) firefighter personal protective equipment as defined in paragraph (b), if purchased  
196.11 or authorized by and for the use of an organized fire department, fire protection district, or  
196.12 fire company regularly charged with the responsibility of providing fire protection to the  
196.13 state or a political subdivision;

196.14 (6) bullet-resistant body armor that provides the wearer with ballistic and trauma  
196.15 protection, if purchased by a law enforcement agency of the state or a political subdivision  
196.16 of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

196.17 (7) motor vehicles purchased or leased by political subdivisions of the state if the vehicles  
196.18 are exempt from registration under section 168.012, subdivision 1, paragraph (b), exempt  
196.19 from taxation under section 473.448, or exempt from the motor vehicle sales tax under  
196.20 section 297B.03, clause (12);

196.21 (8) equipment designed to process, dewater, and recycle biosolids for wastewater  
196.22 treatment facilities of political subdivisions, and materials incidental to installation of that  
196.23 equipment;

196.24 (9) the removal of trees, bushes, or shrubs for the construction and maintenance of roads,  
196.25 trails, or firebreaks when purchased by an agency of the state or a political subdivision of  
196.26 the state;

196.27 (10) purchases by the Metropolitan Council or the Department of Transportation of  
196.28 vehicles and repair parts to equip operations provided for in section 174.90, including, but  
196.29 not limited to, the Northstar Corridor Rail project; and

196.30 (11) purchases of water used directly in providing public safety services by an organized  
196.31 fire department, fire protection district, or fire company regularly charged with the  
196.32 responsibility of providing fire protection to the state or a political subdivision.

197.1 (b) For purposes of this subdivision, "firefighters personal protective equipment" means  
197.2 helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including  
197.3 pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls;  
197.4 goggles; self-contained breathing apparatus; canister filter masks; personal alert safety  
197.5 systems; spanner belts; optical or thermal imaging search devices; and all safety equipment  
197.6 required by the Occupational Safety and Health Administration.

197.7 (c) For purchases of items listed in paragraph (a), clause (10), the tax must be imposed  
197.8 and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded  
197.9 in the manner provided in section 297A.75.

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

197.11 Sec. 23. Minnesota Statutes 2017 Supplement, section 297A.70, subdivision 4, is amended  
197.12 to read:

197.13 Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph (b),  
197.14 to the following "nonprofit organizations" are exempt:

197.15 (1) a corporation, society, association, foundation, or institution organized and operated  
197.16 exclusively for charitable, religious, or educational purposes if the item purchased is used  
197.17 in the performance of charitable, religious, or educational functions;

197.18 (2) any senior citizen group or association of groups that:

197.19 (i) in general limits membership to persons who are either age 55 or older, or ~~physically~~  
197.20 ~~disabled~~ persons with a physical disability;

197.21 (ii) is organized and operated exclusively for pleasure, recreation, and other nonprofit  
197.22 purposes, not including housing, no part of the net earnings of which inures to the benefit  
197.23 of any private shareholders; and

197.24 (iii) is an exempt organization under section 501(c) of the Internal Revenue Code; and

197.25 (3) an organization that qualifies for an exemption for memberships under subdivision  
197.26 12 if the item is purchased and used in the performance of the organization's mission.

197.27 For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery  
197.28 owned by a religious organization.

197.29 (b) This exemption does not apply to the following sales:

197.30 (1) building, construction, or reconstruction materials purchased by a contractor or a  
197.31 subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed

198.1 maximum price covering both labor and materials for use in the construction, alteration, or  
198.2 repair of a building or facility;

198.3 (2) construction materials purchased by tax-exempt entities or their contractors to be  
198.4 used in constructing buildings or facilities that will not be used principally by the tax-exempt  
198.5 entities;

198.6 (3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2),  
198.7 and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67,  
198.8 subdivision 2, except wine purchased by an established religious organization for sacramental  
198.9 purposes or as allowed under subdivision 9a; and

198.10 (4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except as  
198.11 provided in paragraph (c).

198.12 (c) This exemption applies to the leasing of a motor vehicle as defined in section 297B.01,  
198.13 subdivision 11, only if the vehicle is:

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

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

198.20 (d) A limited liability company also qualifies for exemption under this subdivision if  
198.21 (1) it consists of a sole member that would qualify for the exemption, and (2) the items  
198.22 purchased qualify for the exemption.

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

198.24 Sec. 24. Minnesota Statutes 2016, section 297A.70, subdivision 16, is amended to read:

198.25 Subd. 16. **Camp fees.** Fees to camps or other recreation facilities are exempt for:

198.26 (1) services primarily for children, adults accompanying children, or persons with  
198.27 ~~disabilities~~ a disability; or

198.28 (2) educational or religious activities;

198.29 ~~and~~ if the camp or facilities are owned and operated by an exempt organization under section  
198.30 501(c)(3) of the Internal Revenue Code.

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

199.1 Sec. 25. Minnesota Statutes 2016, section 297A.71, subdivision 22, is amended to read:

199.2 Subd. 22. **Materials used to make residential property ~~disabled~~ accessible to persons**  
199.3 **with a disability**. Building materials and equipment sold to, or stored, used, or consumed  
199.4 by, a nonprofit organization are exempt if:

199.5 (1) the materials and equipment are used or incorporated into modifying an existing  
199.6 residential structure to make it ~~disabled~~ accessible to persons with a disability; and

199.7 (2) the materials and equipment used in the modification would qualify for an exemption  
199.8 under either subdivision 11 or 12 if made by the current owner of the residence.

199.9 For purposes of this subdivision, "nonprofit organization" means any nonprofit  
199.10 corporation, society, association, foundation, or institution organized and operated exclusively  
199.11 for charitable, religious, educational, or civic purposes; or a veterans' group exempt from  
199.12 federal taxation under section 501(c), clause (19), of the Internal Revenue Code.

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

199.14 Sec. 26. Minnesota Statutes 2017 Supplement, section 297A.75, subdivision 1, is amended  
199.15 to read:

199.16 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following  
199.17 exempt items must be imposed and collected as if the sale were taxable and the rate under  
199.18 section 297A.62, subdivision 1, applied. The exempt items include:

199.19 (1) building materials for an agricultural processing facility exempt under section  
199.20 297A.71, subdivision 13;

199.21 (2) building materials for mineral production facilities exempt under section 297A.71,  
199.22 subdivision 14;

199.23 (3) building materials for correctional facilities under section 297A.71, subdivision 3;

199.24 (4) building materials used in a residence for ~~disabled~~ veterans with a disability exempt  
199.25 under section 297A.71, subdivision 11;

199.26 (5) elevators and building materials exempt under section 297A.71, subdivision 12;

199.27 (6) materials and supplies for qualified low-income housing under section 297A.71,  
199.28 subdivision 23;

199.29 (7) materials, supplies, and equipment for municipal electric utility facilities under  
199.30 section 297A.71, subdivision 35;

200.1 (8) equipment and materials used for the generation, transmission, and distribution of  
200.2 electrical energy and an aerial camera package exempt under section 297A.68, subdivision  
200.3 37;

200.4 (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph  
200.5 (a), clause (10);

200.6 (10) materials, supplies, and equipment for construction or improvement of projects and  
200.7 facilities under section 297A.71, subdivision 40;

200.8 (11) materials, supplies, and equipment for construction, improvement, or expansion  
200.9 of:

200.10 (i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014,  
200.11 section 297A.71, subdivision 42;

200.12 (ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision  
200.13 45;

200.14 (iii) a research and development facility exempt under Minnesota Statutes 2014, section  
200.15 297A.71, subdivision 46; and

200.16 (iv) an industrial measurement manufacturing and controls facility exempt under  
200.17 Minnesota Statutes 2014, section 297A.71, subdivision 47;

200.18 (12) enterprise information technology equipment and computer software for use in a  
200.19 qualified data center exempt under section 297A.68, subdivision 42;

200.20 (13) materials, supplies, and equipment for qualifying capital projects under section  
200.21 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);

200.22 (14) items purchased for use in providing critical access dental services exempt under  
200.23 section 297A.70, subdivision 7, paragraph (c);

200.24 (15) items and services purchased under a business subsidy agreement for use or  
200.25 consumption primarily in greater Minnesota exempt under section 297A.68, subdivision  
200.26 44;

200.27 (16) building materials, equipment, and supplies for constructing or replacing real  
200.28 property exempt under section 297A.71, subdivision 49; and

200.29 (17) building materials, equipment, and supplies for constructing or replacing real  
200.30 property exempt under section 297A.71, subdivision 50, paragraph (b).

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



201.1 Sec. 27. Minnesota Statutes 2016, section 297B.01, subdivision 14, is amended to read:

201.2 Subd. 14. **Purchase price.** (a) "Purchase price" means the total consideration valued  
201.3 in money for a sale, whether paid in money or otherwise. The purchase price excludes the  
201.4 amount of a manufacturer's rebate paid or payable to the purchaser. If a motor vehicle is  
201.5 taken in trade as a credit or as part payment on a motor vehicle taxable under this chapter,  
201.6 the credit or trade-in value allowed by the person selling the motor vehicle shall be deducted  
201.7 from the total selling price to establish the purchase price of the vehicle being sold and the  
201.8 trade-in allowance allowed by the seller shall constitute the purchase price of the motor  
201.9 vehicle accepted as a trade-in. The purchase price in those instances where the motor vehicle  
201.10 is acquired by gift or by any other transfer for a nominal or no monetary consideration shall  
201.11 also include the average value of similar motor vehicles, established by standards and guides  
201.12 as determined by the motor vehicle registrar. The purchase price in those instances where  
201.13 a motor vehicle is manufactured by a person who registers it under the laws of this state  
201.14 shall mean the manufactured cost of such motor vehicle and manufactured cost shall mean  
201.15 the amount expended for materials, labor, and other properly allocable costs of manufacture,  
201.16 except that in the absence of actual expenditures for the manufacture of a part or all of the  
201.17 motor vehicle, manufactured costs shall mean the reasonable value of the completed motor  
201.18 vehicle.

201.19 (b) The term "purchase price" shall not include the portion of the value of a motor vehicle  
201.20 due solely to modifications necessary to make the motor vehicle ~~disability~~ accessible to  
201.21 persons with a disability.

201.22 (c) The term "purchase price" shall not include the transfer of a motor vehicle by way  
201.23 of gift between a ~~husband and wife~~ spouses or parent and child, or to a nonprofit organization  
201.24 as provided under subdivision 16, paragraph (c), clause (6), nor shall it include the transfer  
201.25 of a motor vehicle by a guardian to a ward when there is no monetary consideration and the  
201.26 title to such vehicle was registered in the name of the guardian, as guardian, only because  
201.27 the ward was a minor.

201.28 (d) The term "purchase price" shall not include the transfer of a motor vehicle as a gift  
201.29 between a foster parent and foster child. For purposes of this subdivision, a foster relationship  
201.30 exists, regardless of the age of the child, if (1) a foster parent's home is or was licensed as  
201.31 a foster family home under Minnesota Rules, parts 2960.3000 to 2960.3340, and (2) the  
201.32 county verifies that the child was a state ward or in permanent foster care.

202.1 (e) There shall not be included in "purchase price" the amount of any tax imposed by  
202.2 the United States upon or with respect to retail sales whether imposed upon the retailer or  
202.3 the consumer.

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

202.5 Sec. 28. Minnesota Statutes 2017 Supplement, section 297B.01, subdivision 16, is amended  
202.6 to read:

202.7 Subd. 16. **Sale, sells, selling, purchase, purchased, or acquired.** (a) "Sale," "sells,"  
202.8 "selling," "purchase," "purchased," or "acquired" means any transfer of title of any motor  
202.9 vehicle, whether absolutely or conditionally, for a consideration in money or by exchange  
202.10 or barter for any purpose other than resale in the regular course of business.

202.11 (b) Any motor vehicle utilized by the owner only by leasing such vehicle to others or  
202.12 by holding it in an effort to so lease it, and which is put to no other use by the owner other  
202.13 than resale after such lease or effort to lease, shall be considered property purchased for  
202.14 resale.

202.15 (c) The terms also shall include any transfer of title or ownership of a motor vehicle by  
202.16 other means, for or without consideration, except that these terms shall not include:

202.17 (1) the acquisition of a motor vehicle by inheritance from or by bequest of, or  
202.18 transfer-on-death of title by, a decedent who owned it;

202.19 (2) the transfer of a motor vehicle which was previously licensed in the names of two  
202.20 or more joint tenants and subsequently transferred without monetary consideration to one  
202.21 or more of the joint tenants;

202.22 (3) the transfer of a motor vehicle by way of gift from a limited used vehicle dealer  
202.23 licensed under section 168.27, subdivision 4a, to an individual, when the transfer is with  
202.24 no monetary or other consideration or expectation of consideration and the parties to the  
202.25 transfer submit an affidavit to that effect at the time the title transfer is recorded;

202.26 (4) the transfer of a motor vehicle by gift between:

202.27 (i) spouses;

202.28 (ii) parents and a child; or

202.29 (iii) grandparents and a grandchild;

202.30 (5) the voluntary or involuntary transfer of a motor vehicle between ~~a husband and wife~~  
202.31 spouses in a divorce proceeding; or

203.1 (6) the transfer of a motor vehicle by way of a gift to an organization that is exempt from  
203.2 federal income taxation under section 501(c)(3) of the Internal Revenue Code when the  
203.3 motor vehicle will be used exclusively for religious, charitable, or educational purposes.

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

203.5 Sec. 29. Laws 2017, First Special Session chapter 1, article 8, section 3, the effective date,  
203.6 is amended to read:

203.7 **EFFECTIVE DATE.** This section is effective for (1) petitions and appeals filed after  
203.8 June 30, 2017, for which notices of entry of order are mailed before July 1, 2018, and (2)  
203.9 notices of entry of order mailed after June 30, 2018.

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

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ARTICLE 2	INDIVIDUAL INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES.....	Page.Ln 63.9
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ARTICLE 4	PROPERTY TAXES.....	Page.Ln 85.7
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ARTICLE 6	MISCELLANEOUS.....	Page.Ln 132.1
ARTICLE 7	DEPARTMENT OF REVENUE; PROPERTY TAX; POLICY CHANGES.....	Page.Ln 143.1
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**275.29 ABSTRACTS TO COMMISSIONER OF REVENUE.**

Not later than March 31, in each year, the county auditor shall make and transmit to the commissioner of revenue, in such form as may be prescribed by the commissioner of revenue, complete abstracts of the tax lists of the county, showing the number of acres of land assessed; its value, including the structures thereon; the value of town and city lots, including structures; the total value of all taxable personal property in the several assessment districts; the aggregate amount of all taxable property in the county, and the total amount of taxes levied therein for state, county, town, and all other purposes for that year.

**289A.38 LIMITATIONS ON TIME FOR ASSESSMENT OF TAX.**

Subd. 7. **Federal tax changes.** 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.

Subd. 8. **Failure to report change or correction of federal return.** If a taxpayer fails to make a report as required by subdivision 7, the commissioner may recompute the tax, including a refund, based on information available to the commissioner. The tax may be recomputed within six years after the report should have been filed, notwithstanding any period of limitations to the contrary.

Subd. 9. **Report made of change or correction of federal return.** If a taxpayer is required to make a report under subdivision 7, and does report the change or files a copy of the amended return, the commissioner may recompute and reassess the tax due, including a refund (1) within one year after the report or amended return is filed with the commissioner, notwithstanding any period of limitations to the contrary, or (2) within any other applicable period stated in this section, whichever period is longer. The period provided for the carryback of any amount of loss or credit is also extended as provided in this subdivision, notwithstanding any law to the contrary. If the commissioner has completed a field audit of the taxpayer, and, but for this subdivision, the commissioner's time period to adjust the tax has expired, the additional tax due or refund is limited to only those changes that are required to be made to the return which relate to the changes made on the federal return. This subdivision does not apply to sales and use tax.

For purposes of this subdivision and section 289A.42, subdivision 2, a "field audit" is the physical presence of examiners in the taxpayer's or taxpayer's representative's office conducting an examination of the taxpayer with the intention of issuing an assessment or notice of change in tax or which results in the issuing of an assessment or notice of change in tax. The examination may include inspecting a taxpayer's place of business, tangible personal property, equipment, computer systems and facilities, pertinent books, records, papers, vouchers, computer printouts, accounts, and documents.

**290.0131 INDIVIDUALS; ADDITIONS TO FEDERAL TAXABLE INCOME.**

Subd. 7. **Fines, fees, and penalties.** The amount of expenses disallowed under section 290.10, subdivision 2, is an addition.

Subd. 11. **Income attributable to domestic production activities.** The amount of the deduction allowable under section 199 of the Internal Revenue Code is an addition.

**290.0133 CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE INCOME.**

Subd. 13. **Income attributable to domestic production activities.** The amount of the deduction allowable under section 199 of the Internal Revenue Code is an addition.

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Subd. 14. **Fines, fees, and penalties.** The amount of expenses disallowed under section 290.10, subdivision 2, is an addition.

**290.067 DEPENDENT CARE CREDIT.**

Subd. 2a. **Income.** (a) For purposes of this section, "income" means the sum of the following:

(1) federal adjusted gross income as defined in section 62 of 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;

(xii) nontaxable scholarship or fellowship grants;

(xiii) the amount of deduction allowed under section 199 of the Internal Revenue Code;

(xiv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;

(xv) the amount deducted for tuition expenses under section 222 of the Internal Revenue Code; and

(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" means federal adjusted gross income reflected in the fiscal year ending in the next calendar year. Federal adjusted gross income may 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 that were exclusively funded by the claimant or spouse if the funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

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- (3) surplus food or other relief in kind supplied by a governmental agency;
- (4) relief granted under chapter 290A;
- (5) child support payments received under a temporary or final decree of dissolution or legal separation; and
- (6) 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.

**290.0921 CORPORATE ALTERNATIVE MINIMUM TAX AFTER 1989.**

Subdivision 1. **Tax imposed.** In addition to the taxes computed under this chapter without regard to this section, the franchise tax imposed on corporations includes a tax equal to the excess, if any, for the taxable year of:

- (1) 5.8 percent of Minnesota alternative minimum taxable income; over
- (2) the tax imposed under section 290.06, subdivision 1, without regard to this section.

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.

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.

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(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.

Subd. 3a. **Exemptions.** The following entities are exempt from the tax imposed by this section:

(1) cooperatives taxable under subchapter T of the Internal Revenue Code or organized under chapter 308 or a similar law of another state;

(2) corporations subject to tax under section 297I.05, subdivisions 1 to 5;

(3) real estate investment trusts;

(4) regulated investment companies or a fund thereof;

(5) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code; and

(6) small corporations exempt from the federal alternative minimum tax under section 55(e) of the Internal Revenue Code.

Subd. 4. **Alternative tax net operating loss.** (a) An alternative tax net operating loss deduction is allowed from alternative minimum taxable net income equal to the net operating loss deduction allowable for the taxable year under section 290.095 with the following modifications:

(1) The amount of the net operating loss deduction must not exceed 90 percent of alternative minimum taxable net income.

(2) In determining the amount of the net operating loss deduction (i) the net operating loss under section 290.095 must be adjusted as provided in paragraph (b), and (ii) for taxable years beginning after December 31, 1989, section 290.095, subdivision 3, must be applied by substituting "90 percent of alternative minimum taxable net income" for "taxable net income."

(b) The following adjustments must be made to the alternative tax net operating loss deduction under paragraph (a):

(1) For a loss year beginning after December 31, 1989, the net operating loss for each year under section 290.095 must be (i) determined with the adjustments provided in sections 56 and 58 of the Internal Revenue Code, as modified by subdivision 3 and (ii) reduced by the items of tax preference for the year determined under section 57 of the Internal Revenue Code, as modified by subdivision 3.

(2) For a loss year beginning before January 1, 1990, the amount of the net operating loss that may be carried over to taxable years beginning after December 31, 1989, equals the amount which may be carried from the loss year to the first taxable year of the taxpayer beginning after December 31, 1989.

Subd. 6. **Dividends received.** (a) A deduction is allowed from alternative minimum taxable net income equal to the deduction for dividends received under section 290.21, subdivision 4, for purposes of calculating taxable income under section 290.01, subdivision 29.



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(b) The amount of the deduction must not exceed 90 percent of alternative minimum taxable net income.

This limitation does not apply to:

(1) 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) 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.

**290.10 NONDEDUCTIBLE ITEMS.**

Subd. 2. **Fines, fees, and penalties.** (a) Except as provided in this subdivision, no deduction from taxable income for a trade or business expense under section 162(a) of the Internal Revenue Code shall be allowed for any amount paid or incurred, whether by suit, agreement, or otherwise, to, or at the direction of, a government or entity described in paragraph (d) in relation to the violation of any law or the investigation or inquiry by such government or entity into the potential violation of any law.

(b) Exception for amounts constituting restitution or paid to come into compliance with the law. Paragraph (a) does not apply to any amount which:

(1) the taxpayer establishes:

(i) constitutes restitution, including remediation of property for damage or harm caused by or which may be caused by the violation of any law or the potential violation of any law; or

(ii) is paid to come into compliance with any law which was violated or involved in the investigation or inquiry; and

(2) is identified as restitution or as an amount paid to come into compliance with the law, as the case may be, in the court order or settlement agreement.

This paragraph does not apply to any amount paid or incurred as reimbursement to the government or entity for the costs of any investigation or litigation.

(c) Paragraph (a) does not apply to any amount paid or incurred by order of a court in a suit in which no government or entity described in paragraph (d) is a party.

(d) An entity is described in this paragraph if it is:

(1) a nongovernmental entity which exercises self-regulatory powers, including imposing sanctions, in connection with a qualified board or exchange, as defined in section 1256(g)(7) of the Internal Revenue Code, or;

(2) to the extent provided in federal regulations, a nongovernmental entity which exercises self-regulatory powers, including imposing sanctions, as part of performing an essential governmental function.

(e) Paragraph (a) does not apply to any amount paid or incurred as taxes due.