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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 991

02/11/2021 Authored by Marquart
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; proposing Minnesota's COVID-19 recovery budget raising
1.3 revenue for strategic investments in our economy, supporting working families,
1.4 and combating youth smoking and nicotine addiction; modifying individual income
1.5 taxes, estate taxes, corporate franchise taxes, tobacco taxes, sales and use taxes,
1.6 property taxes, local government aids, special taxes, and other miscellaneous taxes
1.7 and tax provisions; amending Minnesota Statutes 2020, sections 116J.8737,
1.8 subdivisions 5, 12; 270B.12, subdivisions 8, 9; 273.124, subdivisions 13, 13c, 13d,
1.9 14; 273.1245, subdivision 1; 273.13, subdivision 23; 273.1315, subdivision 2;
1.10 289A.08, subdivision 7; 289A.10, subdivision 1; 290.01, by adding a subdivision;
1.11 290.0122, subdivision 8; 290.0131, by adding subdivisions; 290.0132, subdivision
1.12 27; 290.0133, subdivision 6, by adding subdivisions; 290.0134, subdivision 18;
1.13 290.06, subdivisions 1, 2c, 2d; 290.0671, subdivisions 1, 1a; 290.0674, subdivision
1.14 2a; 290.091, subdivision 2; 290.21, subdivision 9, by adding a subdivision;
1.15 290A.03, subdivision 3; 290A.25; 291.016, subdivision 3; 297A.68, subdivision
1.16 42; 297A.70, subdivision 13; 297A.75, subdivision 2; 297E.021, subdivision 4;
1.17 297F.01, subdivisions 19, 22b, 23, by adding subdivisions; 297F.031; 297F.05,
1.18 subdivision 1, by adding a subdivision; 297F.09, subdivisions 3, 4a, 7, 10; 297H.04,
1.19 subdivision 2; 297H.05; 297I.05, subdivision 7; 298.001, by adding a subdivision;
1.20 298.24, subdivision 1; 298.405, subdivision 1; 325F.781, subdivisions 1, 5, 6;
1.21 477A.014; proposing coding for new law in Minnesota Statutes, chapters 290;
1.22 297F; repealing Minnesota Statutes 2020, sections 290.01, subdivisions 7b, 19i;
1.23 290.0131, subdivision 18.

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

1.25 ARTICLE 1

1.26 INDIVIDUAL INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

1.27 Section 1. Minnesota Statutes 2020, section 116J.8737, subdivision 5, is amended to read:

1.28 Subd. 5. Credit allowed. (a) A qualified investor or qualified fund is eligible for a credit
1.29 equal to 25 percent of the qualified investment in a qualified small business. Investments
1.30 made by a pass-through entity qualify for a credit only if the entity is a qualified fund. The

2.1 commissioner must not allocate more than \$10,000,000 in credits to qualified investors or
2.2 qualified funds for the taxable ~~years listed in paragraph (i)~~ year beginning after December
2.3 31, 2020, and before January 1, 2022; and \$7,000,000 in credits to qualified investors or
2.4 qualified funds for the taxable year beginning after December 31, 2021, and before January
2.5 1, 2023. For each taxable year, 50 percent must be allocated to credits for qualified
2.6 investments in qualified greater Minnesota businesses and minority-owned, women-owned,
2.7 or veteran-owned qualified small businesses in Minnesota. Any portion of a taxable year's
2.8 credits that is reserved for qualified investments in greater Minnesota businesses and
2.9 minority-owned, women-owned, or veteran-owned qualified small businesses in Minnesota
2.10 that is not allocated by September 30 of the taxable year is available for allocation to other
2.11 credit applications beginning on October 1. Any portion of a taxable year's credits that is
2.12 not allocated by the commissioner does not cancel and may be carried forward to subsequent
2.13 taxable years until all credits have been allocated.

2.14 (b) The commissioner may not allocate more than a total maximum amount in credits
2.15 for a taxable year to a qualified investor for the investor's cumulative qualified investments
2.16 as an individual qualified investor and as an investor in a qualified fund; for married couples
2.17 filing joint returns the maximum is \$250,000, and for all other filers the maximum is
2.18 \$125,000. The commissioner may not allocate more than a total of \$1,000,000 in credits
2.19 over all taxable years for qualified investments in any one qualified small business.

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

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

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

2.27 A member of the family of an individual disqualified by this paragraph is not eligible for a
2.28 credit under this section. For a married couple filing a joint return, the limitations in this
2.29 paragraph apply collectively to the investor and spouse. For purposes of determining the
2.30 ownership interest of an investor under this paragraph, the rules under section 267(c) and
2.31 267(e) of the Internal Revenue Code apply.

2.32 (d) Applications for tax credits for 2010 must be made available on the department's
2.33 website by September 1, 2010, and the department must begin accepting applications by

3.1 September 1, 2010. Applications for subsequent years must be made available by November
3.2 1 of the preceding year.

3.3 (e) Qualified investors and qualified funds must apply to the commissioner for tax credits.
3.4 Tax credits must be allocated to qualified investors or qualified funds in the order that the
3.5 tax credit request applications are filed with the department. The commissioner must approve
3.6 or reject tax credit request applications within 15 days of receiving the application. The
3.7 investment specified in the application must be made within 60 days of the allocation of
3.8 the credits. If the investment is not made within 60 days, the credit allocation is canceled
3.9 and available for reallocation. A qualified investor or qualified fund that fails to invest as
3.10 specified in the application, within 60 days of allocation of the credits, must notify the
3.11 commissioner of the failure to invest within five business days of the expiration of the
3.12 60-day investment period.

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

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

4.1 calendar year in which the investment was made and the two following years. The three-year
4.2 holding period does not apply if:

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

4.5 (2) 80 percent or more of the assets of the qualified small business is sold before the end
4.6 of the three-year period;

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

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

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

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

4.13 ~~(i) The credit allowed under this subdivision is effective for each of the following taxable~~
4.14 ~~years:~~

4.15 ~~(1) taxable years beginning after December 31, 2018, and before January 1, 2020; and~~

4.16 ~~(2) taxable years beginning after December 31, 2020, and before January 1, 2022.~~

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

4.18 Sec. 2. Minnesota Statutes 2020, section 116J.8737, subdivision 12, is amended to read:

4.19 Subd. 12. **Sunset.** This section expires for taxable years beginning after December 31,
4.20 ~~2021~~ 2022, except that reporting requirements under subdivision 6 and revocation of credits
4.21 under subdivision 7 remain in effect through ~~2023~~ 2024 for qualified investors and qualified
4.22 funds, and through ~~2025~~ 2026 for qualified small businesses, reporting requirements under
4.23 subdivision 9 remain in effect through ~~2021~~ 2022, and the appropriation in subdivision 11
4.24 remains in effect through ~~2025~~ 2026.

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

4.26 Sec. 3. Minnesota Statutes 2020, section 289A.08, subdivision 7, is amended to read:

4.27 Subd. 7. **Composite income tax returns for nonresident partners, shareholders, and**
4.28 **beneficiaries.** (a) The commissioner may allow a partnership with nonresident partners to
4.29 file a composite return and to pay the tax on behalf of nonresident partners who have no
4.30 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 first multiplying
5.4 the income allocated to that partner by the highest rate used to determine the tax liability
5.5 for individuals under section 290.06, subdivision 2c, and adding this amount to the
5.6 preferential rate income tax determined under section 290.055 allocated to the partner.
5.7 Nonbusiness deductions, standard deductions, or personal exemptions are not allowed.

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

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

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

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

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

5.32 (h) A corporation defined in section 290.9725 and its nonresident shareholders may
5.33 make an election under this paragraph. The provisions covering the partnership apply to
5.34 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~~, 16, 19, and 20, and the subtractions provided in: (1)
 6.8 section 290.0132, subdivision 9, to the extent the amount is assignable or allocable to
 6.9 Minnesota under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction
 6.10 allowed under section 290.0132, subdivision 9, is only allowed on the composite tax
 6.11 computation 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, 2020.

6.14 Sec. 4. Minnesota Statutes 2020, section 289A.10, subdivision 1, is amended to read:

6.15 Subdivision 1. **Return required.** In the case of a decedent who has an interest in property
 6.16 with a situs in Minnesota, the personal representative must submit a Minnesota estate tax
 6.17 return to the commissioner, on a form prescribed by the commissioner, if:

6.18 (1) a federal estate tax return is required to be filed; or

6.19 (2) the sum of the federal gross estate and federal adjusted taxable gifts, as defined in
 6.20 section 2001(b) of the Internal Revenue Code, made within three years of the date of the
 6.21 decedent's death exceeds \$1,200,000 for estates of decedents dying in 2014; \$1,400,000 for
 6.22 estates of decedents dying in 2015; \$1,600,000 for estates of decedents dying in 2016;
 6.23 \$2,100,000 for estates of decedents dying in 2017; \$2,400,000 for estates of decedents dying
 6.24 in 2018; \$2,700,000 for estates of decedents dying in 2019; ~~and~~ \$3,000,000 for estates of
 6.25 decedents dying in 2020; ~~and thereafter~~ \$2,700,000 for estates of decedents dying in 2021
 6.26 and thereafter.

6.27 The return must contain a computation of the Minnesota estate tax due. The return must
 6.28 be signed by the personal representative.

6.29 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents
 6.30 dying after December 31, 2020.

7.1 Sec. 5. Minnesota Statutes 2020, section 290.01, is amended by adding a subdivision to
7.2 read:

7.3 Subd. 7c. **Resident trust.** (a) "Resident trust" means a trust, except a grantor type trust,
7.4 which has sufficient relevant connections with Minnesota during the applicable tax year to
7.5 be permissibly taxed, consistent with due process, as a resident trust. Relevant connections
7.6 with Minnesota include but are not limited to the following:

7.7 (1) one or more of the trustees, fiduciaries, nonfiduciary service providers, settlors,
7.8 grantors, or beneficiaries of the trust are residents or part-year residents of Minnesota;

7.9 (2) tangible or intangible assets making up any part of the trust are located in Minnesota;

7.10 (3) any part of the administration of the trust took place in Minnesota;

7.11 (4) the laws of Minnesota are specifically made applicable to the trust or to the parties
7.12 to the trust, whether by choice of law or by operation of law;

7.13 (5) the trust was created by a will of a decedent who at death was domiciled in Minnesota;

7.14 (6) the trust and the will under which it was created were probated in Minnesota or were
7.15 otherwise approved or enforced by Minnesota's courts; and

7.16 (7) Minnesota's courts have a continuing supervisory or other existing relationship with
7.17 the trust.

7.18 (b) The term "grantor type trust" means a trust where the income or gains of the trust
7.19 are taxable to the grantor or others treated as substantial owners under sections 671 to 678
7.20 of the Internal Revenue Code.

7.21 (c) The term "administration of the trust" means the performance of any administrative
7.22 function for the trust, including but not limited to the following:

7.23 (1) investing of trust assets;

7.24 (2) distributing of trust assets;

7.25 (3) conducting trust business;

7.26 (4) conducting any litigation or other legal proceedings;

7.27 (5) conducting administrative services, including but not limited to record keeping and
7.28 the preparation and filing of tax returns;

7.29 (6) making fiduciary decisions, including but not limited to decisions regarding any of
7.30 the administrative functions listed in this paragraph; and

8.1 (7) official keeping of books and records of the trust, including but not limited to the
 8.2 original minutes of trustee meetings and the original trust instruments, are located in
 8.3 Minnesota.

8.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 8.5 31, 2020.

8.6 Sec. 6. Minnesota Statutes 2020, section 290.0122, subdivision 8, is amended to read:

8.7 Subd. 8. **Losses.** A taxpayer is allowed a deduction for losses. ~~The deduction equals the~~
 8.8 ~~amount allowed under sections 165(d) and 165(h) of the Internal Revenue Code, disregarding~~
 8.9 ~~the limitation on personal casualty losses in paragraph (h)(5).~~ section 165(a) of the Internal
 8.10 Revenue Code, including the limitation provided in section 67(b)(3) of the Internal Revenue
 8.11 Code, for the following:

8.12 (1) losses described in paragraphs (2) and (3) of section 165(c) of the Internal Revenue
 8.13 Code, including the provisions of section 165(h) of the Internal Revenue Code but
 8.14 disregarding paragraph (h)(5); and

8.15 (2) losses described in section 165(d) of the Internal Revenue Code.

8.16 **EFFECTIVE DATE.** This section is effective the day following final enactment, except
 8.17 that the reference to paragraph (2) of section 165(c) of the Internal Revenue Code is effective
 8.18 retroactively for taxable years beginning after December 31, 2018.

8.19 Sec. 7. Minnesota Statutes 2020, section 290.0131, is amended by adding a subdivision
 8.20 to read:

8.21 Subd. 19. **Previously taxed deferred foreign income.** The amount received by a resident
 8.22 or part-year resident that is excluded from federal adjusted gross income or federal taxable
 8.23 income under section 959 of the Internal Revenue Code, because the amount was previously
 8.24 included under sections 951A or 965 of the Internal Revenue Code, is an addition.

8.25 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
 8.26 after December 31, 2015, except that the changes incorporated by federal changes are
 8.27 effective retroactively at the same time the changes became effective for federal purposes.

9.1 Sec. 8. Minnesota Statutes 2020, section 290.0131, is amended by adding a subdivision
9.2 to read:

9.3 Subd. 20. **Income attributable to domestic production activities of cooperatives.** The
9.4 amount of the deduction allowable under section 199A(g) of the Internal Revenue Code is
9.5 an addition.

9.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
9.7 31, 2020.

9.8 Sec. 9. Minnesota Statutes 2020, section 290.0132, subdivision 27, is amended to read:

9.9 Subd. 27. **Deferred foreign income.** The amount of deferred foreign income ~~recognized~~
9.10 ~~because of~~ under section 965 of the Internal Revenue Code is a subtraction.

9.11 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
9.12 after December 31, 2015, except the changes incorporated by federal changes are effective
9.13 retroactively at the same time the changes became effective for federal purposes.

9.14 Sec. 10. Minnesota Statutes 2020, section 290.0133, subdivision 6, is amended to read:

9.15 Subd. 6. **Special deductions.** The amount of any special deductions under sections 241
9.16 to 247, and 250, and 965 of the Internal Revenue Code is an addition.

9.17 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
9.18 after December 31, 2015, except that the changes incorporated by federal changes are
9.19 effective retroactively at the same time the changes became effective for federal purposes.

9.20 Sec. 11. Minnesota Statutes 2020, section 290.0133, is amended by adding a subdivision
9.21 to read:

9.22 Subd. 15. **Previously taxed deferred foreign income.** The amount received by a
9.23 corporation that is excluded from gross income under section 959 of the Internal Revenue
9.24 Code, because the amount was previously included under sections 951A or 965 of the
9.25 Internal Revenue Code, is an addition.

9.26 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
9.27 after December 31, 2015, except that the changes incorporated by federal changes are
9.28 effective retroactively at the same time the changes became effective for federal purposes.

10.1 Sec. 12. Minnesota Statutes 2020, section 290.0133, is amended by adding a subdivision
10.2 to read:

10.3 Subd. 16. **Income attributable to domestic production activities of cooperatives.** The
10.4 amount of the deduction allowable under section 199A(g) of the Internal Revenue Code is
10.5 an addition.

10.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
10.7 31, 2020.

10.8 Sec. 13. Minnesota Statutes 2020, section 290.0134, subdivision 18, is amended to read:

10.9 Subd. 18. **Deferred foreign income.** The amount of deferred foreign income ~~recognized~~
10.10 ~~because of~~ under section 965 of the Internal Revenue Code is a subtraction.

10.11 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
10.12 after December 31, 2015, except that the changes incorporated by federal changes are
10.13 effective retroactively at the same time the changes became effective for federal purposes.

10.14 Sec. 14. **[290.055] CAPITAL GAINS TAX.**

10.15 (a) For purposes of this subdivision, "preferential rate income" means the sum of net
10.16 long-term capital gain income as defined in section 1222 of the Internal Revenue Code, and
10.17 qualified dividend income as defined in section 1(h)(11)(B) of the Internal Revenue Code.

10.18 (b) In addition to the tax computed under section 290.06, subdivision 2c, an additional
10.19 amount of tax is imposed on the preferential rate income of individuals, estates, and trusts
10.20 applying the following schedule of rates:

10.21 (1) On all preferential rate income over \$500,000, but not over \$1,000,000, 1.5 percent;

10.22 (2) On all preferential rate income over \$1,000,000, four percent;

10.23 (3) For an individual that is not a Minnesota resident for the entire taxable year, the tax
10.24 under this subdivision must be calculated as if the individual is a Minnesota resident for the
10.25 entire year, and that amount must be multiplied by a fraction in which:

10.26 (i) the numerator is preferential rate income allocable under section 290.17 to Minnesota;
10.27 and

10.28 (ii) the denominator is the total amount of preferential rate income for the taxable year;

10.29 (4) For an estate or trust, the tax on preferential rate income must be computed by
10.30 multiplying the preferential rate income tax liability by a fraction, the numerator of which

11.1 is the amount of the estate or trust's preferential rate income allocated to the state pursuant
 11.2 to the provisions of sections 290.17, 290.191, and 290.20, and the denominator of which is
 11.3 the taxpayer's total preferential rate income.

11.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 11.5 31, 2020.

11.6 Sec. 15. Minnesota Statutes 2020, section 290.06, subdivision 1, is amended to read:

11.7 Subdivision 1. **Computation, corporations.** The franchise tax imposed upon corporations
 11.8 shall be computed by applying to their taxable income the rate of ~~9.8~~ 11.25 percent.

11.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 11.10 31, 2020.

11.11 Sec. 16. Minnesota Statutes 2020, section 290.06, subdivision 2c, is amended to read:

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

11.16 (1) On the first ~~\$38,770~~ \$42,800, 5.35 percent;

11.17 (2) On all over ~~\$38,770~~ \$42,800, but not over ~~\$154,020~~ \$154,010, 6.8 percent;

11.18 (3) On all over ~~\$154,020~~ \$154,010, but not over ~~\$269,010~~ \$276,200, 7.85 percent;

11.19 (4) On all over ~~\$269,010~~ \$276,200, but not over \$1,000,000, 9.85 percent.;

11.20 (5) On all over \$1,000,000, 10.85 percent.

11.21 Married individuals filing separate returns, estates, and trusts must compute their income
 11.22 tax by applying the above rates to their taxable income, except that the income brackets
 11.23 will be one-half of the above amounts after the adjustment required in subdivision 2d.

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

11.26 (1) On the first ~~\$26,520~~ \$29,270, 5.35 percent;

11.27 (2) On all over ~~\$26,520~~ \$29,270, but not over ~~\$87,110~~ \$86,620, 6.8 percent;

11.28 (3) On all over ~~\$87,110~~ \$86,620, but not over ~~\$161,720~~ \$166,040, 7.85 percent;

11.29 (4) On all over ~~\$161,720~~ \$166,040, but not over \$500,000, 9.85 percent.;

12.1 (5) On all over \$500,000, 10.85 percent.

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

12.5 (1) On the first ~~\$32,650~~ \$36,030, 5.35 percent;

12.6 (2) On all over ~~\$32,650~~ \$36,030, but not over ~~\$131,190~~ \$131,230, 6.8 percent;

12.7 (3) On all over ~~\$131,190~~ \$131,230, but not over ~~\$214,980~~ \$220,730, 7.85 percent;

12.8 (4) On all over ~~\$214,980~~ \$220,730, but not over \$750,000, 9.85 percent.;

12.9 (5) On all over \$750,000, 10.85 percent.

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

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

12.21 (1) the numerator is the individual's Minnesota source federal adjusted gross income as
12.22 defined in section 62 of the Internal Revenue Code and increased by:

12.23 (i) the additions required under sections 290.0131, subdivisions 2, 6, ~~8 to 10, 16, and~~
12.24 ~~17 to 11, 19, and 20~~, and 290.0137, paragraph (a); and reduced by

12.25 (ii) the Minnesota assignable portion of the subtraction for United States government
12.26 interest under section 290.0132, subdivision 2, the subtractions under sections 290.0132,
12.27 subdivisions 9, 10, 14, 15, 17, 18, and 27, and 290.0137, paragraph (c), after applying the
12.28 allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

12.29 (2) the denominator is the individual's federal adjusted gross income as defined in section
12.30 62 of the Internal Revenue Code, increased by:

12.31 (i) the additions required under sections 290.0131, subdivisions 2, 6, ~~8 to 10, 16, and~~
12.32 ~~17 to 11, 19, and 20~~, and 290.0137, paragraph (a); and reduced by

13.1 (ii) the subtractions under sections 290.0132, subdivisions 2, 9, 10, 14, 15, 17, 18, and
 13.2 27, and 290.0137, paragraph (c).

13.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 13.4 31, 2020.

13.5 Sec. 17. Minnesota Statutes 2020, section 290.06, subdivision 2d, is amended to read:

13.6 Subd. 2d. **Inflation adjustment of brackets.** The commissioner shall annually adjust
 13.7 the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed
 13.8 in subdivision 2c as provided in section 270C.22. The statutory year is taxable year ~~2019~~
 13.9 2021. The rate applicable to any rate bracket must not be changed. The dollar amounts
 13.10 setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate
 13.11 brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in
 13.12 \$5, it must be rounded up to the nearest \$10 amount. The commissioner shall determine the
 13.13 rate bracket for married filing separate returns after this adjustment is done. The rate bracket
 13.14 for married filing separate must be one-half of the rate bracket for married filing joint.

13.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 13.16 31, 2021.

13.17 Sec. 18. Minnesota Statutes 2020, section 290.0671, subdivision 1, is amended to read:

13.18 Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota is
 13.19 allowed a credit against the tax imposed by this chapter equal to a percentage of earned
 13.20 income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the
 13.21 Internal Revenue Code, except that:

13.22 (1) a taxpayer with no qualifying children who has attained the age of 21, but not attained
 13.23 age 65 before the close of the taxable year and is otherwise eligible for a credit under section
 13.24 32 of the Internal Revenue Code may also receive a credit; ~~and~~

13.25 (2) a taxpayer who is otherwise eligible for a credit under section 32 of the Internal
 13.26 Revenue Code remains eligible for the credit even if the taxpayer's earned income or adjusted
 13.27 gross income exceeds the income limitation under section 32 of the Internal Revenue Code;
 13.28 and

13.29 (3) a taxpayer who is otherwise eligible for a credit under section 32 of the Internal
 13.30 Revenue Code remains eligible for the credit even if the requirements of section 32(m) of
 13.31 the Internal Revenue Code are not met if the taxpayer provides an individual taxpayer
 13.32 identification number.

14.1 (b) For individuals with no qualifying children, the credit equals ~~3.9~~ 4.6 percent of the
 14.2 first \$7,150 of earned income. The credit is reduced by ~~2.0~~ 2.3 percent of earned income or
 14.3 adjusted gross income, whichever is greater, in excess of the phaseout threshold, but in no
 14.4 case is the credit less than zero.

14.5 (c) For individuals with one qualifying child, the credit equals ~~9.35~~ 11 percent of the
 14.6 first \$11,950 of earned income. The credit is reduced by ~~6.0~~ 7.0 percent of earned income
 14.7 or adjusted gross income, whichever is greater, in excess of the phaseout threshold, but in
 14.8 no case is the credit less than zero.

14.9 (d) For individuals with two qualifying children, the credit equals ~~11~~ 13 percent of the
 14.10 first \$19,600 of earned income. The credit is reduced by ~~10.5~~ 12.3 percent of earned income
 14.11 or adjusted gross income, whichever is greater, in excess of the phaseout threshold, but in
 14.12 no case is the credit less than zero.

14.13 (e) For individuals with three or more qualifying children, the credit equals ~~12.5~~ 14.8
 14.14 percent of the first \$20,000 of earned income. The credit is reduced by ~~10.5~~ 12.3 percent
 14.15 of earned income or adjusted gross income, whichever is greater, in excess of the phaseout
 14.16 threshold, but in no case is the credit less than zero.

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

14.19 (g) For a person who was a resident for the entire tax year and has earned income not
 14.20 subject to tax under this chapter, including income excluded under section 290.0132,
 14.21 subdivision 10, the credit must be allocated based on the ratio of federal adjusted gross
 14.22 income reduced by the earned income not subject to tax under this chapter over federal
 14.23 adjusted gross income. For purposes of this paragraph, the following clauses are not
 14.24 considered "earned income not subject to tax under this chapter":

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

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

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

14.29 (h) For the purposes of this section, the phaseout threshold equals:

14.30 (1) \$14,570 for married taxpayers filing joint returns with no qualifying children;

14.31 (2) \$8,730 for all other taxpayers with no qualifying children;

14.32 (3) \$28,610 for married taxpayers filing joint returns with one qualifying child;

- 15.1 (4) \$22,770 for all other taxpayers with one qualifying child;
- 15.2 (5) \$32,840 for married taxpayers filing joint returns with two qualifying children;
- 15.3 (6) \$27,000 for all other taxpayers with two qualifying children;
- 15.4 (7) \$33,140 for married taxpayers filing joint returns with three or more qualifying
- 15.5 children; and
- 15.6 (8) \$27,300 for all other taxpayers with three or more qualifying children.

15.7 (i) The commissioner shall construct tables showing the amount of the credit at various

15.8 income levels and make them available to taxpayers. The tables shall follow the schedule

15.9 contained in this subdivision, except that the commissioner may graduate the transition

15.10 between income brackets.

15.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December

15.12 31, 2020.

15.13 Sec. 19. Minnesota Statutes 2020, section 290.0671, subdivision 1a, is amended to read:

15.14 Subd. 1a. **Definitions.** For purposes of this section, the terms "qualifying child," and

15.15 "earned income," have the meanings given in section 32(c) of the Internal Revenue Code,

15.16 except that the requirements of section 32(m) of the Internal Revenue Code do not apply

15.17 to the definition of a "qualifying child" if all other requirements are met and an individual

15.18 taxpayer identification number is provided, and the term "adjusted gross income" has the

15.19 meaning given in section 62 of the Internal Revenue Code.

15.20 "Earned income of the lesser-earning spouse" has the meaning given in section 290.0675,

15.21 subdivision 1, paragraph (d).

15.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December

15.23 31, 2020.

15.24 Sec. 20. Minnesota Statutes 2020, section 290.0674, subdivision 2a, is amended to read:

15.25 Subd. 2a. **Income.** (a) For purposes of this section, "income" means the sum of the

15.26 following:

15.27 (1) federal adjusted gross income as defined in section 62 of the Internal Revenue Code;

15.28 and

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

15.30 (i) all nontaxable income;

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

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

16.7 (iv) cash public assistance and relief;

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

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

16.15 (vii) workers' compensation;

16.16 (viii) nontaxable strike benefits;

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

16.20 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of
16.21 1986, as amended through December 31, 1995;

16.22 (xi) contributions made by the claimant to an individual retirement account, including
16.23 a qualified voluntary employee contribution; simplified employee pension plan;
16.24 self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of
16.25 the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal
16.26 Revenue Code;

16.27 (xii) nontaxable scholarship or fellowship grants;

16.28 (xiii) the amount of deduction allowed under section ~~199~~ 199A(g) of the Internal Revenue
16.29 Code;

16.30 (xiv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue
16.31 Code;

17.1 (xv) the amount deducted for tuition expenses under section 222 of the Internal Revenue
17.2 Code; and

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

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

17.10 (b) "Income" does not include:

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

17.12 (2) amounts of any pension or annuity that were exclusively funded by the claimant or
17.13 spouse if the funding payments were not excluded from federal adjusted gross income in
17.14 the years when the payments were made;

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

17.16 (4) relief granted under chapter 290A;

17.17 (5) child support payments received under a temporary or final decree of dissolution or
17.18 legal separation; and

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

17.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
17.23 31, 2020.

17.24 Sec. 21. Minnesota Statutes 2020, section 290.091, subdivision 2, is amended to read:

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

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

17.29 (1) the taxpayer's federal alternative minimum taxable income as defined in section
17.30 55(b)(2) of the Internal Revenue Code;

- 18.1 (2) the taxpayer's itemized deductions allowed in computing federal alternative minimum
18.2 taxable income, but excluding:
- 18.3 (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;
- 18.4 (ii) the medical expense deduction;
- 18.5 (iii) the casualty, theft, and disaster loss deduction; and
- 18.6 (iv) the impairment-related work expenses of a person with a disability;
- 18.7 (3) for depletion allowances computed under section 613A(c) of the Internal Revenue
18.8 Code, with respect to each property (as defined in section 614 of the Internal Revenue Code),
18.9 to the extent not included in federal alternative minimum taxable income, the excess of the
18.10 deduction for depletion allowable under section 611 of the Internal Revenue Code for the
18.11 taxable year over the adjusted basis of the property at the end of the taxable year (determined
18.12 without regard to the depletion deduction for the taxable year);
- 18.13 (4) to the extent not included in federal alternative minimum taxable income, the amount
18.14 of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue
18.15 Code determined without regard to subparagraph (E);
- 18.16 (5) to the extent not included in federal alternative minimum taxable income, the amount
18.17 of interest income as provided by section 290.0131, subdivision 2;
- 18.18 (6) the amount of addition required by section 290.0131, subdivisions 9, 10, ~~and 16, 19~~
18.19 and 20;
- 18.20 (7) the deduction allowed under section 199A of the Internal Revenue Code, to the extent
18.21 not included in the addition required under clause (6); and
- 18.22 (8) to the extent not included in federal alternative minimum taxable income, the amount
18.23 of foreign-derived intangible income deducted under section 250 of the Internal Revenue
18.24 Code;
- 18.25 less the sum of the amounts determined under the following:
- 18.26 (i) interest income as defined in section 290.0132, subdivision 2;
- 18.27 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision
18.28 3, to the extent included in federal alternative minimum taxable income;
- 18.29 (iii) the amount of investment interest paid or accrued within the taxable year on
18.30 indebtedness to the extent that the amount does not exceed net investment income, as defined

19.1 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted
 19.2 in computing federal adjusted gross income;

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

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

19.7 (vi) the amount allowable as a Minnesota itemized deduction under section 290.0122,
 19.8 subdivision 7.

19.9 In the case of an estate or trust, alternative minimum taxable income must be computed
 19.10 as provided in section 59(c) of the Internal Revenue Code, except alternative minimum
 19.11 taxable income must be increased by the addition in section 290.0131, subdivision 16.

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

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

19.15 (d) "Regular tax" means the tax that would be imposed under this chapter (without regard
 19.16 to this section and ~~section~~ sections 290.032 and 290.055), reduced by the sum of the
 19.17 nonrefundable credits allowed under this chapter.

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

19.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 19.21 31, 2020.

19.22 Sec. 22. Minnesota Statutes 2020, section 290.21, subdivision 9, is amended to read:

19.23 Subd. 9. **Controlled foreign corporations.** The net income of a ~~domestic~~ corporation
 19.24 that is included pursuant to section 951 of the Internal Revenue Code is dividend income.

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

19.26 Sec. 23. Minnesota Statutes 2020, section 290.21, is amended by adding a subdivision to
 19.27 read:

19.28 Subd. 10. **Previously taxed deferred foreign income.** The amount included under
 19.29 section 290.0133, subdivision 15, is dividend income.

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

20.3 Sec. 24. Minnesota Statutes 2020, section 290A.03, subdivision 3, is amended to read:

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

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

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

20.7 (i) all nontaxable income;

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

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

20.14 (iv) cash public assistance and relief;

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

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

20.22 (vii) workers' compensation;

20.23 (viii) nontaxable strike benefits;

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

20.27 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of
20.28 1986, as amended through December 31, 1995;

20.29 (xi) contributions made by the claimant to an individual retirement account, including
20.30 a qualified voluntary employee contribution; simplified employee pension plan;
20.31 self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of

21.1 the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal
 21.2 Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for
 21.3 the claimant and spouse;

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

21.6 (xiii) nontaxable scholarship or fellowship grants;

21.7 (xiv) alimony received to the extent not included in the recipient's income;

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

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

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

21.14 (xviii) the amount of deduction allowed under section 199A(g) of the Internal Revenue
 21.15 Code.

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

21.21 (b) "Income" does not include:

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

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

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

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

21.31 (5) relief granted under this chapter;

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

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

22.6 (8) alimony paid.

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

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

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

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

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

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

22.13 (6) if the claimant or claimant's spouse had a disability or attained the age of 65 on or
 22.14 before December 31 of the year for which the taxes were levied or rent paid, the exemption
 22.15 amount.

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

22.17 (1) "exemption amount" means the exemption amount under section 290.0121,
 22.18 subdivision 1, paragraph (b), for the taxable year for which the income is reported;

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

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

22.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 22.26 31, 2020.

22.27 Sec. 25. Minnesota Statutes 2020, section 291.016, subdivision 3, is amended to read:

22.28 Subd. 3. **Subtraction.** (a) For estates of decedents dying after December 31, 2016, a
 22.29 subtraction is allowed in computing the Minnesota taxable estate, equal to the sum of:

22.30 (1) the exclusion amount for the year of death under paragraph (b); and

23.1 (2) the lesser of:

23.2 (i) the value of qualified small business property under section 291.03, subdivision 9,
23.3 and the value of qualified farm property under section 291.03, subdivision 10; or

23.4 (ii) \$5,000,000 minus the exclusion amount for the year of death under paragraph (b).

23.5 (b) The following exclusion amounts apply for the year of death:

23.6 (1) \$2,100,000 for decedents dying in 2017;

23.7 (2) \$2,400,000 for decedents dying in 2018;

23.8 (3) \$2,700,000 for decedents dying in 2019; ~~and~~

23.9 (4) \$3,000,000 for decedents dying in 2020; ~~and thereafter.~~

23.10 (5) \$2,700,000 for decedents dying in 2021 and thereafter.

23.11 (c) The subtraction under this subdivision must not reduce the Minnesota taxable estate
23.12 to less than zero.

23.13 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents
23.14 dying after December 31, 2020.

23.15 Sec. 26. **REPEALER.**

23.16 (a) Minnesota Statutes 2020, section 290.01, subdivision 7b, is repealed effective for
23.17 taxable years beginning after December 31, 2020.

23.18 (b) Minnesota Statutes 2020, sections 290.01, subdivision 19i; and 290.0131, subdivision
23.19 18, are repealed effective retroactively for taxable years beginning after December 31, 2015.

23.20 **ARTICLE 2**

23.21 **VAPOR AND TOBACCO TAXES**

23.22 Section 1. Minnesota Statutes 2020, section 297F.01, is amended by adding a subdivision
23.23 to read:

23.24 Subd. 7a. **Delivery sale.** "Delivery sale" has the meaning given in section 325F.781,
23.25 subdivision 1.

23.26 **EFFECTIVE DATE.** This section is effective January 1, 2022.

24.1 Sec. 2. Minnesota Statutes 2020, section 297F.01, is amended by adding a subdivision to
24.2 read:

24.3 Subd. 7b. **Heat device.** "Heat device" means any electronic heat device, heat system,
24.4 or similar product or device, meant to be used with a cigarette to produce a vapor or aerosol,
24.5 regardless of whether sold with a cigarette. A heat device includes any batteries, heating
24.6 elements, components, parts, accessories, apparel, or other items that are packaged with,
24.7 connected to, attached to, or contained within the product or device.

24.8 **EFFECTIVE DATE.** This section is effective January 1, 2022.

24.9 Sec. 3. Minnesota Statutes 2020, section 297F.01, subdivision 19, is amended to read:

24.10 Subd. 19. **Tobacco products.** (a) "Tobacco products" means any product containing,
24.11 made, or derived from tobacco that is intended for human consumption, whether chewed,
24.12 smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, or
24.13 any component, part, or accessory of a tobacco product, including, but not limited to, cigars;
24.14 cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking
24.15 tobacco; snuff; snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing
24.16 tobacco; shorts; refuse scraps, clippings, cuttings and sweepings of tobacco, and other kinds
24.17 and forms of tobacco; but does not include cigarettes as defined in this section. Tobacco
24.18 products includes nicotine solution products and heat devices. Tobacco products excludes
24.19 any tobacco product that has been approved by the United States Food and Drug
24.20 Administration for sale as a tobacco cessation product, as a tobacco dependence product,
24.21 or for other medical purposes, and is being marketed and sold solely for such an approved
24.22 purpose.

24.23 (b) Except for the imposition of tax under section 297F.05, subdivisions 3 and 4, tobacco
24.24 products includes a premium cigar, as defined in subdivision 13a.

24.25 **EFFECTIVE DATE.** This section is effective January 1, 2022.

24.26 Sec. 4. Minnesota Statutes 2020, section 297F.01, subdivision 22b, is amended to read:

24.27 Subd. 22b. **Nicotine solution products.** (a) "Nicotine solution products" means any
24.28 cartridge, bottle, or other package that contains nicotine made or derived from tobacco, that
24.29 is in a solution that is consumed, or meant to be consumed, through the use of a heating
24.30 element, power source, electronic circuit, or other electronic, chemical, or mechanical means
24.31 that produces vapor or aerosol. This paragraph expires December 31, 2019.

25.1 (b) Beginning January 1, 2020, "nicotine solution products" means any cartridge, bottle,
 25.2 or other package that contains nicotine, including nicotine made or derived from tobacco
 25.3 or sources other than tobacco, that is in a solution that is consumed, or meant to be consumed,
 25.4 through the use of a heating element, power source, electronic circuit, or other electronic,
 25.5 chemical, or mechanical means that produces vapor or aerosol.

25.6 (c) Nicotine solution products includes any electronic cigarette, electronic cigar, electronic
 25.7 cigarillo, electronic pipe, electronic nicotine delivery system, electronic vaping device,
 25.8 electronic vape pen, electronic oral device, electronic delivery device, or similar product
 25.9 or device, ~~and~~ meant to be used in the consumption of a solution containing nicotine
 25.10 regardless of whether sold with a solution containing nicotine. Nicotine solution products
 25.11 include any batteries, heating elements, or other components, parts, or accessories sold with
 25.12 and meant to be used in the consumption of a solution containing nicotine, apparel, or other
 25.13 items that are packaged with, connected to, attached to, or contained within the product or
 25.14 device.

25.15 **EFFECTIVE DATE.** This section is effective January 1, 2022.

25.16 Sec. 5. Minnesota Statutes 2020, section 297F.01, subdivision 23, is amended to read:

25.17 Subd. 23. **Wholesale sales price.** (a) "Wholesale sales price" means the price at which
 25.18 a distributor purchases a tobacco product.

25.19 (b) When a distributor sells a cartridge, bottle, or other package of a solution containing
 25.20 nicotine that is part of a kit that also includes a product, device, component, part, ~~or~~ accessory
 25.21 ~~described in subdivision 22b:~~

25.22 ~~(1), or other item,~~ the wholesale sales price is the price at which the distributor purchases
 25.23 the kit; ~~except that,~~

25.24 ~~(2) if the distributor also separately sells the same package of solution containing nicotine~~
 25.25 ~~that is sold with the kit and can isolate the cost of the package of solution containing nicotine,~~
 25.26 ~~then the wholesale sales price includes only the price at which the distributor separately~~
 25.27 ~~purchases the package of the solution containing nicotine and any taxes, charges, and costs~~
 25.28 ~~listed in paragraph (c).~~

25.29 (c) When a distributor sells a heat device that is part of a kit that also includes a product,
 25.30 device, component, part, accessory, or other item, the wholesale sales price is the price at
 25.31 which the distributor purchases the kit.

25.32 ~~(e)~~ (d) Wholesale sales price includes the applicable federal excise tax, freight charges,
 25.33 or packaging costs, regardless of whether they were included in the purchase price.

26.1 **EFFECTIVE DATE.** This section is effective for kits purchased by distributors after
 26.2 December 31, 2021.

26.3 Sec. 6. Minnesota Statutes 2020, section 297F.031, is amended to read:

26.4 **297F.031 REGISTRATION REQUIREMENT.**

26.5 Prior to making delivery sales ~~or shipping cigarettes or tobacco products in connection~~
 26.6 ~~with any sales~~, an out-of-state retailer ~~shall~~ must file with the Department of Revenue a
 26.7 statement setting forth the out-of-state retailer's name, trade name, ~~and the address of the~~
 26.8 ~~out-of-state retailer's~~, principal place of business, and any other place of business.

26.9 **EFFECTIVE DATE.** This section is effective for all delivery sales occurring after
 26.10 December 31, 2021.

26.11 Sec. 7. Minnesota Statutes 2020, section 297F.05, subdivision 1, is amended to read:

26.12 Subdivision 1. **Rates; cigarettes.** A tax is imposed upon the sale of cigarettes in this
 26.13 state, upon having cigarettes in possession in this state with intent to sell, upon any person
 26.14 engaged in business as a distributor, and upon the use or storage by consumers, at the rate
 26.15 of ~~15.2~~ 20.2 mills, or ~~15.2~~ 20.2 cents, on each cigarette.

26.16 **EFFECTIVE DATE.** This section is effective July 1, 2021.

26.17 Sec. 8. Minnesota Statutes 2020, section 297F.05, is amended by adding a subdivision to
 26.18 read:

26.19 Subd. 4b. **Retailer collection and remittance of use tax.** A retailer or out-of-state
 26.20 retailer must, for any delivery sale, collect and pay to the state any use tax imposed by this
 26.21 section. The retailer or out-of-state retailer must give the purchaser a receipt for the tax paid.

26.22 **EFFECTIVE DATE.** This section is effective for all delivery sales occurring after
 26.23 December 31, 2021.

26.24 Sec. 9. Minnesota Statutes 2020, section 297F.09, subdivision 3, is amended to read:

26.25 Subd. 3. **Use tax return; cigarette or tobacco products consumer and retailers**
 26.26 **making delivery sales.** (a) On or before the 18th day of each calendar month, a consumer
 26.27 who, during the preceding calendar month, has acquired title to or possession of cigarettes
 26.28 or tobacco products for use or storage in this state, upon which cigarettes or tobacco products
 26.29 the tax imposed by this chapter has not been paid, shall file a return with the commissioner
 26.30 showing the quantity of cigarettes or tobacco products so acquired. The return must be made

27.1 in the form and manner prescribed by the commissioner, and must contain any other
 27.2 information required by the commissioner. The return must be accompanied by a remittance
 27.3 for the full unpaid tax liability shown by it.

27.4 (b) On or before the 18th day of each calendar month, a retailer or out-of-state retailer
 27.5 who, during the preceding calendar month, made delivery sales must file a return with the
 27.6 commissioner showing the quantity of cigarettes or tobacco products so delivered. The
 27.7 commissioner shall prescribe the content, format, and manner of returns pursuant to section
 27.8 270C.30. The return must be accompanied by a remittance for the full unpaid tax liability.

27.9 **EFFECTIVE DATE.** This section is effective for all delivery sales occurring after
 27.10 December 31, 2021.

27.11 Sec. 10. Minnesota Statutes 2020, section 297F.09, subdivision 4a, is amended to read:

27.12 Subd. 4a. **Reporting requirements.** No later than the 18th day of each calendar month,
 27.13 ~~an a retailer or out-of-state retailer that has made a delivery of cigarettes or tobacco products~~
 27.14 ~~or shipped or delivered cigarettes or tobacco products into the state in a delivery sale in the~~
 27.15 previous calendar month shall file with the Department of Revenue ~~reports~~ a report in the
 27.16 form and in the manner prescribed by the commissioner of revenue that provides for each
 27.17 delivery sale, the name and address of the purchaser and the brand or brands and quantity
 27.18 of cigarettes or tobacco products sold. A ~~tobacco~~ retailer or out-of-state retailer that meets
 27.19 the requirements of United States Code, title 15, section 375 et seq. satisfies the requirements
 27.20 of this subdivision. The filing of a return under subdivision 3, paragraph (b), satisfies the
 27.21 requirements of this subdivision for the applicable month.

27.22 **EFFECTIVE DATE.** This section is effective for all delivery sales occurring after
 27.23 December 31, 2021.

27.24 Sec. 11. Minnesota Statutes 2020, section 297F.09, subdivision 7, is amended to read:

27.25 Subd. 7. **Electronic payment.** A cigarette ~~or distributor,~~ tobacco products distributor,
 27.26 retailer, or out-of-state retailer having a liability of \$10,000 or more during a fiscal year
 27.27 ending June 30 must remit all liabilities in all subsequent calendar years by electronic means.

27.28 **EFFECTIVE DATE.** This section is effective for all delivery sales occurring after
 27.29 December 31, 2021.

28.1 Sec. 12. Minnesota Statutes 2020, section 297F.09, subdivision 10, is amended to read:

28.2 Subd. 10. ~~Accelerated tax payment; cigarette or tobacco products distributor.~~ A
 28.3 cigarette or distributor, tobacco products distributor, retailer, or out-of-state retailer having
 28.4 a liability of \$250,000 or more during a fiscal year ending June 30, shall remit the June
 28.5 liability for the next year in the following manner:

28.6 (a) Two business days before June 30 of calendar years 2020 and 2021, the distributor
 28.7 shall remit the actual May liability and 87.5 percent of the estimated June liability to the
 28.8 commissioner and file the return in the form and manner prescribed by the commissioner.

28.9 (b) On or before August 18 of the year, the distributor, retailer, or out-of-state retailer
 28.10 shall submit a return showing the actual June liability and pay any additional amount of tax
 28.11 not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability
 28.12 required to be paid in June, less the amount remitted in June. However, the penalty is not
 28.13 imposed if the amount remitted in June equals the lesser of:

28.14 (1) 87.5 percent of the actual June liability for the calendar year 2020 and 2021 June
 28.15 liabilities and 84.5 of the actual June liability for June 2022 and thereafter; or

28.16 (2) 87.5 percent of the preceding May liability for the calendar year 2020 and 2021 June
 28.17 liabilities and 84.5 percent of the preceding May liability for June 2022 and thereafter.

28.18 (c) For calendar year 2022 and thereafter, the percent of the estimated June liability the
 28.19 vendor must remit by two business days before June 30 is 84.5 percent.

28.20 **EFFECTIVE DATE.** This section is effective for all delivery sales occurring after
 28.21 December 31, 2021.

28.22 Sec. 13. **[297F.26] NICOTINE SOLUTION PRODUCT AND HEAT DEVICE**
 28.23 **RETAIL GROSS RECEIPTS TAX.**

28.24 Subdivision 1. Definitions. For purposes of this section, the following terms have the
 28.25 meanings given.

28.26 (1) "Gross receipts" means the total amount received, in money or by barter or exchange,
 28.27 for all nicotine solution product and heat device sales at retail as measured by the sales
 28.28 price, but does not include any taxes imposed directly on the consumer that are separately
 28.29 stated on the invoice, bill of sale, or similar document given to the purchaser.

28.30 (2) "Retail sale" has the meaning given in section 297A.61, subdivision 4, but includes
 28.31 only sales sourced to Minnesota under section 297A.668.

28.32 (3) "Retailer" has the meaning given in section 297A.61, subdivision 9.

29.1 Subd. 2. **Tax imposed.** (a) A tax is imposed on each retailer equal to 35 percent of gross
29.2 receipts from retail sales of:

29.3 (1) nicotine solution products, including kits as described in section 297F.01, subdivision
29.4 23, paragraph (b); and

29.5 (2) heat devices, including kits as described in section 297F.01, subdivision 23, paragraph
29.6 (c).

29.7 (b) A tax is imposed on the use or storage by a consumer in Minnesota of:

29.8 (1) nicotine solution products, including kits as described in section 297F.01, subdivision
29.9 23, paragraph (b); and

29.10 (2) heat devices, including kits as described in section 297F.01, subdivision 23, paragraph
29.11 (c).

29.12 The tax is imposed on the consumer at the rate of 35 percent of the cost to the consumer
29.13 for the nicotine solution products and heat devices. The tax does not apply if the tax imposed
29.14 under paragraph (a) has been paid by the retailer.

29.15 (c) A retailer with nexus in Minnesota, who is not subject to tax under paragraph (a), is
29.16 required to collect and remit the tax imposed on the consumer under paragraph (b) and must
29.17 give the purchaser a receipt for the tax paid.

29.18 (d) A retailer may but is not required to collect the tax imposed under paragraph (a) from
29.19 the purchaser as long as the tax is separately stated on the receipt, invoice, bill of sale, or
29.20 similar document given to the purchaser.

29.21 (e) Tax imposed under this section must be reported on a return prescribed by the
29.22 commissioner, and the tax must be paid with the return. The return and tax must be filed
29.23 and paid using the filing cycle and due date provided for taxes imposed under chapter 297A.

29.24 (f) Unless specifically provided otherwise in this section, the audit, assessment, refund,
29.25 penalty, interest, enforcement, collection remedies, appeal, and administrative provisions
29.26 of chapters 270C and 289A that are applicable to taxes imposed under chapter 297A apply
29.27 to the tax required to be paid under this section.

29.28 (g) The tax imposed under this section is in addition to any other tax imposed on the
29.29 sale or use of nicotine solution products and heat devices.

29.30 Subd. 3. **Exemptions.** (a) The tax imposed under this section does not apply to gross
29.31 receipts from retail sales, or the use or storage, of products approved by the United States
29.32 Food and Drug Administration for sale as a tobacco cessation product, as a tobacco

30.1 dependence product, or for other medical purposes, and that are being marketed and sold
 30.2 solely for such an approved purpose.

30.3 (b) The tax imposed by this section does not apply to gross receipts from retail sales, or
 30.4 the use or storage, of products which under the Constitution and laws of the United States
 30.5 may not be subject to taxation by the state.

30.6 **EFFECTIVE DATE.** This section is effective for all retail sales occurring after
 30.7 December 31, 2021, and for all products received for use or storage in Minnesota after
 30.8 December 31, 2021.

30.9 Sec. 14. Minnesota Statutes 2020, section 325F.781, subdivision 1, is amended to read:

30.10 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have
 30.11 the meanings given, unless the language or context clearly provides otherwise.

30.12 (b) "Consumer" means an individual who purchases, receives, or possesses tobacco
 30.13 products for personal consumption and not for resale.

30.14 (c) "Delivery sale" means:

30.15 (1) a sale of tobacco products to a consumer in this state when:

30.16 (i) the purchaser submits the order for the sale by means of a telephonic or other method
 30.17 of voice transmission, the mail or any other delivery service, or the Internet or other online
 30.18 service; or

30.19 (ii) the tobacco products are delivered by use of the mail or other delivery service; or

30.20 (2) a sale of tobacco products that satisfies the criteria in clause (1), item (i), regardless
 30.21 of whether the seller is located inside or outside of the state.

30.22 A sale of tobacco products to an individual in this state must be treated as a sale to a
 30.23 consumer, unless the individual is licensed as a distributor or retailer of tobacco products.

30.24 (d) "Delivery service" means a person, including the United States Postal Service, that
 30.25 is engaged in the commercial delivery of letters, packages, or other containers.

30.26 (e) "Distributor" means a person, whether located inside or outside of this state, other
 30.27 than a retailer, who sells or distributes tobacco products in the state. Distributor does not
 30.28 include a tobacco products manufacturer, export warehouse proprietor, or importer with a
 30.29 valid permit under United States Code, title 26, section 5712 (1997), if the person sells or
 30.30 distributes tobacco products in this state only to distributors who hold valid and current
 30.31 licenses under the laws of a state, or to an export warehouse proprietor or another

31.1 manufacturer. Distributor does not include a common or contract carrier that is transporting
 31.2 tobacco products under a proper bill of lading or freight bill that states the quantity, source,
 31.3 and destination of tobacco products, or a person who ships tobacco products through this
 31.4 state by common or contract carrier under a bill of lading or freight bill.

31.5 (f) "Retailer" means a person, whether located inside or outside this state, who sells or
 31.6 distributes tobacco products to a consumer in this state.

31.7 (g) "Tobacco products" means: cigarettes and tobacco products as defined in section
 31.8 297F.01.

31.9 ~~(1) cigarettes, as defined in section 297F.01, subdivision 3;~~

31.10 ~~(2) smokeless tobacco as defined in section 325F.76; and~~

31.11 ~~(3) premium cigars as defined in section 297F.01, subdivision 13a.~~

31.12 **EFFECTIVE DATE.** This section is effective January 1, 2022.

31.13 Sec. 15. Minnesota Statutes 2020, section 325F.781, subdivision 5, is amended to read:

31.14 Subd. 5. **Registration requirement.** Prior to making delivery sales ~~or shipping tobacco~~
 31.15 ~~products in connection with any sales,~~ an out-of-state retailer must ~~meet the requirements~~
 31.16 ~~of~~ register with the commissioner of revenue as required under section 297F.031.

31.17 **EFFECTIVE DATE.** This section is effective for all delivery sales occurring after
 31.18 December 31, 2021.

31.19 Sec. 16. Minnesota Statutes 2020, section 325F.781, subdivision 6, is amended to read:

31.20 Subd. 6. **Collection of taxes.** ~~(a) Prior to shipping any tobacco products to a purchaser~~
 31.21 ~~in this state, the out-of-state~~ A retailer shall comply with all requirements of making delivery
 31.22 sales must file all returns and reports, collect and pay all taxes, and maintain all records
 31.23 required under chapter 297F and shall ensure that all state excise taxes and fees that apply
 31.24 ~~to such tobacco products have been collected and paid to the state and that all related state~~
 31.25 ~~excise tax stamps or other indicators of state excise tax payment have been properly affixed~~
 31.26 ~~to those tobacco products.~~

31.27 (b) In addition to any penalties under chapter 297F, ~~a distributor~~ a retailer making delivery
 31.28 sales who fails to pay any tax due according to paragraph (a) under chapter 297F, shall pay,
 31.29 in addition to any other penalty, a penalty of 50 percent of the tax due but unpaid.

31.30 **EFFECTIVE DATE.** This section is effective for all delivery sales occurring after
 31.31 December 31, 2021.

32.1 **Sec. 17. FLOOR STOCKS TAX.**

32.2 **Subdivision 1. Cigarettes.** (a) A floor stocks tax is imposed on every person engaged
32.3 in the business in this state as a distributor, retailer, subjobber, vendor, manufacturer, or
32.4 manufacturer's representative of cigarettes, on cigarettes in packages upon which a stamp
32.5 is affixed and unaffixed stamps in the person's possession or under the person's control at
32.6 12:01 a.m. on July 1, 2021. The tax is imposed at the rate of five cents on each cigarette,
32.7 or one dollar per unaffixed stamp for packages of 20 cigarettes, plus the additional cigarette
32.8 sales tax determined by an adjustment to the weighted average retail price which reflects
32.9 the price including the increased tax. For unaffixed stamps for packages with other than 20
32.10 cigarettes, the floor stocks tax and cigarette sales tax must be adjusted proportionally.

32.11 (b) Each distributor, on or before July 11, 2021, shall file a return with the commissioner
32.12 of revenue, in the form the commissioner prescribes, showing the amount of cigarettes in
32.13 packages upon which a cigarette tax stamp is affixed and unaffixed stamps in the distributor's
32.14 possession or under the distributor's control at 12:01 a.m. on July 1, 2021, and the amount
32.15 of tax due on the cigarettes and unaffixed stamps. Each retailer, subjobber, vendor,
32.16 manufacturer, or manufacturer's representative, on or before July 11, 2021, shall file a return
32.17 with the commissioner, in the form the commissioner prescribes, showing the amount of
32.18 cigarettes in the person's possession or under the person's control at 12:01 a.m. on July 1,
32.19 2021, and the amount of tax due on the cigarettes. The tax imposed by this section is due
32.20 and payable on or before September 7, 2021, and after that date bears interest at the rate
32.21 specified in Minnesota Statutes, section 270C.40.

32.22 **Subd. 2. Audit and enforcement.** The tax imposed by this section is subject to the audit,
32.23 assessment, interest, appeal, refund, penalty, enforcement, administrative, and collection
32.24 provisions of Minnesota Statutes, chapters 270C and 297F.

32.25 **Subd. 3. Deposit of proceeds.** All tax, penalty, and interest received under this section
32.26 shall be deposited by the commissioner of revenue into the state treasury and credited to
32.27 the general fund.

32.28 **Subd. 4. Definitions.** The definitions in Minnesota Statutes, chapter 297F, apply to this
32.29 section.

32.30 **EFFECTIVE DATE.** This section is effective July 1, 2021.

32.31 **Sec. 18. INTERIM SALES TAX RATE.**

32.32 **Subdivision 1. Adjustments.** Notwithstanding the provisions of Minnesota Statutes,
32.33 section 297F.25, the commissioner shall adjust the weighted average retail price in Minnesota

33.1 Statutes, section 297F.25, subdivision 1, on July 1, 2021, to reflect the price changes under
 33.2 this act. This weighted average shall be used to compute cigarette sales tax under Minnesota
 33.3 Statutes, section 297F.25, subdivision 1, through December 31, 2021, when the commissioner
 33.4 shall resume annual adjustments to the weighted average sales price. The commissioner's
 33.5 determination of the adjustment that takes effect on January 1, 2022, must be limited to the
 33.6 change in the weighted average retail price that occurs during calendar year 2021 but after
 33.7 July 15, 2021.

33.8 Subd. 2. **Definitions.** The definitions in Minnesota Statutes, chapter 297F, apply to this
 33.9 section.

33.10 **EFFECTIVE DATE.** This section is effective July 1, 2021.

33.11 **ARTICLE 3**

33.12 **SALES AND USE TAXES**

33.13 Section 1. Minnesota Statutes 2020, section 297A.68, subdivision 42, is amended to read:

33.14 Subd. 42. **Qualified data centers.** (a) Purchases of enterprise information technology
 33.15 equipment and computer software are exempt from tax as follows:

33.16 (1) purchases of enterprise information technology equipment and computer software,
 33.17 and replacements or upgrades to the equipment, for use in a qualified data center; or a
 33.18 qualified refurbished data center, are exempt;

33.19 (2) purchases of prewritten computer software, and replacements or upgrades to the
 33.20 software, for use by or in a qualified data center or a qualified refurbished data center are
 33.21 exempt as follows:

33.22 (i) for purchases prior to July 1, 2021, computer software is exempt if both:

33.23 (A) the software is loaded at the data center; and

33.24 (B) either the original software or original software license remains on the equipment
 33.25 in the data center;

33.26 (ii) for purchases after June 30, 2021, all software that is loaded at the data center is
 33.27 exempt, but the refund provided in clause (3) is limited to 50 percent of the tax paid on the
 33.28 software; and

33.29 (iii) purchases of software exempt under this clause include licenses to use the software
 33.30 and maintenance agreements for the software, except that computer software maintenance
 33.31 agreements are exempt for purchases made after June 30, 2013; and

34.1 (3) the tax on purchases exempt under this paragraph must be imposed and collected as
 34.2 if the rate under section 297A.62, subdivision 1, applied, and then refunded after June 30,
 34.3 2013, in the manner provided under clause (2), item (ii), and in section 297A.75. ~~This~~
 34.4 ~~exemption includes enterprise information technology equipment and computer software~~
 34.5 ~~purchased to replace or upgrade enterprise information technology equipment and computer~~
 34.6 ~~software in a qualified data center, or a qualified refurbished data center.~~

34.7 (b) Electricity used or consumed in the operation of a qualified data center or qualified
 34.8 refurbished data center is exempt.

34.9 (c) For purposes of this subdivision, "qualified data center" means a facility in Minnesota:

34.10 (1) that is comprised of one or more buildings that consist in the aggregate of at least
 34.11 25,000 square feet, and that are located on a single parcel or on contiguous parcels, where
 34.12 the total cost of construction or refurbishment, investment in enterprise information
 34.13 technology equipment, and computer software is at least \$30,000,000 within a 48-month
 34.14 period. The 48-month period begins no sooner than July 1, 2012, except that costs for
 34.15 computer software maintenance agreements purchased before July 1, 2013, are not included
 34.16 in determining if the \$30,000,000 threshold has been met;

34.17 (2) that is constructed or substantially refurbished after June 30, 2012, where
 34.18 "substantially refurbished" means that at least 25,000 square feet have been rebuilt or
 34.19 modified, including:

34.20 (i) installation of enterprise information technology equipment; environmental control,
 34.21 computer software, and energy efficiency improvements; and

34.22 (ii) building improvements; and

34.23 (3) that is used to house enterprise information technology equipment, where the facility
 34.24 has the following characteristics:

34.25 (i) uninterruptible power supplies, generator backup power, or both;

34.26 (ii) sophisticated fire suppression and prevention systems; and

34.27 (iii) enhanced security. A facility will be considered to have enhanced security if it has
 34.28 restricted access to the facility to selected personnel; permanent security guards; video
 34.29 camera surveillance; an electronic system requiring pass codes, keycards, or biometric scans,
 34.30 such as hand scans and retinal or fingerprint recognition; or similar security features.

34.31 In determining whether the facility has the required square footage, the square footage
 34.32 of the following spaces shall be included if the spaces support the operation of enterprise

35.1 information technology equipment: office space, meeting space, and mechanical and other
35.2 support facilities. For purposes of meeting investment and square footage criteria in this
35.3 subdivision paragraph, "computer software" ~~includes, but is not limited to, software utilized~~
35.4 ~~or loaded at a qualified data center or qualified refurbished data center, including~~
35.5 ~~maintenance, licensing,~~ means both software that is exempt under paragraph (a), clause (2),
35.6 and software customization.

35.7 (d) For purposes of this subdivision, a "qualified refurbished data center" means an
35.8 existing facility that qualifies as a data center under paragraph (c), clauses (2) and (3), but
35.9 that is comprised of one or more buildings that consist in the aggregate of at least 25,000
35.10 square feet, and that are located on a single parcel or contiguous parcels, where the total
35.11 cost of construction or refurbishment, investment in enterprise information technology
35.12 equipment, and computer software is at least \$50,000,000 within a 24-month period.

35.13 (e) For purposes of this subdivision, "enterprise information technology equipment"
35.14 means computers and equipment supporting computing, networking, or data storage,
35.15 including servers and routers. It includes, but is not limited to: cooling systems, cooling
35.16 towers, and other temperature control infrastructure; power infrastructure for transformation,
35.17 distribution, or management of electricity used for the maintenance and operation of a
35.18 qualified data center or qualified refurbished data center, including but not limited to exterior
35.19 dedicated business-owned substations, backup power generation systems, battery systems,
35.20 and related infrastructure; and racking systems, cabling, and trays, which are necessary for
35.21 the maintenance and operation of the qualified data center or qualified refurbished data
35.22 center.

35.23 (f) A qualified data center or qualified refurbished data center may claim the following:

35.24 (1) the exemptions in this subdivision provided under paragraphs (a), clause (1), and
35.25 (b), for purchases made either within 20 years of the date of its first purchase qualifying for
35.26 the exemption exemptions under paragraph (a), or by June 30, 2042, whichever is earlier;

35.27 (2) where the first purchase qualifying for the exemptions under paragraph (a) was made
35.28 between July 1, 2012, and June 30, 2016, the exemption provided under paragraph (a),
35.29 clause (2), item (i), for those purchases of software made within a period starting on the
35.30 date of the first purchase qualifying for the exemption under paragraph (a) and ending with
35.31 the last purchase made prior to July 1, 2021;

35.32 (3) where the first purchase qualifying for the exemptions under paragraph (a) was made
35.33 after June 30, 2021, the exemption provided under paragraph (a), clause (2), item (ii), for

36.1 purchases of software made within five years of the date of its first purchase qualifying for
36.2 the exemption under paragraph (a), or by June 30, 2042, whichever is earlier;

36.3 (4) where the first purchase qualifying for the exemptions under paragraph (a) was made
36.4 between July 1, 2016, and June 30, 2021, the exemption provided under paragraph (a),
36.5 clause (2), item (i), for purchases of software made prior to July 1, 2021, and the exemption
36.6 provided under paragraph (a), clause (2), item (ii), for purchases of software made after
36.7 June 30, 2021, for purchases made within five years of the first purchase qualifying for the
36.8 exemptions under paragraph (a); and

36.9 (5) notwithstanding clauses (2) to (4), and paragraph (a), clause (2), a qualified data
36.10 center or qualified refurbished data center may claim the exemption for purchases of software
36.11 under paragraph (a), clause (2), during only one exemption period, as described in either
36.12 clause (2), (3), or (4), per data center location. If the commissioner of employment and
36.13 economic development subsequently certifies the data center as newly meeting the
36.14 requirements under paragraph (c) or (d) at the same data center location, a data center that
36.15 previously qualified for the exemption on purchases of software under paragraph (a), clause
36.16 (2), as either a qualified data center or a qualified refurbished data center for the relevant
36.17 period described in clause (2), (3), or (4), is not eligible for the exemption on purchases of
36.18 software under the subsequent certification.

36.19 (g) The purpose of this exemption is to create jobs in the construction and data center
36.20 industries.

36.21 (h) This subdivision is effective for sales and purchases made before July 1, 2042, as
36.22 limited by paragraph (f).

36.23 (i) The commissioner of employment and economic development must certify to the
36.24 commissioner of revenue, in a format approved by the commissioner of revenue, when a
36.25 qualified data center has met the requirements under paragraph (c) or a qualified refurbished
36.26 data center has met the requirements under paragraph (d). The certification must provide
36.27 the following information regarding each qualified data center or qualified refurbished data
36.28 center:

36.29 (1) the total square footage amount;

36.30 (2) the total amount of construction or refurbishment costs and the total amount of
36.31 qualifying investments in enterprise information technology equipment and computer
36.32 software;

37.1 (3) the beginning and ending of the applicable period under either paragraph (c) or (d)
37.2 in which the qualifying expenditures and purchases under clause (2) were made, but in no
37.3 case shall the period begin before July 1, 2012; and

37.4 (4) the date upon which the qualified data center first met the requirements under
37.5 paragraph (c) or a qualified refurbished data center first met the requirements under paragraph
37.6 (d).

37.7 (j) Any refund for sales tax paid on qualifying purchases under this subdivision must
37.8 not be issued unless the commissioner of revenue has received the certification required
37.9 under paragraph (i) issued by the commissioner of employment and economic development.

37.10 (k) The commissioner of employment and economic development must annually notify
37.11 the commissioner of revenue of the qualified data centers that are projected to meet the
37.12 requirements under paragraph (c) and the qualified refurbished data centers that are projected
37.13 to meet the requirements under paragraph (d) in each of the next four years. The notification
37.14 must provide the information required under paragraph (i), clauses (1) to (4), for each
37.15 qualified data center or qualified refurbished data center.

37.16 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
37.17 30, 2021; except that paragraph (a), clause (2), item (i), and those portions of paragraph (f)
37.18 relating to the exemption provided under paragraph (a), clause (2), item (i), are effective
37.19 retroactively to the first purchase qualifying for the exemptions under paragraph (a) made
37.20 after June 30, 2012, for sales and purchases of software made prior to July 1, 2021.

37.21 Sec. 2. Minnesota Statutes 2020, section 297A.70, subdivision 13, is amended to read:

37.22 Subd. 13. **Fund-raising sales by or for nonprofit groups.** (a) The following sales by
37.23 the specified organizations for fund-raising purposes are exempt, subject to the limitations
37.24 listed in paragraph (b):

37.25 (1) all sales made by a nonprofit organization that exists solely for the purpose of
37.26 providing educational or social activities for young people primarily age 18 and under;

37.27 (2) all sales made by an organization that is a senior citizen group or association of
37.28 groups if (i) in general it limits membership to persons age 55 or older; (ii) it is organized
37.29 and operated exclusively for pleasure, recreation, and other nonprofit purposes; and (iii) no
37.30 part of its net earnings inures to the benefit of any private shareholders;

37.31 (3) the sale or use of tickets or admissions to a golf tournament held in Minnesota if the
37.32 beneficiary of the tournament's net proceeds qualifies as a tax-exempt organization under
37.33 section 501(c)(3) of the Internal Revenue Code; and

38.1 (4) sales of candy sold for fund-raising purposes by a nonprofit organization that provides
38.2 educational and social activities primarily for young people age 18 and under.

38.3 (b) The exemptions listed in paragraph (a) are limited in the following manner:

38.4 (1) the exemption under paragraph (a), clauses (1) and (2), applies only to the first
38.5 \$20,000 of the gross annual receipts of the organization from fund-raising; ~~and~~

38.6 (2) the exemption under paragraph (a), clause (1), does not apply if the sales are derived
38.7 from admission charges or from activities for which the money must be deposited with the
38.8 school district treasurer under section 123B.49, subdivision 2, ~~or~~; and

38.9 (3) the exemption under paragraph (a), clause (1), does not apply if the sales are derived
38.10 from admission charges or from activities for which the money must be recorded in the
38.11 same manner as other revenues or expenditures of the school district under section 123B.49,
38.12 subdivision 4, unless the following conditions are both met:

38.13 (i) the sales are made for fund-raising purposes of a club, association, or other
38.14 organization of elementary or secondary school students organized for the purpose of
38.15 carrying on sports activities, educational activities, or other extracurricular activities; and

38.16 (ii) the school district reserves revenue raised for extracurricular activities, as provided
38.17 in section 123B.49, subdivision 4, paragraph (e), and spends the revenue raised by a particular
38.18 extracurricular activity only for that extracurricular activity.

38.19 (c) Sales of tangible personal property and services are exempt if the entire proceeds,
38.20 less the necessary expenses for obtaining the property or services, will be contributed to a
38.21 registered combined charitable organization described in section 43A.50, to be used
38.22 exclusively for charitable, religious, or educational purposes, and the registered combined
38.23 charitable organization has given its written permission for the sale. Sales that occur over
38.24 a period of more than 24 days per year are not exempt under this paragraph.

38.25 (d) For purposes of this subdivision, a club, association, or other organization of
38.26 elementary or secondary school students organized for the purpose of carrying on sports,
38.27 educational, or other extracurricular activities is a separate organization from the school
38.28 district or school for purposes of applying the \$20,000 limit.

38.29 **EFFECTIVE DATE.** This section is effective for sales and purchases made after the
38.30 date of final enactment.

39.1 Sec. 3. Minnesota Statutes 2020, section 297A.75, subdivision 2, is amended to read:

39.2 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the
 39.3 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items,
 39.4 except as otherwise provided in this chapter, must be paid to the applicant. Only the following
 39.5 persons may apply for the refund:

39.6 (1) for subdivision 1, clauses (1), (2), and (14), the applicant must be the purchaser;

39.7 (2) for subdivision 1, clause (3), the applicant must be the governmental subdivision;

39.8 (3) for subdivision 1, clause (4), the applicant must be the recipient of the benefits
 39.9 provided in United States Code, title 38, chapter 21;

39.10 (4) for subdivision 1, clause (5), the applicant must be the owner of the homestead
 39.11 property;

39.12 (5) for subdivision 1, clause (6), the owner of the qualified low-income housing project;

39.13 (6) for subdivision 1, clause (7), the applicant must be a municipal electric utility or a
 39.14 joint venture of municipal electric utilities;

39.15 (7) for subdivision 1, clauses (8), (11), (12), and (15), the owner of the qualifying
 39.16 business;

39.17 (8) for subdivision 1, clauses (9), (10), (13), and (17), the applicant must be the
 39.18 governmental entity that owns or contracts for the project or facility; and

39.19 (9) for subdivision 1, clause (16), the applicant must be the owner or developer of the
 39.20 building or project.

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

39.22 ARTICLE 4

39.23 PROPERTY TAX AND LOCAL GOVERNMENT AID

39.24 Section 1. Minnesota Statutes 2020, section 270B.12, subdivision 8, is amended to read:

39.25 Subd. 8. **County assessors; homestead classification and renter credit.** The
 39.26 commissioner may disclose names and Social Security numbers or names and individual
 39.27 taxpayer identification numbers of individuals who have applied for both homestead
 39.28 classification under section 273.13 and a property tax refund as a renter under chapter 290A
 39.29 for the purpose of and to the extent necessary to administer section 290A.25.

40.1 **EFFECTIVE DATE.** This section is effective for allowed disclosures made in 2021
40.2 and thereafter.

40.3 Sec. 2. Minnesota Statutes 2020, section 270B.12, subdivision 9, is amended to read:

40.4 Subd. 9. **County assessors; homestead application, determination, and income tax**
40.5 **status.** (a) If, as a result of an audit, the commissioner determines that a person is a Minnesota
40.6 nonresident or part-year resident for income tax purposes, the commissioner may disclose
40.7 the person's name, address, and Social Security number or the person's name, address, and
40.8 individual taxpayer identification number to the assessor of any political subdivision in the
40.9 state, when there is reason to believe that the person may have claimed or received homestead
40.10 property tax benefits for a corresponding assessment year in regard to property apparently
40.11 located in the assessor's jurisdiction.

40.12 (b) To the extent permitted by section 273.124, subdivision 1, paragraph (a), the
40.13 Department of Revenue may verify to a county assessor whether an individual who is
40.14 requesting or receiving a homestead classification has filed a Minnesota income tax return
40.15 as a resident for the most recent taxable year for which the information is available.

40.16 **EFFECTIVE DATE.** This section is effective for allowed disclosures made in 2021
40.17 and thereafter.

40.18 Sec. 3. Minnesota Statutes 2020, section 273.124, subdivision 13, is amended to read:

40.19 Subd. 13. **Homestead application.** (a) A person who meets the homestead requirements
40.20 under subdivision 1 must file a homestead application with the county assessor to initially
40.21 obtain homestead classification.

40.22 (b) The commissioner shall prescribe the content, format, and manner of the homestead
40.23 application required to be filed under this chapter pursuant to section 270C.30. The
40.24 application must clearly inform the taxpayer that this application must be signed by all
40.25 owners who occupy the property or by the qualifying relative and returned to the county
40.26 assessor in order for the property to receive homestead treatment.

40.27 (c) Every property owner applying for homestead classification must furnish to the
40.28 county assessor the Social Security number or individual tax identification number of each
40.29 occupant who is listed as an owner of the property on the deed of record, the name and
40.30 address of each owner who does not occupy the property, and the name and Social Security
40.31 number or individual tax identification number of the spouse of each occupying owner. The
40.32 application must be signed by each owner who occupies the property and by each owner's

41.1 spouse who occupies the property, or, in the case of property that qualifies as a homestead
41.2 under subdivision 1, paragraph (c), by the qualifying relative.

41.3 If a property owner occupies a homestead, the property owner's spouse may not claim
41.4 another property as a homestead unless the property owner and the property owner's spouse
41.5 file with the assessor an affidavit or other proof required by the assessor stating that the
41.6 property qualifies as a homestead under subdivision 1, paragraph (e).

41.7 Owners or spouses occupying residences owned by their spouses and previously occupied
41.8 with the other spouse, either of whom fail to include the other spouse's name and Social
41.9 Security number or individual tax identification number on the homestead application or
41.10 provide the affidavits or other proof requested, will be deemed to have elected to receive
41.11 only partial homestead treatment of their residence. The remainder of the residence will be
41.12 classified as nonhomestead residential. When an owner or spouse's name and Social Security
41.13 number or individual tax identification number appear on homestead applications for two
41.14 separate residences and only one application is signed, the owner or spouse will be deemed
41.15 to have elected to homestead the residence for which the application was signed.

41.16 (d) If residential real estate is occupied and used for purposes of a homestead by a relative
41.17 of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for
41.18 the property to receive homestead status, a homestead application must be filed with the
41.19 assessor. The Social Security number or individual tax identification number of each relative
41.20 occupying the property and the name and Social Security number or individual tax
41.21 identification number of the spouse of a relative occupying the property shall be required
41.22 on the homestead application filed under this subdivision. If a different relative of the owner
41.23 subsequently occupies the property, the owner of the property must notify the assessor
41.24 within 30 days of the change in occupancy. The Social Security number or individual tax
41.25 identification number of a relative occupying the property or the spouse of a relative
41.26 occupying the property is private data on individuals as defined by section 13.02, subdivision
41.27 12, but may be disclosed to the commissioner of revenue, or, for the purposes of proceeding
41.28 under the Revenue Recapture Act to recover personal property taxes owing, to the county
41.29 treasurer.

41.30 (e) The homestead application shall also notify the property owners that if the property
41.31 is granted homestead status for any assessment year, that same property shall remain
41.32 classified as homestead until the property is sold or transferred to another person, or the
41.33 owners, the spouse of the owner, or the relatives no longer use the property as their
41.34 homestead. Upon the sale or transfer of the homestead property, a certificate of value must
41.35 be timely filed with the county auditor as provided under section 272.115. Failure to notify

42.1 the assessor within 30 days that the property has been sold, transferred, or that the owner,
 42.2 the spouse of the owner, or the relative is no longer occupying the property as a homestead,
 42.3 shall result in the penalty provided under this subdivision and the property will lose its
 42.4 current homestead status.

42.5 (f) If a homestead application has not been filed with the county by December 15, the
 42.6 assessor shall classify the property as nonhomestead for the current assessment year for
 42.7 taxes payable in the following year, provided that the owner may be entitled to receive the
 42.8 homestead classification by proper application under section 375.192.

42.9 **EFFECTIVE DATE.** This section is effective for applications for homestead filed in
 42.10 2021 and thereafter.

42.11 Sec. 4. Minnesota Statutes 2020, section 273.124, subdivision 13c, is amended to read:

42.12 Subd. 13c. **Property lists.** In addition to lists of homestead properties, the commissioner
 42.13 may ask the counties to furnish lists of all properties and the record owners. The Social
 42.14 Security numbers, individual tax identification numbers, and federal identification numbers
 42.15 that are maintained by a county or city assessor for property tax administration purposes,
 42.16 and that may appear on the lists retain their classification as private or nonpublic data; but
 42.17 may be viewed, accessed, and used by the county auditor or treasurer of the same county
 42.18 for the limited purpose of assisting the commissioner in the preparation of microdata samples
 42.19 under section 270C.12. The commissioner shall use the information provided on the lists
 42.20 as appropriate under the law, including for the detection of improper claims by owners, or
 42.21 relatives of owners, under chapter 290A.

42.22 **EFFECTIVE DATE.** This section is effective for homestead data provided to the
 42.23 commissioner of revenue in 2022 and thereafter.

42.24 Sec. 5. Minnesota Statutes 2020, section 273.124, subdivision 13d, is amended to read:

42.25 Subd. 13d. **Homestead data.** On or before April 30 each year beginning in 2007, each
 42.26 county must provide the commissioner with the following data for each parcel of homestead
 42.27 property by electronic means as defined in section 289A.02, subdivision 8:

42.28 (1) the property identification number assigned to the parcel for purposes of taxes payable
 42.29 in the current year;

42.30 (2) the name and Social Security number or individual tax identification number of each
 42.31 occupant of homestead property who is the property owner or qualifying relative of a property

43.1 owner, and the spouse of the property owner who occupies homestead property or spouse
43.2 of a qualifying relative of a property owner who occupies homestead property;

43.3 (3) the classification of the property under section 273.13 for taxes payable in the current
43.4 year and in the prior year;

43.5 (4) an indication of whether the property was classified as a homestead for taxes payable
43.6 in the current year because of occupancy by a relative of the owner or by a spouse of a
43.7 relative;

43.8 (5) the property taxes payable as defined in section 290A.03, subdivision 13, for the
43.9 current year and the prior year;

43.10 (6) the market value of improvements to the property first assessed for tax purposes for
43.11 taxes payable in the current year;

43.12 (7) the assessor's estimated market value assigned to the property for taxes payable in
43.13 the current year and the prior year;

43.14 (8) the taxable market value assigned to the property for taxes payable in the current
43.15 year and the prior year;

43.16 (9) whether there are delinquent property taxes owing on the homestead;

43.17 (10) the unique taxing district in which the property is located; and

43.18 (11) such other information as the commissioner decides is necessary.

43.19 The commissioner shall use the information provided on the lists as appropriate under
43.20 the law, including for the detection of improper claims by owners, or relatives of owners,
43.21 under chapter 290A.

43.22 **EFFECTIVE DATE.** This section is effective for homestead data provided to the
43.23 commissioner of revenue in 2022 and thereafter.

43.24 Sec. 6. Minnesota Statutes 2020, section 273.124, subdivision 14, is amended to read:

43.25 Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than ten
43.26 acres that is the homestead of its owner must be classified as class 2a under section 273.13,
43.27 subdivision 23, paragraph (a), if:

43.28 (1) the parcel on which the house is located is contiguous on at least two sides to (i)
43.29 agricultural land, (ii) land owned or administered by the United States Fish and Wildlife
43.30 Service, or (iii) land administered by the Department of Natural Resources on which in lieu
43.31 taxes are paid under sections 477A.11 to 477A.14;

44.1 (2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20
44.2 acres;

44.3 (3) the noncontiguous land is located not farther than four townships or cities, or a
44.4 combination of townships or cities from the homestead; and

44.5 (4) the agricultural use value of the noncontiguous land and farm buildings is equal to
44.6 at least 50 percent of the market value of the house, garage, and one acre of land.

44.7 Homesteads initially classified as class 2a under the provisions of this paragraph shall
44.8 remain classified as class 2a, irrespective of subsequent changes in the use of adjoining
44.9 properties, as long as the homestead remains under the same ownership, the owner owns a
44.10 noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use
44.11 value qualifies under clause (4). Homestead classification under this paragraph is limited
44.12 to property that qualified under this paragraph for the 1998 assessment.

44.13 (b)(i) Agricultural property shall be classified as the owner's homestead, to the same
44.14 extent as other agricultural homestead property, if all of the following criteria are met:

44.15 (1) the agricultural property consists of at least 40 acres including undivided government
44.16 lots and correctional 40's;

44.17 (2) the owner, the owner's spouse, or a grandchild, child, sibling, or parent of the owner
44.18 or of the owner's spouse, is actively farming the agricultural property, either on the person's
44.19 own behalf as an individual or on behalf of a partnership operating a family farm, family
44.20 farm corporation, joint family farm venture, or limited liability company of which the person
44.21 is a partner, shareholder, or member;

44.22 (3) both the owner of the agricultural property and the person who is actively farming
44.23 the agricultural property under clause (2), are Minnesota residents;

44.24 (4) neither the owner nor the spouse of the owner claims another agricultural homestead
44.25 in Minnesota; and

44.26 (5) neither the owner nor the person actively farming the agricultural property lives
44.27 farther than four townships or cities, or a combination of four townships or cities, from the
44.28 agricultural property, except that if the owner or the owner's spouse is required to live in
44.29 employer-provided housing, the owner or owner's spouse, whichever is actively farming
44.30 the agricultural property, may live more than four townships or cities, or combination of
44.31 four townships or cities from the agricultural property.

44.32 The relationship under this paragraph may be either by blood or marriage.

45.1 (ii) Property containing the residence of an owner who owns qualified property under
45.2 clause (i) shall be classified as part of the owner's agricultural homestead, if that property
45.3 is also used for noncommercial storage or drying of agricultural crops.

45.4 (iii) As used in this paragraph, "agricultural property" means class 2a property and any
45.5 class 2b property that is contiguous to and under the same ownership as the class 2a property.

45.6 (c) Noncontiguous land shall be included as part of a homestead under section 273.13,
45.7 subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached
45.8 land is located in the same township or city, or not farther than four townships or cities or
45.9 combination thereof from the homestead. Any taxpayer of these noncontiguous lands must
45.10 notify the county assessor that the noncontiguous land is part of the taxpayer's homestead,
45.11 and, if the homestead is located in another county, the taxpayer must also notify the assessor
45.12 of the other county.

45.13 (d) Agricultural land used for purposes of a homestead and actively farmed by a person
45.14 holding a vested remainder interest in it must be classified as a homestead under section
45.15 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other
45.16 dwellings on the land used for purposes of a homestead by persons holding vested remainder
45.17 interests who are actively engaged in farming the property, and up to one acre of the land
45.18 surrounding each homestead and reasonably necessary for the use of the dwelling as a home,
45.19 must also be assessed class 2a.

45.20 (e) Agricultural land and buildings that were class 2a homestead property under section
45.21 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as
45.22 agricultural homesteads for subsequent assessments if:

45.23 (1) the property owner abandoned the homestead dwelling located on the agricultural
45.24 homestead as a result of the April 1997 floods;

45.25 (2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or
45.26 Wilkin;

45.27 (3) the agricultural land and buildings remain under the same ownership for the current
45.28 assessment year as existed for the 1997 assessment year and continue to be used for
45.29 agricultural purposes;

45.30 (4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles
45.31 of one of the parcels of agricultural land that is owned by the taxpayer; and

45.32 (5) the owner notifies the county assessor that the relocation was due to the 1997 floods,
45.33 and the owner furnishes the assessor any information deemed necessary by the assessor in

46.1 verifying the change in dwelling. Further notifications to the assessor are not required if the
46.2 property continues to meet all the requirements in this paragraph and any dwellings on the
46.3 agricultural land remain uninhabited.

46.4 (f) Agricultural land and buildings that were class 2a homestead property under section
46.5 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified
46.6 agricultural homesteads for subsequent assessments if:

46.7 (1) the property owner abandoned the homestead dwelling located on the agricultural
46.8 homestead as a result of damage caused by a March 29, 1998, tornado;

46.9 (2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur,
46.10 Nicollet, Nobles, or Rice;

46.11 (3) the agricultural land and buildings remain under the same ownership for the current
46.12 assessment year as existed for the 1998 assessment year;

46.13 (4) the dwelling occupied by the owner is located in this state and is within 50 miles of
46.14 one of the parcels of agricultural land that is owned by the taxpayer; and

46.15 (5) the owner notifies the county assessor that the relocation was due to a March 29,
46.16 1998, tornado, and the owner furnishes the assessor any information deemed necessary by
46.17 the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the
46.18 owner must notify the assessor by December 1, 1998. Further notifications to the assessor
46.19 are not required if the property continues to meet all the requirements in this paragraph and
46.20 any dwellings on the agricultural land remain uninhabited.

46.21 (g) Agricultural property of a family farm corporation, joint family farm venture, family
46.22 farm limited liability company, or partnership operating a family farm as described under
46.23 subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead
46.24 property, if all of the following criteria are met:

46.25 (1) the property consists of at least 40 acres including undivided government lots and
46.26 correctional 40's;

46.27 (2) a shareholder, member, or partner of that entity is actively farming the agricultural
46.28 property;

46.29 (3) that shareholder, member, or partner who is actively farming the agricultural property
46.30 is a Minnesota resident;

46.31 (4) neither that shareholder, member, or partner, nor the spouse of that shareholder,
46.32 member, or partner claims another agricultural homestead in Minnesota; and

47.1 (5) that shareholder, member, or partner does not live farther than four townships or
47.2 cities, or a combination of four townships or cities, from the agricultural property.

47.3 Homestead treatment applies under this paragraph even if:

47.4 (i) the shareholder, member, or partner of that entity is actively farming the agricultural
47.5 property on the shareholder's, member's, or partner's own behalf; or

47.6 (ii) the family farm is operated by a family farm corporation, joint family farm venture,
47.7 partnership, or limited liability company other than the family farm corporation, joint family
47.8 farm venture, partnership, or limited liability company that owns the land, provided that:

47.9 (A) the shareholder, member, or partner of the family farm corporation, joint family
47.10 farm venture, partnership, or limited liability company that owns the land who is actively
47.11 farming the land is a shareholder, member, or partner of the family farm corporation, joint
47.12 family farm venture, partnership, or limited liability company that is operating the farm;
47.13 and

47.14 (B) more than half of the shareholders, members, or partners of each family farm
47.15 corporation, joint family farm venture, partnership, or limited liability company are persons
47.16 or spouses of persons who are a qualifying relative under section 273.124, subdivision 1,
47.17 paragraphs (c) and (d).

47.18 Homestead treatment applies under this paragraph for property leased to a family farm
47.19 corporation, joint farm venture, limited liability company, or partnership operating a family
47.20 farm if legal title to the property is in the name of an individual who is a member, shareholder,
47.21 or partner in the entity.

47.22 (h) To be eligible for the special agricultural homestead under this subdivision, an initial
47.23 full application must be submitted to the county assessor where the property is located.
47.24 Owners and the persons who are actively farming the property shall be required to complete
47.25 only a one-page abbreviated version of the application in each subsequent year provided
47.26 that none of the following items have changed since the initial application:

47.27 (1) the day-to-day operation, administration, and financial risks remain the same;

47.28 (2) the owners and the persons actively farming the property continue to live within the
47.29 four townships or city criteria and are Minnesota residents;

47.30 (3) the same operator of the agricultural property is listed with the Farm Service Agency;

47.31 (4) a Schedule F or equivalent income tax form was filed for the most recent year;

47.32 (5) the property's acreage is unchanged; and

48.1 (6) none of the property's acres have been enrolled in a federal or state farm program
48.2 since the initial application.

48.3 The owners and any persons who are actively farming the property must include the
48.4 appropriate Social Security numbers or individual tax identification numbers, and sign and
48.5 date the application. If any of the specified information has changed since the full application
48.6 was filed, the owner must notify the assessor, and must complete a new application to
48.7 determine if the property continues to qualify for the special agricultural homestead. The
48.8 commissioner of revenue shall prepare a standard reapplication form for use by the assessors.

48.9 (i) Agricultural land and buildings that were class 2a homestead property under section
48.10 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain classified
48.11 agricultural homesteads for subsequent assessments if:

48.12 (1) the property owner abandoned the homestead dwelling located on the agricultural
48.13 homestead as a result of damage caused by the August 2007 floods;

48.14 (2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele,
48.15 Wabasha, or Winona;

48.16 (3) the agricultural land and buildings remain under the same ownership for the current
48.17 assessment year as existed for the 2007 assessment year;

48.18 (4) the dwelling occupied by the owner is located in this state and is within 50 miles of
48.19 one of the parcels of agricultural land that is owned by the taxpayer; and

48.20 (5) the owner notifies the county assessor that the relocation was due to the August 2007
48.21 floods, and the owner furnishes the assessor any information deemed necessary by the
48.22 assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the
48.23 owner must notify the assessor by December 1, 2008. Further notifications to the assessor
48.24 are not required if the property continues to meet all the requirements in this paragraph and
48.25 any dwellings on the agricultural land remain uninhabited.

48.26 (j) Agricultural land and buildings that were class 2a homestead property under section
48.27 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain classified as
48.28 agricultural homesteads for subsequent assessments if:

48.29 (1) the property owner abandoned the homestead dwelling located on the agricultural
48.30 homestead as a result of the March 2009 floods;

48.31 (2) the property is located in the county of Marshall;

49.1 (3) the agricultural land and buildings remain under the same ownership for the current
 49.2 assessment year as existed for the 2008 assessment year and continue to be used for
 49.3 agricultural purposes;

49.4 (4) the dwelling occupied by the owner is located in Minnesota and is within 50 miles
 49.5 of one of the parcels of agricultural land that is owned by the taxpayer; and

49.6 (5) the owner notifies the county assessor that the relocation was due to the 2009 floods,
 49.7 and the owner furnishes the assessor any information deemed necessary by the assessor in
 49.8 verifying the change in dwelling. Further notifications to the assessor are not required if the
 49.9 property continues to meet all the requirements in this paragraph and any dwellings on the
 49.10 agricultural land remain uninhabited.

49.11 **EFFECTIVE DATE.** This section is effective for applications for homestead filed in
 49.12 2021 and thereafter.

49.13 Sec. 7. Minnesota Statutes 2020, section 273.1245, subdivision 1, is amended to read:

49.14 Subdivision 1. **Private or nonpublic data.** The following data are private or nonpublic
 49.15 data as defined in section 13.02, subdivisions 9 and 12, when they are submitted to a county
 49.16 or local assessor under section 273.124, 273.13, or another section, to support a claim for
 49.17 the property tax homestead classification under section 273.13, or other property tax
 49.18 classification or benefit:

49.19 (1) Social Security numbers;

49.20 (2) individual tax identification numbers;

49.21 ~~(2)~~ (3) copies of state or federal income tax returns; and

49.22 ~~(3)~~ (4) state or federal income tax return information, including the federal income tax
 49.23 schedule F.

49.24 **EFFECTIVE DATE.** This section is effective for applications for homestead filed in
 49.25 2021 and thereafter.

49.26 Sec. 8. Minnesota Statutes 2020, section 273.13, subdivision 23, is amended to read:

49.27 Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural land
 49.28 that is homesteaded, along with any class 2b rural vacant land that is contiguous to the class
 49.29 2a land under the same ownership. The market value of the house and garage and immediately
 49.30 surrounding one acre of land has the same classification rates as class 1a ~~or 1b~~ property
 49.31 under subdivision 22. The value of the remaining land including improvements up to the

50.1 first tier valuation limit of agricultural homestead property has a classification rate of 0.5
50.2 percent of market value. The remaining property over the first tier has a classification rate
50.3 of one percent of market value. For purposes of this subdivision, the "first tier valuation
50.4 limit of agricultural homestead property" and "first tier" means the limit certified under
50.5 section 273.11, subdivision 23.

50.6 (b) Class 2a agricultural land consists of parcels of property, or portions thereof, that
50.7 are agricultural land and buildings. Class 2a property has a classification rate of one percent
50.8 of market value, unless it is part of an agricultural homestead under paragraph (a). Class 2a
50.9 property must also include any property that would otherwise be classified as 2b, but is
50.10 interspersed with class 2a property, including but not limited to sloughs, wooded wind
50.11 shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback requirement,
50.12 and other similar land that is impractical for the assessor to value separately from the rest
50.13 of the property or that is unlikely to be able to be sold separately from the rest of the property.

50.14 An assessor may classify the part of a parcel described in this subdivision that is used
50.15 for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

50.16 (c) Class 2b rural vacant land consists of parcels of property, or portions thereof, that
50.17 are unplatted real estate, rural in character and not used for agricultural purposes, including
50.18 land used for growing trees for timber, lumber, and wood and wood products, that is not
50.19 improved with a structure. The presence of a minor, ancillary nonresidential structure as
50.20 defined by the commissioner of revenue does not disqualify the property from classification
50.21 under this paragraph. Any parcel of 20 acres or more improved with a structure that is not
50.22 a minor, ancillary nonresidential structure must be split-classified, and ten acres must be
50.23 assigned to the split parcel containing the structure. If a parcel of 20 acres or more is enrolled
50.24 in the sustainable forest management incentive program under chapter 290C, the number
50.25 of acres assigned to the split parcel improved with a structure that is not a minor, ancillary
50.26 nonresidential structure must equal three acres or the number of acres excluded from the
50.27 sustainable forest incentive act covenant due to the structure, whichever is greater. Class
50.28 2b property has a classification rate of one percent of market value unless it is part of an
50.29 agricultural homestead under paragraph (a), or qualifies as class 2c under paragraph (d).

50.30 (d) Class 2c managed forest land consists of no less than 20 and no more than 1,920
50.31 acres statewide per taxpayer that is being managed under a forest management plan that
50.32 meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource
50.33 management incentive program. It has a classification rate of .65 percent, provided that the
50.34 owner of the property must apply to the assessor in order for the property to initially qualify
50.35 for the reduced rate and provide the information required by the assessor to verify that the

51.1 property qualifies for the reduced rate. If the assessor receives the application and information
51.2 before May 1 in an assessment year, the property qualifies beginning with that assessment
51.3 year. If the assessor receives the application and information after April 30 in an assessment
51.4 year, the property may not qualify until the next assessment year. The commissioner of
51.5 natural resources must concur that the land is qualified. The commissioner of natural
51.6 resources shall annually provide county assessors verification information on a timely basis.
51.7 The presence of a minor, ancillary nonresidential structure as defined by the commissioner
51.8 of revenue does not disqualify the property from classification under this paragraph.

51.9 (e) Agricultural land as used in this section means:

51.10 (1) contiguous acreage of ten acres or more, used during the preceding year for
51.11 agricultural purposes; or

51.12 (2) contiguous acreage used during the preceding year for an intensive livestock or
51.13 poultry confinement operation, provided that land used only for pasturing or grazing does
51.14 not qualify under this clause.

51.15 "Agricultural purposes" as used in this section means the raising, cultivation, drying, or
51.16 storage of agricultural products for sale, or the storage of machinery or equipment used in
51.17 support of agricultural production by the same farm entity. For a property to be classified
51.18 as agricultural based only on the drying or storage of agricultural products, the products
51.19 being dried or stored must have been produced by the same farm entity as the entity operating
51.20 the drying or storage facility. "Agricultural purposes" also includes (i) enrollment in a local
51.21 conservation program or the Reinvest in Minnesota program under sections 103F.501 to
51.22 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198
51.23 or a similar state or federal conservation program if the property was classified as agricultural
51.24 (A) under this subdivision for taxes payable in 2003 because of its enrollment in a qualifying
51.25 program and the land remains enrolled or (B) in the year prior to its enrollment, or (ii) use
51.26 of land, not to exceed three acres, to provide environmental benefits such as buffer strips,
51.27 old growth forest restoration or retention, or retention ponds to prevent soil erosion. For
51.28 purposes of this section, a "local conservation program" means a program administered by
51.29 a town, statutory or home rule charter city, or county, including a watershed district, water
51.30 management organization, or soil and water conservation district, in which landowners
51.31 voluntarily enroll land and receive incentive payments equal to at least \$50 per acre in
51.32 exchange for use or other restrictions placed on the land. In order for property to qualify
51.33 under the local conservation program provision, a taxpayer must apply to the assessor by
51.34 February 1 of the assessment year and must submit the information required by the assessor,
51.35 including but not limited to a copy of the program requirements, the specific agreement

52.1 between the land owner and the local agency, if applicable, and a map of the conservation
52.2 area. Agricultural classification shall not be based upon the market value of any residential
52.3 structures on the parcel or contiguous parcels under the same ownership.

52.4 "Contiguous acreage," for purposes of this paragraph, means all of, or a contiguous
52.5 portion of, a tax parcel as described in section 272.193, or all of, or a contiguous portion
52.6 of, a set of contiguous tax parcels under that section that are owned by the same person.

52.7 (f) Agricultural land under this section also includes:

52.8 (1) contiguous acreage that is less than ten acres in size and exclusively used in the
52.9 preceding year for raising or cultivating agricultural products; or

52.10 (2) contiguous acreage that contains a residence and is less than 11 acres in size, if the
52.11 contiguous acreage exclusive of the house, garage, and surrounding one acre of land was
52.12 used in the preceding year for one or more of the following three uses:

52.13 (i) for an intensive grain drying or storage operation, or for intensive machinery or
52.14 equipment storage activities used to support agricultural activities on other parcels of property
52.15 operated by the same farming entity;

52.16 (ii) as a nursery, provided that only those acres used intensively to produce nursery stock
52.17 are considered agricultural land; or

52.18 (iii) for intensive market farming; for purposes of this paragraph, "market farming"
52.19 means the cultivation of one or more fruits or vegetables or production of animal or other
52.20 agricultural products for sale to local markets by the farmer or an organization with which
52.21 the farmer is affiliated.

52.22 "Contiguous acreage," for purposes of this paragraph, means all of a tax parcel as
52.23 described in section 272.193, or all of a set of contiguous tax parcels under that section that
52.24 are owned by the same person.

52.25 (g) Land shall be classified as agricultural even if all or a portion of the agricultural use
52.26 of that property is the leasing to, or use by another person for agricultural purposes.

52.27 Classification under this subdivision is not determinative for qualifying under section
52.28 273.111.

52.29 (h) The property classification under this section supersedes, for property tax purposes
52.30 only, any locally administered agricultural policies or land use restrictions that define
52.31 minimum or maximum farm acreage.

53.1 (i) The term "agricultural products" as used in this subdivision includes production for
53.2 sale of:

53.3 (1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing
53.4 animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains, bees,
53.5 and apiary products by the owner;

53.6 (2) aquacultural products for sale and consumption, as defined under section 17.47, if
53.7 the aquaculture occurs on land zoned for agricultural use;

53.8 (3) the commercial boarding of horses, which may include related horse training and
53.9 riding instruction, if the boarding is done on property that is also used for raising pasture
53.10 to graze horses or raising or cultivating other agricultural products as defined in clause (1);

53.11 (4) property which is owned and operated by nonprofit organizations used for equestrian
53.12 activities, excluding racing;

53.13 (5) game birds and waterfowl bred and raised (i) on a game farm licensed under section
53.14 97A.105, provided that the annual licensing report to the Department of Natural Resources,
53.15 which must be submitted annually by March 30 to the assessor, indicates that at least 500
53.16 birds were raised or used for breeding stock on the property during the preceding year and
53.17 that the owner provides a copy of the owner's most recent schedule F; or (ii) for use on a
53.18 shooting preserve licensed under section 97A.115;

53.19 (6) insects primarily bred to be used as food for animals;

53.20 (7) trees, grown for sale as a crop, including short rotation woody crops, and not sold
53.21 for timber, lumber, wood, or wood products; and

53.22 (8) maple syrup taken from trees grown by a person licensed by the Minnesota
53.23 Department of Agriculture under chapter 28A as a food processor.

53.24 (j) If a parcel used for agricultural purposes is also used for commercial or industrial
53.25 purposes, including but not limited to:

53.26 (1) wholesale and retail sales;

53.27 (2) processing of raw agricultural products or other goods;

53.28 (3) warehousing or storage of processed goods; and

53.29 (4) office facilities for the support of the activities enumerated in clauses (1), (2), and
53.30 (3),

54.1 the assessor shall classify the part of the parcel used for agricultural purposes as class
54.2 ~~Hb, 2a,~~ or 2b, whichever is appropriate, and the remainder in the class appropriate to its use.
54.3 The grading, sorting, and packaging of raw agricultural products for first sale is considered
54.4 an agricultural purpose. A greenhouse or other building where horticultural or nursery
54.5 products are grown that is also used for the conduct of retail sales must be classified as
54.6 agricultural if it is primarily used for the growing of horticultural or nursery products from
54.7 seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products.
54.8 Use of a greenhouse or building only for the display of already grown horticultural or nursery
54.9 products does not qualify as an agricultural purpose.

54.10 (k) The assessor shall determine and list separately on the records the market value of
54.11 the homestead dwelling and the one acre of land on which that dwelling is located. If any
54.12 farm buildings or structures are located on this homesteaded acre of land, their market value
54.13 shall not be included in this separate determination.

54.14 (l) Class 2d airport landing area consists of a landing area or public access area of a
54.15 privately owned public use airport. It has a classification rate of one percent of market value.
54.16 To qualify for classification under this paragraph, a privately owned public use airport must
54.17 be licensed as a public airport under section 360.018. For purposes of this paragraph, "landing
54.18 area" means that part of a privately owned public use airport properly cleared, regularly
54.19 maintained, and made available to the public for use by aircraft and includes runways,
54.20 taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing
54.21 area also includes land underlying both the primary surface and the approach surfaces that
54.22 comply with all of the following:

54.23 (i) the land is properly cleared and regularly maintained for the primary purposes of the
54.24 landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities
54.25 for servicing, repair, or maintenance of aircraft is not included as a landing area;

54.26 (ii) the land is part of the airport property; and

54.27 (iii) the land is not used for commercial or residential purposes.

54.28 The land contained in a landing area under this paragraph must be described and certified
54.29 by the commissioner of transportation. The certification is effective until it is modified, or
54.30 until the airport or landing area no longer meets the requirements of this paragraph. For
54.31 purposes of this paragraph, "public access area" means property used as an aircraft parking
54.32 ramp, apron, or storage hangar, or an arrival and departure building in connection with the
54.33 airport.

55.1 (m) Class 2e consists of land with a commercial aggregate deposit that is not actively
55.2 being mined and is not otherwise classified as class 2a or 2b, provided that the land is not
55.3 located in a county that has elected to opt-out of the aggregate preservation program as
55.4 provided in section 273.1115, subdivision 6. It has a classification rate of one percent of
55.5 market value. To qualify for classification under this paragraph, the property must be at
55.6 least ten contiguous acres in size and the owner of the property must record with the county
55.7 recorder of the county in which the property is located an affidavit containing:

55.8 (1) a legal description of the property;

55.9 (2) a disclosure that the property contains a commercial aggregate deposit that is not
55.10 actively being mined but is present on the entire parcel enrolled;

55.11 (3) documentation that the conditional use under the county or local zoning ordinance
55.12 of this property is for mining; and

55.13 (4) documentation that a permit has been issued by the local unit of government or the
55.14 mining activity is allowed under local ordinance. The disclosure must include a statement
55.15 from a registered professional geologist, engineer, or soil scientist delineating the deposit
55.16 and certifying that it is a commercial aggregate deposit.

55.17 For purposes of this section and section 273.1115, "commercial aggregate deposit"
55.18 means a deposit that will yield crushed stone or sand and gravel that is suitable for use as
55.19 a construction aggregate; and "actively mined" means the removal of top soil and overburden
55.20 in preparation for excavation or excavation of a commercial deposit.

55.21 (n) When any portion of the property under this subdivision or subdivision 22 begins to
55.22 be actively mined, the owner must file a supplemental affidavit within 60 days from the
55.23 day any aggregate is removed stating the number of acres of the property that is actively
55.24 being mined. The acres actively being mined must be (1) valued and classified under
55.25 subdivision 24 in the next subsequent assessment year, and (2) removed from the aggregate
55.26 resource preservation property tax program under section 273.1115, if the land was enrolled
55.27 in that program. Copies of the original affidavit and all supplemental affidavits must be
55.28 filed with the county assessor, the local zoning administrator, and the Department of Natural
55.29 Resources, Division of Land and Minerals. A supplemental affidavit must be filed each
55.30 time a subsequent portion of the property is actively mined, provided that the minimum
55.31 acreage change is five acres, even if the actual mining activity constitutes less than five
55.32 acres.

56.1 (o) The definitions prescribed by the commissioner under paragraphs (c) and (d) are not
 56.2 rules and are exempt from the rulemaking provisions of chapter 14, and the provisions in
 56.3 section 14.386 concerning exempt rules do not apply.

56.4 **EFFECTIVE DATE.** This section is effective for assessment year 2022 and thereafter.

56.5 Sec. 9. Minnesota Statutes 2020, section 273.1315, subdivision 2, is amended to read:

56.6 Subd. 2. **Class 1b homestead declaration 2009 and thereafter.** (a) Any property owner
 56.7 seeking classification and assessment of the owner's homestead as class 1b property pursuant
 56.8 to section 273.13, subdivision 22, paragraph (b), after October 1, 2008, shall file with the
 56.9 county assessor a class 1b homestead declaration, on a form prescribed by the commissioner
 56.10 of revenue. The declaration must contain the following information:

56.11 (1) the information necessary to verify that, on or before June 30 of the filing year, the
 56.12 property owner or the owner's spouse satisfies the requirements of section 273.13, subdivision
 56.13 22, paragraph (b), for class 1b classification; and

56.14 (2) any additional information prescribed by the commissioner.

56.15 (b) The declaration must be filed on or before October 1 to be effective for property
 56.16 taxes payable during the succeeding calendar year. The Social Security numbers, individual
 56.17 tax identification numbers, and income and medical information received from the property
 56.18 owner pursuant to this subdivision are private data on individuals as defined in section
 56.19 13.02. If approved by the assessor, the declaration remains in effect until the property no
 56.20 longer qualifies under section 273.13, subdivision 22, paragraph (b). Failure to notify the
 56.21 assessor within 30 days that the property no longer qualifies under that paragraph because
 56.22 of a sale, change in occupancy, or change in the status or condition of an occupant shall
 56.23 result in the penalty provided in section 273.124, subdivision 13b, computed on the basis
 56.24 of the class 1b benefits for the property, and the property shall lose its current class 1b
 56.25 classification.

56.26 **EFFECTIVE DATE.** This section is effective for applications for homestead filed in
 56.27 2021 and thereafter.

56.28 Sec. 10. Minnesota Statutes 2020, section 290A.25, is amended to read:

56.29 **290A.25 VERIFICATION OF SOCIAL SECURITY NUMBERS.**

56.30 Annually, the commissioner of revenue shall furnish a list to the county assessor
 56.31 containing the names ~~and~~, Social Security numbers, and individual tax identification numbers

57.1 of persons who have applied for both homestead classification under section 273.13 and a
57.2 property tax refund as a renter under this chapter.

57.3 Within 90 days of the notification, the county assessor shall investigate to determine if
57.4 the homestead classification was improperly claimed. If the property owner does not qualify,
57.5 the county assessor shall notify the county auditor who will determine the amount of
57.6 homestead benefits that has been improperly allowed. For the purpose of this section,
57.7 "homestead benefits" has the meaning given in section 273.124, subdivision 13b. The county
57.8 auditor shall send a notice to persons who owned the affected property at the time the
57.9 homestead application related to the improper homestead was filed, demanding
57.10 reimbursement of the homestead benefits plus a penalty equal to 100 percent of the homestead
57.11 benefits. The person notified may appeal the county's determination with the Minnesota
57.12 Tax Court within 60 days of the date of the notice from the county as provided in section
57.13 273.124, subdivision 13b.

57.14 If the amount of homestead benefits and penalty is not paid within 60 days, and if no
57.15 appeal has been filed, the county auditor shall certify the amount of taxes and penalty to
57.16 the county treasurer. The county treasurer will add interest to the unpaid homestead benefits
57.17 and penalty amounts at the rate provided for delinquent personal property taxes for the
57.18 period beginning 60 days after demand for payment was made until payment. If the person
57.19 notified is the current owner of the property, the treasurer may add the total amount of
57.20 benefits, penalty, interest, and costs to the real estate taxes otherwise payable on the property
57.21 in the following year. If the person notified is not the current owner of the property, the
57.22 treasurer may collect the amounts due under the Revenue Recapture Act in chapter 270A,
57.23 or use any of the powers granted in sections 277.20 and 277.21 without exclusion, to enforce
57.24 payment of the benefits, penalty, interest, and costs, as if those amounts were delinquent
57.25 tax obligations of the person who owned the property at the time the application related to
57.26 the improperly allowed homestead was filed. The treasurer may relieve a prior owner of
57.27 personal liability for the benefits, penalty, interest, and costs, and instead extend those
57.28 amounts on the tax lists against the property for taxes payable in the following year to the
57.29 extent that the current owner agrees in writing.

57.30 Any amount of homestead benefits recovered by the county from the property owner
57.31 shall be distributed to the county, city or town, and school district where the property is
57.32 located in the same proportion that each taxing district's levy was to the total of the three
57.33 taxing districts' levy for the current year. Any amount recovered attributable to taconite
57.34 homestead credit shall be transmitted to the St. Louis County auditor to be deposited in the
57.35 taconite property tax relief account. Any amount recovered that is attributable to supplemental

58.1 homestead credit is to be transmitted to the commissioner of revenue for deposit in the
58.2 general fund of the state treasury. The total amount of penalty collected must be deposited
58.3 in the county general fund.

58.4 **EFFECTIVE DATE.** This section is effective for lists furnished by the commissioner
58.5 of revenue to county assessors in 2021 and thereafter.

58.6 Sec. 11. Minnesota Statutes 2020, section 477A.014, is amended to read:

58.7 **477A.014 COMMISSIONER'S RESPONSIBILITIES.**

58.8 Subdivision 1. **Calculations and payments.** (a) The commissioner of revenue shall
58.9 make all necessary calculations and make payments pursuant to sections 477A.013 and
58.10 ~~477A.03~~ under this chapter directly to the affected ~~taxing authorities~~ political subdivisions
58.11 annually. In addition, the commissioner shall notify the authorities of their aid amounts, as
58.12 well as the computational factors used in making the calculations for their authority, and
58.13 those statewide total figures that are pertinent, before August 1 of the year preceding the
58.14 aid distribution year, unless a different date is specified.

58.15 (b) For the purposes of this subdivision, aid is determined for a city or town based on
58.16 its city or town status as of June 30 of the year preceding the aid distribution year. If the
58.17 effective date for a municipal incorporation, consolidation, annexation, detachment,
58.18 dissolution, or township organization is on or before June 30 of the year preceding the aid
58.19 distribution year, such change in boundaries or form of government shall be recognized for
58.20 aid determinations for the aid distribution year. If the effective date for a municipal
58.21 incorporation, consolidation, annexation, detachment, dissolution, or township organization
58.22 is after June 30 of the year preceding the aid distribution year, such change in boundaries
58.23 or form of government shall not be recognized for aid determinations until the following
58.24 year.

58.25 (c) Changes in boundaries or form of government will only be recognized for the purposes
58.26 of this subdivision, to the extent that: (1) changes in market values are included in market
58.27 values reported by assessors to the commissioner, and changes in population and household
58.28 size are included in their respective certifications to the commissioner as referenced in
58.29 section 477A.011, or (2) an annexation information report as provided in paragraph (d) is
58.30 received by the commissioner on or before July 15 of the aid calculation year. Revisions to
58.31 estimates or data for use in recognizing changes in boundaries or form of government are
58.32 not effective for purposes of this subdivision unless received by the commissioner on or
58.33 before July 15 of the aid calculation year. Clerical errors in the certification or use of

59.1 estimates and data established as of July 15 in the aid calculation year are subject to correction
59.2 within the time periods allowed under subdivision 3.

59.3 (d) In the case of an annexation, an annexation information report may be completed by
59.4 the annexing jurisdiction and submitted to the commissioner for purposes of this subdivision
59.5 if the net tax capacity of annexed area for the assessment year preceding the effective date
59.6 of the annexation exceeds five percent of the city's net tax capacity for the same year. The
59.7 form and contents of the annexation information report shall be prescribed by the
59.8 commissioner. The commissioner shall change the net tax capacity, the population, the
59.9 population decline, the commercial industrial percentage, and the transformed population
59.10 for the annexing jurisdiction only if the annexation information report provides data the
59.11 commissioner determines to be reliable for all of these factors used to compute city revenue
59.12 need for the annexing jurisdiction. The commissioner shall adjust the pre-1940 housing
59.13 percentage and household size only if the entire area of an existing city or town is annexed
59.14 or consolidated and only if reliable data is available for all of these factors used to compute
59.15 city revenue need for the annexing jurisdiction.

59.16 Subd. 2. **Errors.** A ~~taxing authority~~ political subdivision may object to the commissioner
59.17 of revenue with respect to the amount of the distribution it has been certified to receive
59.18 pursuant to ~~subdivision 1~~ any section under this chapter. No objection shall be raised later
59.19 than 60 days after the ~~taxing authority~~ political subdivision has received notice from the
59.20 commissioner of the amount which it has been certified to receive.

59.21 Subd. 3. **Aid amount and payment correction.** (a) If, due to an error in the factors used
59.22 to calculate a ~~taxing authority's~~ political subdivision's aid pursuant to any section 477A.013
59.23 under this chapter, the amount indicated in the certification of the commissioner to ~~the~~
59.24 ~~taxing authority~~ a political subdivision for a year ~~is less than~~ does not equal the amount to
59.25 which it is entitled ~~pursuant to this section~~, the commissioner of revenue ~~shall~~ must recertify
59.26 the aid. The commissioner must use the recertified amounts, before any adjustments under
59.27 paragraph (b), for any subsequent calculations under this chapter that rely on prior year
59.28 calculations.

59.29 (b) The commissioner must additionally distribute the amount necessary to make the
59.30 full correct distribution to the ~~taxing authority~~ any political subdivision originally certified
59.31 an amount less than the amount to which it is entitled. ~~The~~ Any additional distribution shall
59.32 distribution must be paid from the general fund and shall not diminish the distributions
59.33 made to other taxing authorities under this section. If the recertified amount is less than the
59.34 amount originally certified to the political subdivision, the commissioner must pay the
59.35 amount that was originally certified. The commissioner of revenue must deduct the difference

60.1 between the originally certified amount and the recertified amount from the aid payable in
 60.2 the next subsequent year.

60.3 (c) If, after the adjustments in paragraph (b), the amount paid to a political subdivision
 60.4 pursuant to any section under this chapter does not equal the amount to which it is entitled,
 60.5 the commissioner of revenue must distribute or collect the amount necessary to correct the
 60.6 distribution received by the political subdivision. The commissioner of revenue may establish
 60.7 a payment plan with a political subdivision that was overpaid, but in no event may the
 60.8 commissioner require more than 12 installments annually, and the payment plan must not
 60.9 be for more than five years. Any additional distribution under this paragraph must be made
 60.10 from the general fund. No payment discrepancies may be raised later than three years after
 60.11 the political subdivision received the disputed payment.

60.12 **EFFECTIVE DATE.** This section is effective for aids payable in 2022 and thereafter.

60.13 **Sec. 12. SUSTAINABLE FOREST INCENTIVE ACT; VIOLATIONS.**

60.14 Land that was split-classified under Minnesota Statutes 2018, section 273.13, subdivision
 60.15 23, paragraph (c), while enrolled in the sustainable forest incentive act management program
 60.16 under Minnesota Statutes, chapter 290C, is not in violation of the conditions of enrollment
 60.17 under Minnesota Statutes, sections 290C.03 and 290C.11, if, at the time of enrollment, a
 60.18 structure that is not a minor, ancillary nonresidential structure, was identified on the covenant
 60.19 required under Minnesota Statutes, section 290C.04, and appropriate acreage was excluded
 60.20 in accordance with Minnesota Statutes, section 290C.03.

60.21 **EFFECTIVE DATE.** This section is effective for determinations of violations of the
 60.22 conditions of enrollment after June 30, 2021.

60.23 **ARTICLE 5**

60.24 **MISCELLANEOUS TAXES AND TAX PROVISIONS**

60.25 **Section 1.** Minnesota Statutes 2020, section 297E.021, subdivision 4, is amended to read:

60.26 **Subd. 4. Appropriation; general reserve account.** To the extent the commissioner
 60.27 determines that revenues are available under subdivision 3 for the fiscal year, those amounts
 60.28 are appropriated from the general fund for deposit in a general reserve account established
 60.29 by order of the commissioner of management and budget until the amount in the reserve is
 60.30 equal to \$100,000,000. Amounts in this reserve are appropriated as necessary for application
 60.31 against any shortfall in the amounts deposited to the general fund under section 297A.994
 60.32 or, after consultation with the Legislative Commission on Planning and Fiscal Policy,

61.1 amounts in this reserve are appropriated to the commissioner of management and budget
61.2 for other uses related to the stadium authorized under section 473J.03, subdivision 8, that
61.3 the commissioner deems financially prudent including but not limited to reimbursements
61.4 for capital and operating costs relating to the stadium, refundings, and prepayment of debt.
61.5 In no event, shall available revenues be pledged, nor shall the appropriations of available
61.6 revenues made by this section constitute a pledge of available revenues as security for the
61.7 prepayment of principal and interest on the appropriation bonds under section 16A.965.

61.8 Sec. 2. Minnesota Statutes 2020, section 297H.04, subdivision 2, is amended to read:

61.9 Subd. 2. **Rate.** (a) Commercial generators that generate nonmixed municipal solid waste
61.10 shall pay a solid waste management tax of 60 cents per noncompacted cubic yard of periodic
61.11 waste collection capacity purchased by the generator, based on the size of the container for
61.12 the nonmixed municipal solid waste, the actual volume, or the weight-to-volume conversion
61.13 schedule in paragraph (c). However, the tax must be calculated by the waste management
61.14 service provider using the same method for calculating the waste management service fee
61.15 so that both are calculated according to container capacity, actual volume, or weight.

61.16 (b) Notwithstanding section 297H.02, a residential generator that generates nonmixed
61.17 municipal solid waste shall pay a solid waste management tax in the same manner as provided
61.18 in paragraph (a).

61.19 (c) The ~~weight-to-volume conversion schedule~~ tax for:

61.20 (1) construction debris as defined in section 115A.03, subdivision 7, is equal to 60 cents
61.21 per cubic yard. The commissioner of revenue, after consultation with the commissioner of
61.22 the Pollution Control Agency, shall determine and ~~may~~ publish by notice a weight-to-volume
61.23 conversion schedule for construction debris;

61.24 (2) industrial waste as defined in section 115A.03, subdivision 13a, is equal to 60 cents
61.25 per cubic yard. The commissioner of revenue after consultation with the commissioner of
61.26 the Pollution Control Agency, shall determine, and ~~may~~ publish by notice, a
61.27 weight-to-volume conversion schedule for various industrial wastes; and

61.28 (3) infectious waste as defined in section 116.76, subdivision 12, and pathological waste
61.29 as defined in section 116.76, subdivision 14, is 150 pounds equals one cubic yard, or 60
61.30 cents per 150 pounds.

61.31 **EFFECTIVE DATE.** This section is effective July 1, 2021.

62.1 Sec. 3. Minnesota Statutes 2020, section 297H.05, is amended to read:

62.2 **297H.05 SELF-HAULERS.**

62.3 (a) A self-hauler of mixed municipal solid waste shall pay the tax to the operator of the
62.4 waste management facility to which the waste is delivered at the rate imposed under section
62.5 297H.03, based on the sales price of the waste management services.

62.6 (b) A self-hauler of nonmixed municipal solid waste shall pay the tax to the operator of
62.7 the waste management facility to which the waste is delivered at the rate imposed under
62.8 section 297H.04.

62.9 (c) The tax imposed on the self-hauler of nonmixed municipal solid waste may be based
62.10 either on the capacity of the container, the actual volume, or the weight-to-volume conversion
62.11 schedule in paragraph (d). However, the tax must be calculated by the operator using the
62.12 same method for calculating the tipping fee so that both are calculated according to container
62.13 capacity, actual volume, or weight.

62.14 (d) The ~~weight-to-volume conversion schedule~~ tax for:

62.15 (1) construction debris as defined in section 115A.03, subdivision 7, is ~~one ton equals~~
62.16 ~~3.33 cubic yards, or \$2 per ton~~ equal to 60 cents per cubic yard. The commissioner of
62.17 revenue, after consultation with the commissioner of the Pollution Control Agency, shall
62.18 determine and publish by notice a weight-to-volume conversion schedule for construction
62.19 debris;

62.20 (2) industrial waste as defined in section 115A.03, subdivision 13a, is equal to 60 cents
62.21 per cubic yard. The commissioner of revenue, after consultation with the commissioner of
62.22 the Pollution Control Agency, shall determine; and ~~may~~ publish by notice; a
62.23 weight-to-volume conversion schedule for various industrial wastes; and

62.24 (3) infectious waste as defined in section 116.76, subdivision 12, and pathological waste
62.25 as defined in section 116.76, subdivision 14, is 150 pounds equals one cubic yard, or 60
62.26 cents per 150 pounds.

62.27 (e) For mixed municipal solid waste the tax is imposed upon the difference between the
62.28 market price and the tip fee at a processing or disposal facility if the tip fee is less than the
62.29 market price and the political subdivision subsidizes the cost of service at the facility. The
62.30 political subdivision is liable for the tax.

62.31 **EFFECTIVE DATE.** This section is effective July 1, 2021, except the new rate for
62.32 construction debris applies to waste delivered after June 30, 2021.

63.1 Sec. 4. Minnesota Statutes 2020, section 297I.05, subdivision 7, is amended to read:

63.2 Subd. 7. **Nonadmitted insurance premium tax.** (a) A tax is imposed on surplus lines
63.3 brokers. The rate of tax is equal to three percent of the gross premiums less return premiums
63.4 paid by an insured whose home state is Minnesota.

63.5 (b) A tax is imposed on a person, firm, corporation, or purchasing group as defined in
63.6 section 60E.02, or any member of a purchasing group, that procures insurance directly from
63.7 a nonadmitted insurer. The rate of tax is equal to ~~two~~ three percent of the gross premiums
63.8 less return premiums paid by an insured whose home state is Minnesota.

63.9 (c) No state other than the home state of an insured may require any premium tax payment
63.10 for nonadmitted insurance. When Minnesota is the home state of the insured, as provided
63.11 under section 297I.01, 100 percent of the gross premiums are taxable in Minnesota with no
63.12 allocation of the tax to other states.

63.13 **EFFECTIVE DATE.** This section is effective for policies with an effective date after
63.14 December 31, 2021.

63.15 Sec. 5. Minnesota Statutes 2020, section 298.001, is amended by adding a subdivision to
63.16 read:

63.17 **Subd. 13. Merchantable iron ore concentrate.** "Merchantable iron ore concentrate"
63.18 means iron-bearing material that has been treated in Minnesota by any means of beneficiation,
63.19 separation, concentration, or refinement for the purpose of making it salable for its iron ore
63.20 content.

63.21 **EFFECTIVE DATE.** This section is effective for taxes payable in 2022 and thereafter.

63.22 Sec. 6. Minnesota Statutes 2020, section 298.24, subdivision 1, is amended to read:

63.23 Subdivision 1. **Imposed; calculation.** (a) For concentrate produced in 2013, there is
63.24 imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and
63.25 upon the production of iron ore concentrate therefrom, and upon the concentrate so produced,
63.26 a tax of \$2.56 per gross ton of merchantable iron ore concentrate produced therefrom.

63.27 (b) For concentrates produced in 2014 and subsequent years, the tax rate shall be equal
63.28 to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied
63.29 by the percentage increase in the implicit price deflator from the fourth quarter of the second
63.30 preceding year to the fourth quarter of the preceding year. "Implicit price deflator" means
63.31 the implicit price deflator for the gross domestic product prepared by the Bureau of Economic
63.32 Analysis of the United States Department of Commerce.

64.1 (c) An additional tax is imposed equal to three cents per gross ton of merchantable iron
64.2 ore concentrate for each one percent that the iron content of the product exceeds 72 percent,
64.3 when dried at 212 degrees Fahrenheit.

64.4 (d) The tax on taconite and iron sulphides shall be imposed on the average of the
64.5 production for the current year and the previous two years. The rate of the tax imposed will
64.6 be the current year's tax rate. This clause shall not apply in the case of the closing of a
64.7 taconite facility if the property taxes on the facility would be higher if this clause and section
64.8 298.25 were not applicable.

64.9 (e) The tax under paragraph (a) is also imposed upon other iron-bearing material as
64.10 described in section 298.405 on the tonnage of merchantable iron ore concentrate produced
64.11 therefrom. The tax on other iron-bearing material shall be imposed on the current year
64.12 production. The rate of the tax imposed is the current year's tax rate.

64.13 (f) If the tax or any part of the tax imposed by this subdivision is held to be
64.14 unconstitutional, a tax of \$2.56 per gross ton of merchantable iron ore concentrate produced
64.15 shall be imposed.

64.16 (g) Consistent with the intent of this subdivision to impose a tax based upon the weight
64.17 of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine
64.18 the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting
64.19 the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives
64.20 included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed
64.21 pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other
64.22 basic flux additives are combined with merchantable iron ore concentrate. No subtraction
64.23 from the weight of the pellets shall be allowed for binders, mineral and chemical additives
64.24 other than basic flux additives, or moisture.

64.25 (h)(1) Notwithstanding any other provision of this subdivision, for the first two years
64.26 of a plant's commercial production of direct reduced ore from ore mined in this state, no
64.27 tax is imposed under this section. For the third year of a plant's commercial production of
64.28 direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate
64.29 otherwise determined under this subdivision. For the fourth commercial production year,
64.30 the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth
64.31 commercial production year, the rate is 75 percent of the rate otherwise determined under
64.32 this subdivision; and for all subsequent commercial production years, the full rate is imposed.

64.33 (2) Subject to clause (1), production of direct reduced ore in this state is subject to the
64.34 tax imposed by this section, but if that production is not produced by a producer of taconite,

65.1 iron sulfides, or other iron-bearing material, the production of taconite, iron sulfides, or
 65.2 other iron-bearing material, that is consumed in the production of direct reduced ore in this
 65.3 state is not subject to the tax imposed by this section on taconite, iron sulfides, or other
 65.4 iron-bearing material.

65.5 (3) Notwithstanding any other provision of this subdivision, no tax is imposed on direct
 65.6 reduced ore under this section during the facility's noncommercial production of direct
 65.7 reduced ore. The taconite or iron sulphides consumed in the noncommercial production of
 65.8 direct reduced ore is subject to the tax imposed by this section on taconite and iron sulphides.
 65.9 Three-year average production of direct reduced ore does not include production of direct
 65.10 reduced ore in any noncommercial year.

65.11 (4) Three-year average production for a direct reduced ore facility that has noncommercial
 65.12 production is the average of the commercial production of direct reduced ore for the current
 65.13 year and the previous two commercial years.

65.14 (5) As used in this paragraph, "commercial production" means production of more than
 65.15 50,000 tons of direct reduced ore in the current year or in any prior year, and "noncommercial
 65.16 production" means production of 50,000 tons or less of direct reduced ore in any year.

65.17 (6) This paragraph applies only to plants for which all environmental permits have been
 65.18 obtained and construction has begun before July 1, 2008.

65.19 **EFFECTIVE DATE.** This section is effective for taxes payable in 2022 and thereafter.

65.20 Sec. 7. Minnesota Statutes 2020, section 298.405, subdivision 1, is amended to read:

65.21 Subdivision 1. **Definition.** Iron-bearing material, other than taconite and semitaconite,
 65.22 having not more than 46.5 percent natural iron content on the average, is subject to taxation
 65.23 under section 298.24. The tax under that section applies to material that is:

65.24 ~~(1) finer than or ground to 90 percent passing 20 mesh; and~~

65.25 ~~(2) treated in Minnesota for the purpose of separating the iron particles from silica,~~
 65.26 ~~alumina, or other detrimental compounds or elements unless used in a direct reduction~~
 65.27 ~~process; making the iron-bearing material merchantable by any means of beneficiation,~~
 65.28 ~~separation, concentration, or refinement. The tax under section 298.24 does not apply to~~
 65.29 ~~unmined iron ore and low-grade iron-bearing formations as described in section 273.13,~~
 65.30 ~~subdivision 31, clause (1).~~

65.31 ~~(i) by electrostatic separation, roasting and magnetic separation, or flotation;~~

65.32 ~~(ii) by a direct reduction process;~~

66.1 ~~(iii) by any combination of such processes; or~~

66.2 ~~(iv) by any other process or method not presently employed in gravity separation plants~~
66.3 ~~employing only crushing, screening, washing, jigging, heavy media separation, spirals,~~
66.4 ~~cyclones, drying or any combination thereof.~~

66.5 **EFFECTIVE DATE.** This section is effective for taxes payable in 2022 and thereafter.

66.6 Sec. 8. **APPROPRIATION.**

66.7 \$2,209,000 in fiscal year 2022 and \$1,860,000 in fiscal year 2023 are appropriated from
66.8 the general fund to the commissioner of revenue to administer this act. The base funding is
66.9 \$1,860,000 in fiscal year 2024 and thereafter.

290.01 DEFINITIONS.

Subd. 7b. **Resident trust.** (a) Resident trust means a trust, except a grantor type trust, which either (1) was created by a will of a decedent who at death was domiciled in this state or (2) is an irrevocable trust, the grantor of which was domiciled in this state at the time the trust became irrevocable. For the purpose of this subdivision, a trust is considered irrevocable to the extent the grantor is not treated as the owner thereof under sections 671 to 678 of the Internal Revenue Code. The term "grantor type trust" means a trust where the income or gains of the trust are taxable to the grantor or others treated as substantial owners under sections 671 to 678 of the Internal Revenue Code. This paragraph applies to trusts, except grantor type trusts, that became irrevocable after December 31, 1995, or are first administered in Minnesota after December 31, 1995.

(b) This paragraph applies to trusts, except grantor type trusts, that are not governed under paragraph (a). A trust, except a grantor type trust, is a resident trust only if two or more of the following conditions are satisfied:

(1) a majority of the discretionary decisions of the trustees relative to the investment of trust assets are made in Minnesota;

(2) a majority of the discretionary decisions of the trustees relative to the distributions of trust income and principal are made in Minnesota;

(3) the official books and records of the trust, consisting of the original minutes of trustee meetings and the original trust instruments, are located in Minnesota.

(c) For purposes of paragraph (b), if the trustees delegate decisions and actions to an agent or custodian, the actions and decisions of the agent or custodian must not be taken into account in determining whether the trust is administered in Minnesota, if:

(1) the delegation was permitted under the trust agreement;

(2) the trustees retain the power to revoke the delegation on reasonable notice; and

(3) the trustees monitor and evaluate the performance of the agent or custodian on a regular basis as is reasonably determined by the trustees.

Subd. 19i. **Deferred foreign income.** "Deferred foreign income" means the income of a domestic corporation that is included in net income under section 965 of the Internal Revenue Code.

290.0131 INDIVIDUALS; ADDITIONS TO FEDERAL TAXABLE INCOME.

Subd. 18. **Special deductions.** For trusts and estates, the amount of any special deduction under section 250 or 965 of the Internal Revenue Code is an addition, to the extent not included in taxable income.