

**SENATE
STATE OF MINNESOTA
NINETY-SECOND SESSION**

S.F. No. 2411

(SENATE AUTHORS: CHAMPION)

DATE
04/14/2021

D-PG

Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to taxation; tax expenditures; providing purpose statements for certain
1.3 past tax expenditures.

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

1.5 Section 1. **STATEMENT OF INTENT; TAX EXPENDITURE PURPOSE**
1.6 **STATEMENTS.**

1.7 The intent of this act is to identify purpose statements for the tax expenditures identified,
1.8 in accordance with Minnesota Statutes, section 3.192. The purpose statements in this act
1.9 were included in proposed legislation, but were omitted from the legislation that enacted
1.10 the expenditures. The provisions of this act are intended to provide context for evaluating
1.11 the effectiveness of the tax expenditures referenced and are not intended to have a substantive
1.12 effect on the meaning or administration of the laws referenced.

1.13 Sec. 2. **PURPOSE STATEMENTS; 2019 OMNIBUS TAX BILL.**

1.14 Subdivision 1. Source of purpose statements. The purpose statements in this section
1.15 were originally included in the 2019 bill styled as House File 2125, the third engrossment,
1.16 in the 91st Legislature. The tax expenditures referenced were enacted in Laws 2019, First
1.17 Special Session chapter 6.

1.18 Subd. 2. Sales tax purpose statements. (a) The purpose of the exemption in Minnesota
1.19 Statutes, section 297A.67, subdivision 37, is to level the playing field for costs between
1.20 local governments and private entities of managing invasive species in lakes. The goal is
1.21 an increase in the number of lakes where invasive species are being controlled.

2.1 (b) The purpose of the exemption in Minnesota Statutes, section 297A.70, subdivision
2.2 10, paragraph (c), is to reduce the cost of providing education on the state's farming history.
2.3 The goal is to decrease the public cost of access to this facility.

2.4 (c) The purpose of the exemption in Minnesota Statutes, section 297A.70, subdivision
2.5 20, is to decrease maintenance costs for the ice arena. The goal is to increase local recreation
2.6 opportunities and reduce local participation costs.

2.7 (d) The purpose of the exemption in Minnesota Statutes, section 297A.70, subdivision
2.8 21, is to help county agricultural societies maintain county fairgrounds. The goal is to
2.9 increase spending on fairground maintenance and capital improvements.

2.10 (e) The purpose of the exemptions in Minnesota Statutes, section 297A.71, subdivision
2.11 50, is to encourage rebuilding in the damaged area of each city. The goal is to have these
2.12 properties returned to the tax rolls at the same or greater value.

2.13 (f) The purpose of the exemptions in Minnesota Statutes, section 297A.71, subdivision
2.14 51, is to encourage rebuilding in the damaged area of each city. The goal is to have these
2.15 properties returned to the tax rolls at the same or greater value.

2.16 (g) The purpose of the exemption in Minnesota Statutes, section 297A.71, subdivision
2.17 52, is to reduce the cost of providing local public services in these communities. The goal
2.18 is to decrease the growth in local property taxes and service fees in these communities.

2.19 Subd. 3. **Income and corporate franchise tax purpose statements.** (a) The purpose
2.20 and goal of the tax expenditure under Minnesota Statutes, sections 290.0132, subdivision
2.21 29; 290.0134, subdivision 18; 290.0921, subdivisions 2 and 3; relating to disallowed expenses
2.22 under section 280E of the Internal Revenue Code, is to provide equitable state tax treatment
2.23 between medical cannabis manufacturers that are not allowed to deduct their business
2.24 expenses under the Internal Revenue Code and manufacturers of other goods who may
2.25 deduct these expenses.

2.26 (b) The purpose of the tax expenditures under Minnesota Statutes, section 116J.8737,
2.27 subdivision 1, relating to the minimum qualified investment threshold for minority-, veteran-,
2.28 or women-owned businesses; subdivision 5, relating to the \$10,000,000 allocation for taxable
2.29 years beginning after December 31, 2018, and before January 1, 2020, and beginning after
2.30 December 31, 2020, and before January 1, 2022; and subdivision 12, relating to the extension
2.31 of the sunset date; is to encourage investment in innovative small businesses in Minnesota
2.32 and the goal of the these expenditures is to increase the number of these businesses in the
2.33 state, the number of people employed by these businesses in the state, the productivity of
2.34 these businesses, or the sales of these businesses.

3.1 **Sec. 3. PURPOSE STATEMENTS; 2017 OMNIBUS TAX BILL.**

3.2 Subdivision 1. Source of purpose statements. The purpose statements in this section
3.3 were originally included in the 2015 bill styled as House File 848, the third engrossment,
3.4 in the 89th Legislature. The tax expenditures referenced were enacted in Laws 2017, First
3.5 Special Session chapter 1.

3.6 Subd. 2. Sales tax purpose statements. (a) The provision of Minnesota Statutes, section
3.7 297A.67, subdivision 34, is intended to provide equitable tax treatment for different types
3.8 of investments. The standard against which effectiveness is to be measured is the increase
3.9 in precious metal bullion sold in the state and in number of coin and precious metal trade
3.10 shows held in the state.

3.11 (b) The provisions of Minnesota Statutes, section 297A.70, subdivision 14, are intended
3.12 to increase the ability of the nonprofit to provide opportunities for educating the public on
3.13 the history of farming. The standard against which effectiveness is to be measured is an
3.14 increase in the percent of the organization's budget being used for direct spending for its
3.15 mission.

3.16 Subd. 3. Income and corporate franchise tax purpose statements. (a) The provisions
3.17 of Minnesota Statutes, section 290.0132, subdivision 26, are intended to attract to Minnesota
3.18 recipients of Social Security benefits and to retain those already present, by providing a
3.19 phased-in subtraction of Social Security benefits. The standard against which effectiveness
3.20 is to be measured is the change over time in the number of Social Security recipients in
3.21 Minnesota, after adjusting for demographic changes.

3.22 (b) The provisions of Minnesota Statutes, section 290.0132, subdivision 23, and
3.23 Minnesota Statutes, section 290.0684, are intended to increase saving for higher education
3.24 expenses. The standard against which effectiveness is to be measured is the change over
3.25 time, as tracked by the Minnesota Office of Higher Education, in: (1) the estimated number
3.26 of Minnesota residents making contributions to the Minnesota College Savings Plan, and
3.27 (2) the amount contributed.

3.28 (c) The modifications to Minnesota Dependent Care Credit amending Minnesota Statutes,
3.29 section 290.067, subdivision 1, and repealing Minnesota Statutes, section 290.067,
3.30 subdivision 2, modifying the limitations for claiming the credit, are intended to simplify
3.31 the dependent care credit by tying it more closely to the federal credit and to recognize an
3.32 increased burden in dependent care expenses as a cost of workforce participation for parents.
3.33 The standard against which effectiveness is to be measured is the change in the error rate

4.1 on claims for dependent care credits and the change in the average credit amount claimed
4.2 by parents in the income range eligible for the credit under present law.

4.3 (d) The provisions of Minnesota Statutes, section 290.0686, are intended to improve the
4.4 quality of teaching in Minnesota kindergarten through grade 12 schools by encouraging
4.5 teachers to obtain master's degrees in the subject areas they teach. The standard against
4.6 which effectiveness is to be measured is the change over time in the number of kindergarten
4.7 through grade 12 classroom teachers with master's degrees in the subject area that they
4.8 teach.

4.9 (e) The provisions of Minnesota Statutes, section 290.0682, are intended to reduce the
4.10 debt burden of recent graduates of higher education programs and to reduce and potentially
4.11 reverse the current net demographic loss of young adults in Minnesota. The standard against
4.12 which effectiveness is to be measured is the change over time in the number of young adults
4.13 choosing to move to or remain in Minnesota, as measured by the state demographer.

4.14 (f) The purpose of the tax expenditures under Minnesota Statutes, sections 290.01,
4.15 subdivision 19; 289A.02, subdivision 7; 290.01, subdivision 31; and 290A.03, subdivision
4.16 15; conforming Minnesota individual income, corporate franchise, and estate taxes to changes
4.17 in federal law through December 16, 2016, are intended to simplify compliance with and
4.18 administration of those taxes. The standard against which effectiveness is to be measured
4.19 is the reduction in the number of income tax forms and text in the instructions for taxpayers
4.20 resulting from this provision.

4.21 Subd. 4. **Other purpose statements.** (a) The provisions in Minnesota Statutes, section
4.22 290.06, subdivision 38, are intended to reduce the effect of school bond referenda on owners
4.23 of agricultural property. The standard against which the effectiveness of the credit is to be
4.24 measured is the amount of property tax reductions provided to owners of agricultural land.

4.25 (b) The provisions in Minnesota Statutes, section 298.24, subdivision 1, are intended to
4.26 encourage the production of direct reduced ore and the establishment of more direct reduced
4.27 ore production facilities in Minnesota. The standard against which this effectiveness is to
4.28 be measured is the amount of direct reduced ore produced and the number of producers of
4.29 direct reduced ore before and after enactment.

4.30 **Sec. 4. PURPOSE STATEMENTS; 2017 TAX CONFORMITY BILL.**

4.31 Subdivision 1. **Source of purpose statements.** The purpose statements in this section
4.32 were originally included in the 2015 bill styled as House File 848, the third engrossment,

5.1 in the 89th Legislature. The tax expenditure referenced was enacted in Laws 2017, chapter
5.2 1.

5.3 Subd. 2. **Income and corporate franchise tax purpose statements.** The purpose of
5.4 the tax expenditures under Minnesota Statutes, sections 290.01, subdivision 19; 289A.02,
5.5 subdivision 7; 290.01, subdivision 31; and 290A.03, subdivision 15; conforming Minnesota
5.6 individual income, corporate franchise, and estate taxes to changes in federal law through
5.7 December 16, 2016, are intended to simplify compliance with and administration of those
5.8 taxes. The standard against which effectiveness is to be measured is the reduction in the
5.9 number of income tax forms and text in the instructions for taxpayers resulting from this
5.10 provision.

5.11 Sec. 5. **PURPOSE STATEMENTS; 2016 OMNIBUS SUPPLEMENTAL SPENDING**
5.12 **BILL.**

5.13 Subdivision 1. **Source of purpose statements.** The purpose statements in this section
5.14 were originally included in the 2015 bill styled as House File 848, the third engrossment,
5.15 in the 89th Legislature. The tax expenditure referenced was enacted in Laws 2016, chapter
5.16 189.

5.17 Subd. 2. **Income and corporate franchise tax purpose statements.** The provisions of
5.18 Minnesota Statutes, section 290.0132, subdivision 21, are intended to attract to Minnesota
5.19 military retirees, and to retain those already present, by allowing a subtraction from income
5.20 tied to the number of years of military service provided. The standard against which
5.21 effectiveness is to be measured is the change over time in the number of military retirees
5.22 in Minnesota.

5.23 Sec. 6. **PURPOSE STATEMENTS; 2014 OMNIBUS TAX BILL.**

5.24 Subdivision 1. **Source of purpose statements.** The purpose statements in this section
5.25 were originally included in the 2014 bill styled as House File 3167, the third engrossment,
5.26 in the 89th Legislature. The tax expenditures referenced were enacted in Laws 2014, chapter
5.27 308.

5.28 Subd. 2. **Sales tax purpose statements.** (a) The provision of Minnesota Statutes, section
5.29 297A.68, subdivision 3a, defining certain coin-operated amusement devices as sales for
5.30 resale is intended to reduce tax pyramiding by exempting an input to a taxable service.

5.31 (b) The provision of Minnesota Statutes, section 297A.70, subdivision 2, paragraph (b),
5.32 clause (5), modifying the sales tax on certain local government purchases is intended to

6.1 reduce the cost of providing local government services, remove a barrier for
6.2 intergovernmental cooperation, and reduce existing compliance and administration costs
6.3 for local governments.

6.4 (c) The provisions of Minnesota Statutes, section 297A.70, subdivision 13, raising the
6.5 limit on tax exempt fund-raising by nonprofit organizations are intended to reflect the impact
6.6 on inflation over time on the limit and reduce compliance costs for groups that exceed the
6.7 limit.

6.8 (d) The provision of Minnesota Statutes, section 297G.03, subdivision 5, allowing a
6.9 microdistillery credit is to relieve small distillers of the burden of paying excise tax on the
6.10 distribution of free samples of their products and to encourage the development and marketing
6.11 of products by niche distillers in the state.

6.12 Subd. 3. **Income and corporate franchise tax purpose statements.** The modifications
6.13 to the National Guard subtraction contained in Laws 2014, chapter 308, article 4, section
6.14 12, are intended to provide equitable tax treatment to Minnesota residents who are members
6.15 of the National Guard and serve full time in Active Guard/Reserve status by allowing an
6.16 income tax subtraction for military pay equivalent to that allowed under Minnesota Statutes
6.17 2014, section 290.01, subdivision 19b, clause (11), now codified as Minnesota Statutes,
6.18 section 290.0132, subdivision 11, for Minnesota residents who serve full time in the armed
6.19 forces of the United States.

6.20 Subd. 4. **Other purpose statements.** The purpose of the tax expenditure under Minnesota
6.21 Statutes, section 291.005, subdivision 1, clause (8), subclause (iii), deeming certain qualified
6.22 art on loan to Minnesota nonprofit entities as property with a situs outside Minnesota under
6.23 the estate tax is intended to prevent the Minnesota estate tax from discouraging nonresident
6.24 owners of art from loaning it to Minnesota nonprofit museums.