**2019 DEPARTMENT OF REVENUE**

**GOVERNOR’S TAX BILL SUMMARY**



Appeals and Legal Services Division

600 North Robert Street Saint Paul, Minnesota 55146-2220

HF 2125 as amended

# ARTICLE 1: FEDERAL RESPONSE

**Sections 1, 18, 19, 36, 38, 39, 40, 48, 52, 55, 61, and 63. Inflation Update Using CPI.** The statutes listed below are updated to continue using CPI as the inflation rate for Minnesota law. Effective retroactively for taxable years beginning after December 31, 2017.

|  |  |  |
| --- | --- | --- |
| Minn. Stat. §270A.03, subd. 5 | Minn. Stat. § 290.067, subd. 2b | Minn. Stat. § 290A.03, subd. 12 |
| Minn. Stat. § 290.0131, subd. 12 | Minn. Stat. § 290.0671, subd. 1 | Minn. Stat. § 290A.04, subd. 4 |
| Minn. Stat. § 290.0131, subd. 13 | Minn. Stat. § 290.0671, subd. 7 | Minn. Stat. § 290.0922 subd. 1 |
| Minn. Stat. § 290.06, subd. 2d | Minn. Stat. § 290.0684, subd. 2 |  |

**Sections 2, 10, 14, 62, 64. Federal Update.** Amends Minn. Stat. §§ 289A.02, subd. 7; 290.01, subds. 19 and 31; 290A.03, subd. 15; 291.005, subd. 1, to incorporate the Internal Revenue Code through December 31, 2018. These sections are effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time the changes become effective for federal purposes.

**Section 3. Update Filing Requirements.** Amends Minn. Stat. § 289A.08, subd. 1, to update how the commissioner must determine the filing requirements after Minnesota law moves its starting point for individual income taxes to federal adjusted gross income. Effective for taxable years beginning after December 31, 2018.

**Section 4. Technical Changes.** Amends Minn. Stat. § 289A.08, subd. 7, to update the statutes for technical fixes due to changes in additions and subtractions. Effective for taxable years beginning after December 31, 2018.

**Sections 5, 7, 15, 22, 25, 33, 42, 49, 67, 68, and 69. Federal Adjusted Gross Income.** The statutes listed below are changed to reflect the new starting point for the definition of “net income” in section 290.01, subd. 19, to be federal adjusted gross income with Minnesota modifications, for individual income taxpayers. Corporate franchise taxpayers, and trusts and estates taxpayers will continue to use federal taxable income in their calculation of net income. Effective for taxable years beginning after December 31, 2018.

|  |  |  |
| --- | --- | --- |
| Minn. Stat. § 289A.12, subd. 14 | Minn. Stat. § 290.0132, subd. 1 | Minn. Stat. § 290.0672, subd. 2 |
| Minn. Stat. § 289A.35 | Minn. Stat. § 290.0132, subd. 21 | Minn. Stat. § 290.0802, subd. 2 |
| Minn. Stat. § 290.0131, subd. 1 | Minn. Stat. § 290.032, subd. 2 | Minn. Stat. § 462D.06, subd. 1 |
| Minn. Stat. § 462D.06, subd. 2 | Minn. Stat. § 469.316, subd. 1 |  |

**Section 6. Deferred Foreign Income.** Creates a new subdivision, Minn. Stat. § 289A.20, subd. 1a, to give taxpayers the option to pay the tax on foreign deferred income, under section 965 of the Internal Revenue Code, to pay in installments. This also sets the dates for when the installment payments are due. Effective retroactively for taxable years beginning after December 31, 2016.

**Section 8.** **Determination of Marital Status.** Amends Minn. Stat. § 290.01, to create subd. 3c, which makes the determination of marital status the same as the determination in section 7703 of the Internal Revenue Code.

**Section 9. Surviving Spouse.** Amends Minn. Stat. § 290.01, to create a definition of surviving spouse, pursuant to the move to federal adjusted gross income. Effective for taxable years beginning after December 31, 2018.

**Section 10. Definition of Net Income.** Amends Minn. Stat. § 290.01, subd. 19, so “net income” will mean federal taxable income for corporations and estates and trusts, but federal adjusted gross income with Minnesota modifications for individual income taxpayers. Effective for taxable years beginning after December 31, 2018.

**Section 11. Deferred Foreign Income.** Amends Minn. Stat. § 290.01, to create new subd. 19i, which defines deferred foreign income as income included in net income under section 965 of the Internal Revenue Code, exclusive of the deduction under section 965(c) of the Internal Revenue Code. Effective retroactively for taxable years beginning after December 31, 2016.

**Section 12. Adjusted Gross Income.** Amends Minn. Stat. § 290.01, to create new subd. 21a, to define adjusted gross income. Effective day following final enactment.

**Section 13. State Itemized Deduction.** Amends Minn. Stat. § 290.01, subd. 29a, to state that the state itemized deduction is defined as the deductions for individual income tax listed in new section 290.0139.

**Section 16. Addition for Taxes Paid.** Amends Minn. Stat. § 290.0131, subd. 3, to state that the amount deducted by trusts and estates for income, sales and use, motor vehicle sales, or excise taxes is an addition. This addition is no longer needed for individual income tax taxpayers because of the new starting point of federal adjusted gross income. Also deletes subd. 3(b), which was related to individual income tax taxpayers. Effective for taxable years beginning after December 31, 2018.

**Section 17. 179 Expensing Addition.** Amends Minn. Stat. § 290.0131, subd. 10, to reflect only property placed in service prior to January 1, 2018, must add 80% of federal 179 expense back for Minnesota purposes. Effective retroactively for taxable years beginning after December 31, 2017.

**Section 18. Disallowed Itemized Deductions.** Amends Minn. Stat. § 290.0131, subd. 12, to update the disallowed itemized deductions to reflect the new state itemized deductions under new section 290.0138. Effective for taxable years beginning after December 31, 2018.

**Section 19. Disallowed Personal Exemption Amount.** Amends Minn. Stat. § 290.0131, subd. 13, to update the disallowed personal exemption amounts to reflect the new Minnesota personal exemption in new section 290.0132, subd. 20. Effective for taxable years beginning after December 31, 2018.

**Section 20. Addition for 529 Plan Distributions.** Amends Minn. Stat. § 290.0131, to add subd. 15, which is an addition to net income for any gain realized on a 529 plan, if the distribution is made and not used to pay qualified higher education expenses. Qualified higher education expenses is defined elsewhere, specifically not to include K-12 tuition expenses, which the federal government now allows. Effective retroactively for taxable years beginning after December 31, 2017.

**Section 21. Section 199A Addition.**  Amends Minn. Stat. § 290.0131 to add a subdivision so estates and trusts, which still use federal taxable income, to add any 199A deduction that was taken on the federal income tax returns. Effective for taxable years beginning after December 31, 2018.

**Section 23. Charitable Contribution Deduction for Non-Itemizers.** Amends Minn. Stat. § 290.0132, subd. 7, so those that do not elect to itemize for Minnesota purposes may still deduct charitable contributions, as is currently the law. Also excludes any contributions that are not allowed under section 408(d)(8)(E) of the Internal Revenue Code. Effective for taxable years beginning after December 31, 2018.

**Section 24. Personal and Dependent Exemptions.** Amends Minn. Stat. § 290.0132, subd. 20, to allow for personal and dependent exemptions under the new section 290.0138. Effective for taxable years beginning after December 31, 2018.

**Section 26. Moving Expenses Subtraction.** Amends Minn. Stat. § 290.0132, to add subd. 27, which allows for moving expenses that qualify under section 217(a) through (f) of the Internal Revenue Code, to the extent not deducted federally, as a subtraction. Effective for taxable years beginning after December 31, 2018.

**Section 27. Standard or Itemized Deduction Subtraction.** Amends Minn. Stat. § 290.0132, to add subd. 28, which will allow either the Minnesota standard or itemized deduction to be subtracted from federal adjusted gross income. Effective for taxable years beginning after December 31, 2018.

**Section 28. Deferred Foreign Income of Nonresidents Subtraction.** Amends Minn. Stat. § 290.0132, to add subd. 29 which allows for nonresidents to subtract the income included under section 965 of the Internal Revenue Code. Effective retroactively for taxable years beginning after December 31, 2016.

**Section 29. Special Deductions Addition.** Amends Minn. Stat. § 290.0133, subd. 6, to account for repatriation income. Effective retroactively for taxable years beginning after December 31, 2016.

**Section 30. Section 179 Addition.** Amends Minn. Stat. § 290.133, subd. 12, so only property placed in service before January 1, 2018, must have the addition of 80 percent of the amount deducted federally. Effective retroactively for taxable years beginning after December 31, 2017.

**Section 31. Personal Exemptions and Standard Deduction.** New section Minn. Stat. § 290.0138 is created, providing for Minnesota personal exemptions at the current federal amounts. Also creates a Minnesota standard deduction at the amount it would have been if not for the temporary federal changes. The standard deduction incorporates all the same rules the federal standard deduction has, including additional amounts for seniors and the blind. Amounts for the personal exemption and standard deduction will be adjusted for inflation. Effective for taxable years beginning after December 31, 2018.

**Section 32. Individual Itemized Deductions.** New section Minn. Stat. § 290.0139 is created, allowing for Minnesota itemized deductions. These Minnesota itemized deductions reference the federal itemized deductions, before the temporary federal changes. Minnesota itemized deductions include medical expenses above 10 percent of the taxpayer’s adjusted gross income; real and personal property taxes; home mortgage interest; charitable contributions; losses including personal casualty losses; and miscellaneous expenses if the accumulated expenses are above 2 percent of the taxpayer’s adjusted gross income. Effective for taxable years beginning after December 31, 2018.

**Section 34. Unrelated Business Income Calculation.** Amends Minn. Stat. § 290.05, subd. 3, to exclude any increase in unrelated business income of non-profits to exclude fringe benefits, and defined in section 512(a)(7) of the Internal Revenue Code. Effective for taxable years beginning after December 31, 2018.

**Section 35. Technical Changes to Rates.** Amends Minn. Stat. § 290.06, subd. 2c, to make technical changes to include the new additions and subtractions. Effective for taxable years beginning after December 31, 2018.

**Section 37. Section 529 Recapture Definitions.** Amends Minn. Stat. § 290.06, subd. 2h, to make the technical change of moving the definition of “qualified higher education expenses” from section 290.0684; and excludes any amounts distributed to pay K-12 expenses with a distribution as a qualified education expense. Effective retroactively for taxable years beginning after December 31, 2017.

**Section 41. Long-Term Care Insurance Credit.** Amends Minn. Stat. § 290.0672, subd. 1, to update from federal taxable income to net income, which for individual is now federal adjusted gross income with Minnesota modifications. Also is changed to account for the new Minnesota deduction subtractions. Effective for taxable years beginning after December 31, 2018.

**Sections 43-46. Historic Preservation Credit.** Amends Minn. Stat. § 290.0681, subds. 1, 2, 3, and 4, to update the Minnesota Historic Preservation Credit to match the federal Historic Preservation Credit. The credit will now pay out in equal installments over a five year period, following the year the building was placed into service. Effective retroactively for applications for allocation certificates submitted after December 31, 2017.

**Section 47. Section 529 Credit.** Amends Minn. Stat. § 290.0681, subd. 1, to remove the definition of “qualified education expenses.” That definition has been modified and moved to section 290.06, subd. 2h. Effective retroactively for taxable years beginning after December 31, 2017.

**Section 50. Election of Standard or Itemized Deduction.** New section Minn. Stat. § 290.0803, is created to allow taxpayers to either choose to subtract the Minnesota standard deduction under section 290.0138, subd. 2, or to subtract the Minnesota itemized deductions under section 290.0139. Also states that if a married individual files married filing separate status and claims itemized deductions, the other spouse may not take the Minnesota standard deduction. Effective for taxable years beginning after December 31, 2018.

**Section 51. Alternative Taxable Income for Individuals.** Amends Minn. Stat. § 290.091, subd. 2, to update the calculation of individual income tax Alternative Minimum Tax for the new additions and subtractions, to add any deduction taken under 199A of the Internal Revenue Code, and update the calculation for the new Minnesota itemized deductions. Effective for tax years beginning after December 31, 2018.

**Section 52. Alternative Taxable Income Exemption Amounts.** Amends Minn. Stat. § 290.091, subd. 3, to update the cross reference to the Internal Revenue Code’s phase out of the exemption, and to update the inflationary rate to continue using Consumer Price Index. The section updating the Internal Revenue Code’s cross reference is effective the day following final enactment, and the inflationary update is effective retroactively for taxable years beginning after December 31, 2017.

**Sections 53 and 54. Corporate Alternative Taxable Income.** Amends Minn. Stat. § 290.0921, subds. 1 and 8, to reflect that corporate alternative taxable income only applies to taxable years beginning before January 1, 2019. Allows a carryover of the credit for up to 3 years. Effective for taxable years beginning after December 31, 2018.

**Section 56. Net Operating Losses.** Amends Minn. Stat. § 290.095, subd. 2, to limit the amount of net operating losses available for use in the tax year to 80 percent of the taxable net income. Effective retroactively for taxable years beginning after December 31, 2017.

**Sections 57 and 59. Income Not Derived from Conduct of a Trade or Business.** Amends Minn. Stat. §§ 290.17, subd. 2, and 290.92, subd. 1, to update cross references to the Internal Revenue Code to include qualified stock for which an election is in effect under section 83(I) of the Internal Revenue Code. Effective for wages paid after December 31, 2018.

**Section 58. Controlled Foreign Corporation Definition.** Amends Minn. Stat. § 290.21, to add subd. 9, to make clear that income characterized under sections 951, 951A, and 965 of the Internal Revenue Code is dividend income for Minnesota purposes. Effective retroactively for taxable years beginning after December 31, 2016.

**Section 60.  Special Limited Adjustment.**  New section Minn. Stat. § 290.993 creates special rules for Minnesota individual income taxpayers and partnerships that elect to file a composite return, for tax year 2018 only.  In the calculation of federal taxable income, the standard deduction and personal exemptions are what they would have been before the federal tax changes.  Individual income taxpayers are allowed to make a Minnesota election to itemize their deductions, even if they had taken the standard deduction at the federal level.  There is an automatic adjustment of the tax liability or refund to zero, if the changes to the taxpayer’s return are due solely to the federal changes between the Internal Revenue Code as of December 16, 2016, and the Internal Revenue Code as of December 31, 2018.  This adjustment does not apply in the case of certain changes to the federal code including depreciation and foreign income, which are outlined in the table below.   Effective retroactively for taxable years beginning after December 31, 2017, and before January 1, 2019.

| **Federal provision** | **Description** |
| --- | --- |
| TCJA 13101 | Modification of rules for expensing depreciable business assets under section 179 |
| TCJA 13201 | Increase in federal bonus depreciation (100%) for certain assets |
| TCJA 13202 | Modification to depreciation limitations on luxury automobiles and personal use property |
| TCJA 13203 | Modification of treatment of certain farm assets |
| TCJA 13204 | Changes in applicable recovery period for real property |
| TCJA 13205 | Use of alternative depreciation system for electing farming businesses |
| TCJA 13207 | Expensing of certain costs of replanting citrus plants lost by reason of casualty under Internal Revenue Code § 263A |
| TCJA 13303 | Like-kind exchange treatment limited to real property under Internal Revenue Code § 1031  |
| TCJA 13313 | Repeal of tax-free rollover of publicly traded securities capital gain into specialized small business investment companies |
| TCJA 13502 | Modification to definition of substantial built-in loss in the case of transfer of partnership interest |
| TCJA 13503 | Charitable contributions and foreign taxes taken into account in determining limitation on allowance of partner’s share of loss. |
| TCJA 13801 | Changes to production period for beer, wine, and distilled spirits. |
| TCJA 14102 | Special rules relating to sales or transfers involving specified 10-percent owned foreign corporations |
| TCJA 14103 | Mandatory inclusion of deferred foreign income under Internal Revenue Code § 965 |
| TCJA 14201 | Current year inclusion of global intangible low-taxed income (GILTI) by United States shareholders, with deduction  |
| TCJA 14202 | Deduction for portion of foreign-derived intangible income (FDII)  |
| TCJA 14211 | Subpart F - elimination of inclusion of foreign base company oil related income  |
| TCJA 14212 | Subpart F - repeal of inclusion based on withdrawal of previously excluded subpart F income from qualified investment  |
| TCJA 14213 | Subpart F - modification of stock attribution rules for determining status as a controlled foreign corporation (CFC) |
| TCJA 14214 | Subpart F – modification of definition of U.S. shareholder |
| TCJA 14215 | Subpart F – elimination of requirement that CFC must be controlled for 30 days before subpart F inclusions apply |
| TCJA 14501 | Restriction on insurance business exception to passive foreign investment company rules (PFIC) |
| BBA 40411 | Extension and phase-out of energy credit |

**Sections 65 and 66. Sales Tax Exemptions for Like-Kind Exchanges.** Amends Minn. Stat. §§ 297A.68, subd. 25; and 297B.03, to allow for the exemption from sales tax specified transactions that would have qualified for like-kind exchanges of personal property under the Internal Revenue Code as amended through December 16, 2016. Effective retroactively for sales and purchases made after December 31, 2017.

**Section 70. Repealer.** Repeals obsolete additions in Minn. Stat. § 290.0131, subds. 7 and 11, related to domestic production activities and fines, fees, and penalties. Also repeals the same provisions in the corporate addition section 290.0133. Repeals the obsolete section 290.10, subd. 2, relating to fines, fees, and penalties, which was made obsolete by the federal changes. Effective for taxable years beginning after December 31, 2018.

# ARTICLE 2: INDIVIDUAL INCOME TAX

**Sections 1-7 and 12. Angel Investment Credit.**  Amends Minn. Stat. § 116J.8737, subds. 1, 2, 3, 5, 6 and 12, to allocate $10,000,000 in credits for tax years 2019 and 2020. The reporting requirements are adjusted accordingly. For 2019, the Department of Employment and Economic Development (DEED) must have forms available on its website for investors by September 1, 2019. Also allows qualified investors to invest $7,500 in qualified greater Minnesota, women-, or minority-owned businesses instead of $10,000. Allows qualified greater Minnesota, women-, or minority owned businesses to be a qualified small business if they pay at least 51 percent of its employees annual wages of at least 175 percent of the federal poverty guidelines. Gives the commissioner of DEED the discretion to revoke credits for those businesses that do not file the annual report, and lowers the fine for late reports from $500 to $100. Section 12 gives time for the commissioner of DEED to restart the program. Effective for taxable years beginning after December 31, 2019.

**Section 8. Social Security Subtraction.** Amends Minn. Stat. § 290.0132, subd. 26, to increase the amount of the subtraction for certain taxpayers with taxable social security income. Also, makes a technical clarification to make it clear that only social security income that is included in federal adjusted gross income may be used to calculate the subtraction. The increase in subtraction is effective for taxable years beginning after December 31, 2018. The technical clarification is effective retroactively for taxable years beginning after December 31, 2017.

**Sections 9 and 10. Working Family Credit Expansion.** Amends Minn. Stat. § 290.0671, subds. 1 and 7, to expand the Working Family Credit to provide for families with three or more children. There is an additional credit for taxpayers eligible for the credit under this section in the amount of $200 for married taxpayers filing joint returns, and $100 for all other taxpayers. Subd. 7 is changed to reflect the rebase of the inflation calculation. Effective for taxable years beginning after December 31, 2018.

**Section 11. 529 Plan Credit Threshold.** Amends Minn. Stat. § 290.0684, subd. 2, to fix the phase out threshold for married filing joint so there will not be a gap area due to inflation. Effective for taxable years beginning after December 31, 2019.

# ARTICLE 3: SALES AND USE TAX

**Section 1. Marketplace Provider Information Reporting.**  Amends Minn. Stat. § 289A.11, by adding a subd. 4 requiring marketplace providers to file a quarterly information report with the department that provides the name, address, and Federal Employer Identification Number of each retailer for which they facilitate sales, including total gross receipts, total taxable sales, and total state and local tax remitted for the quarter. Form and manner of the report to be determined by the commissioner. Effective for sales and purchases made after June 30, 2019.

**Section 2. Penalty for Failure to File Information Report.** Amends Minn. Stat. § 289A.60, subd. 29, to provide that a marketplace provider failing to file a quarterly report will result in a penalty of $500 for each failure and $1,000 for each intentional failure. Effective for sales and purchases made after June 30, 2019.

**Section 3. Sales and Use Tax Jurisdiction Statute Adjustments Post *Wayfair*.** Amends Minn. Stat. § 297A.66, by:

* Updating the headnote to clarify the sales and use tax jurisdiction statute is not only applicable to retailers but also marketplace providers and accommodation intermediaries.
* Updating definitions in subd. 1 by:
	+ Creating a definition for a “marketplace provider maintaining a place of business in this state” that mirrors the current definition of a “retailer maintaining a place of business in this state;”
	+ Clearly defining “retailer not maintaining a place of business in this state” formerly semi-defined in Minn. Stat. § 297A.66, subd. 3(b), and creating a definition for a “marketplace provider not maintaining a place of business in this state” that mirrors that of “retailer not maintaining a place of business in this state;”
	+ Clearly indicating that an internet website accessible from within Minnesota constitutes a method of soliciting sales from potential customers in Minnesota by retailers and marketplace providers not maintaining a place of business in this state;
	+ Defining “regular or systematic soliciting of sales from potential customers in this state” by retailers and marketplace providers not maintaining a place of business in this state as making or facilitating 100 or more retail sales or retail sales totaling more than $100,000 from outside Minnesota to destinations in Minnesota during the prior 12-month period, which was formerly semi-defined in Minn. Stat. § 297A.66, subd. 3(d); and
	+ Deleting the definition of “total taxable retail sales” as unnecessary due to the removal of the requirement that a marketplace provider maintain a place of business in this state;
* Adjusting the collection and remittance requirements for retailers and marketplace providers in subd. 2 by:
	+ Clearly establishing both retailer and marketplace provider collection and remittance requirements whether maintaining a place of business in this state or not maintaining a place of business in this state;
	+ Deleting the $10,000 sales volume threshold that must be met by each individual retailer selling through a marketplace provider before the marketplace provider is required to collect and remit sales tax on sales facilitated by the marketplace provider for said retailer as unnecessary since the terms “marketplace provider maintaining a place of business in this state” and “marketplace provider not maintaining a place of business in this state” are now defined with the latter providing a new economic nexus threshold for the marketplace provider; and
	+ Adding a new requirement for retailers and marketplace providers not maintaining a place of business in this state to begin collecting and remitting sales tax no later than 60 days after the retailer or marketplace provider satisfies the solicitation element and economic nexus standards, to continue to collect and remit sales tax on all retail sales into Minnesota for a period 12 months, and to notify the commissioner when they no longer satisfy the economic nexus standards;
* Deleting all provisions related to retailers not maintaining a place of business in this state in subd. 3 as duplicative after being adjusted and moved to subd. 1, and moving provisions related to marketplace provider audit, filing, collection, and remittance liability previously found in subd. 4b, paragraphs (a) and (c), to subd. 3; and
* Deleting subd. 4b entirely, the provisions of which have been moved to subds. 2 and 3.

Effective for sales and purchases made after September 30, 2019.

**Section 4. Qualified Data Center Computer Software.** Amends Minn. Stat. § 297A.68, subd. 42, to exempt all computer software loaded at the data center, when purchased after June 30, 2019, for use by or in a qualified data center or qualified refurbished data center, with the refund limited to 50% of the sales and use tax paid. Limits the software exemption to purchases of exempt software within five years of the date of the facility’s first qualifying purchase, or June 30, 2042, whichever is the earliest, with each facility limited to one five-year period per location; and facilities that made qualifying purchases five or more years prior to July 1, 2019, are no longer eligible for the software exemption on purchases after June 30, 2019. Also clarifies that under current law, for purchases prior to July 1, 2019, the sales tax exemption for computer software purchased for use in a qualified data center or qualified refurbished data center is limited to software loaded at the data center that operates the enterprise information technology equipment used at the data center, or software that manages data at the data center, but it does not include software that is distributed to users outside of the facility; and clarifies that computer software maintenance agreements are exempt only if they are purchased for exempt software; and that for purposes of the investment and square footage criteria, “computer software” includes both software exempted by this subdivision and customized software. Effective for sales and purchases made after June 30, 2019, except that language related to software purchased prior to July 1, 2019, is effective for qualifying purchases of software retroactive to the first qualifying purchase by the data center after June 30, 2012.

Also amends Minn. Stat. § 297A.75, subd. 2, consistent with the 50% refund language in Minn. Stat. § 297A.68, subd. 42. Effective the day following final enactment.

**Sections 5, 6, 7, and 8. Construction Materials; Sales Tax Exemption.** Amends Minn. Stat. § 297A.71, to add subd. 51, to allow a contractor, subcontractor, or builder to purchase exempt from sales tax:

* materials and supplies used or consumed in building, constructing, or reconstructing buildings or facilities, and equipment incorporated into these buildings or facilities, used principally by various listed entities, which under current law may already buy these materials exempt if they purchase the materials themselves under a separate contract, and
* materials and supplies used or consumed in, and equipment incorporated into the construction, reconstruction, and repair of public infrastructure such as roads, bridges, sewers, and water treatment facilities for school districts and local governments.

The sales tax is paid at the time of sale and then refunded. Minn. Stat. § 297A.75, subds. 1, 2, and 3, are also amended to provide that the listed exempt entity that is the principal user of the building or facility, or that contracts for the public infrastructure, must apply for the refund; and requires the contractor, subcontractor, or builder to provide the refund applicant with the information needed to apply for the refund. Effective for sales and purchases made after June 30, 2019.

**Section 9**. **Sales and Use Tax Permit Applications.** Amends Minn. Stat. § 297A.83, subd. 1, to make clear that all persons required to collect and remit sales and use tax under Minn. Stat. § 297A.66 must apply for a sales and use tax permit to account for marketplace providers. Effective for sales and purchases made after June 30, 2019.

**ARTICLE 4: PROPERTY TAXES**

**Section 1. Certificates of Real Estate Value.** Amends Minn. Stat. § 272.115, subd. 1, by changing the threshold for filing a Certificate of Real Estate Value for consideration in excess of $1,000 to in excess of $3,000. Effective for certificates of value filed after December 31, 2019.

**Sections 2-6 and 8. Homestead Application.** Amends Minn. Stat. §§ 273.124, subds. 13, 13c, 13d, and 14; 273.1245, subd. 1; and 273.1315, subd. 2; by allowing property owners to qualify for homestead classification by providing an individual taxpayer identification number on a homestead application, in lieu of a Social Security number. Effective for applications for homestead filed in 2019 and thereafter, except the amendments to Minn. Stat. § 273.124, subds. 13c and 13d, which are effective for homestead data provided to the commissioner in 2020 and thereafter.

**Section 7. Homestead Market Value Exclusion.** Amends Minn. Stat. § 273.13, subd. 35, to clarify that a fractionalized homestead market value exclusion is to be prorated based on the percentage of homestead. Effective for taxes payable in 2020 and thereafter.

**Section 9. Agricultural Homestead Market Value Credit.** Amends Minn. Stat. § 273.1384, subd. 2, to clarify that a fractional agricultural homestead will also receive a fractional maximum credit amount and that the credit is computed based on the percentage of homestead. Effective for taxes payable in 2020 and thereafter.

**Sections 10-14. Riparian Buffer Tax Credit.** Creates a new Minn. Stat. § 273.1388, to provide an annual property tax credit of $50 per acre of eligible class 2a land required to be maintained as a riparian buffer or alternative riparian water quality practice under Minn. Stat. § 103F.48. A landowner must file a one-time application with the county auditor by December 31, 2019 to receive the credit. The landowner must notify the county auditor if the land no longer meets the eligibility criteria or if the ownership of the land changes. Counties, local soil and water conservation districts, and the Board of Water and Soil Resources will coordinate information necessary to administer the credit. The county auditor will annually certify the credit amounts to the commissioner of revenue, who then makes payments to local taxing districts. Payments to school districts are made by the commissioner of education. Money is appropriated for the credit from the general fund. Also amends Minn. Stat. §§ 273.1392; 273.1393; 275.065, subd. 3; and 276.04, subd. 2, to include the riparian buffer credit in the calculation of net property taxes, certifications to the Department of Education, and on the truth-in-taxation and property tax statements. Effective beginning with taxes payable in 2020, except the inclusion of the credit on the truth-in-taxation statement is effective for taxes payable in 2021.

**Section 15. Minimum Deed Tax.** Amends Minn. Stat. § 287.21, subd. 1, by changing the minimum consideration for real property for purposes of calculating the deed tax from $500 or less to $3,000 or less. Effective for deeds recorded after December 31, 2019.

**Section 16. Senior Citizens’ Property Tax Deferral Program.** Amends Minn. Stat. § 290B.03, subd. 1, by reducing the number of years that an applicant to the Senior Citizens’ Property Tax Deferral Program must have owned and occupied the applicant’s homestead from fifteen to five years. Effective for applications for deferral of taxes payable in 2020 and thereafter.

# Section 17. Senior Citizens’ Property Tax Deferral Program Application Deadline. Amends Minn. Stat. § 290B.04, subd. 1, by changing the deadline for applying to the Senior Citizens’ Property Tax Deferral Program from July 1 to November 1. Effective for applications for deferral of taxes payable in 2020 and thereafter.

**Section 18. Administrative Appropriation.** An uncodified provision appropriates $2,045,000 to the Board of Water and Soil Resources in fiscal year 2020 for payments to soil and water conservation districts and agreements with coordinating administrative entities to administer the new riparian buffer tax credit. Effective the day following final enactment.

**ARTICLE 5: LOCAL GOVERNMENT AIDS**

**Section 1. Local Government Aid Increase.** Amends Minn. Stat. § 477A.03, subd. 2a, to increase the amount of local government aid paid to cities by approximately $30.5 million. Effective for aids payable in 2020 and thereafter.

**Section 2. County Program Aid Increase.** Amends Minn. Stat. § 477A.03, subd. 2b, to increase the amount of county program aid paid to counties by approximately $30.3 million. The increased appropriation is split evenly between county need aid and county tax-base equalization aid. Effective for aids payable in 2020 and thereafter.

**ARTICLE 6: REVENUE STABILITY**

**Section 1. State General Levy.** Amends Minn. Stat. § 275.025, subd. 1, by reinstating the annual inflator for the state general property tax levy for commercial-industrial and recreational property. Effective for taxes payable in 2020 and thereafter.

**Section 2. Return Required.** Amends Minn. Stat. § 289A.10, subd. 1, by restructuring it into paragraphs (a) and (b), and modifying the threshold for estates of decedents required to submit a Minnesota estate tax return to the commissioner in 2019 and thereafter to $2,700,000. Effective retroactively for estates of decedents dying in 2019 and thereafter.

**Section 3. Subtraction.** Amends Minn. Stat. § 291.016, subd. 3(b)(2), by modifying the exclusion amounts that apply for the year of death for decedents dying in 2019 and thereafter, to $2,700,000. Effective retroactively for estates of decedents dying in 2019 and thereafter.

**Section 4.  Definition of Premium Cigars.**  Amends Minn. Stat. §297F.01, subd. 13a, to restore in the definition of “premium cigar” the requirement that the cigar must be hand rolled.  Effective July 1, 2019.

**Section 5.  Annual Increase in Cigarette Tax Rate**.  Amends Minn. Stat. 297F.05, which will restore the requirement that the commissioner annually adjust the cigarette excise tax rate and the minimum tax rate on packages of moist snuff.  The rate adjustment is equal to the same percentage change as the annual adjustment to the in-lieu sales tax rate under section 297F.25, subd. 1.  Effective the day following final enactment and applies beginning with rates calculated for calendar year 2020.

**Sections 6 and 7.  Taxation of Premium Cigars.**  Amends Minn. Stat. §297F.05, subds. 3a and 4a, to restore the maximum tax on a premium cigar to $3.50 from fifty cents.  Effective for cigars brought into the state or manufactured in the state on or after June 30, 2019. The use tax section is effective for cigars which the consumer has acquired title to, or possession of, after June 30, 2019.

**Section 8. Administrative Appropriation.** An uncodified provision appropriates $4,217,000 in fiscal year 2020 and $2,853,000 in fiscal year 2021 from the general fund to the commissioner of revenue to administer the provisions of the bill. The funding base for the appropriation in fiscal year 2022 and each fiscal year thereafter is $1,450,000. Effective the day following final enactment.