

1.1 **ARTICLE 1**

1.2 **INDIVIDUAL INCOME, CORPORATE FRANCHISE TAXES, AND ESTATE**
1.3 **TAXES**

1.4 Section 1. Minnesota Statutes 2020, section 13.4967, is amended by adding a subdivision
1.5 to read:

1.6 Subd. 9. **New markets tax credit.** Disclosure of information regarding issuance of new
1.7 market tax credit certificates is governed under section 270B.14, subdivision 2, paragraph
1.8 (a), clause (4).

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

1.10 Sec. 2. Minnesota Statutes 2020, section 41B.0391, subdivision 1, is amended to read:

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

1.13 (b) "Agricultural assets" means agricultural land, livestock, facilities, buildings, and
1.14 machinery used for farming in Minnesota.

1.15 (c) "Beginning farmer" means an individual, or a limited liability company owned by
1.16 an individual, who:

1.17 (1) is a resident of Minnesota;

1.18 (2) is seeking entry, or has entered within the last ten years, into farming;

1.19 (3) intends to farm land located within the state borders of Minnesota;

1.20 (4) is not and whose spouse is not a family member of the owner of the agricultural
1.21 assets from whom the beginning farmer is seeking to purchase or rent agricultural assets;

1.22 (5) is not and whose spouse is not a family member of a partner, member, shareholder,
1.23 or trustee of the owner of agricultural assets from whom the beginning farmer is seeking to
1.24 purchase or rent agricultural assets; and

1.25 (6) meets the following eligibility requirements as determined by the authority:

1.26 (i) has a net worth that does not exceed the limit provided under section 41B.03,
1.27 subdivision 3, paragraph (a), clause (2);

1.28 (ii) provides the majority of the day-to-day physical labor and management of the farm;

1.29 (iii) has, by the judgment of the authority, adequate farming experience or demonstrates
1.30 knowledge in the type of farming for which the beginning farmer seeks assistance from the
1.31 authority;

2.1 (iv) demonstrates to the authority a profit potential by submitting projected earnings
2.2 statements;

2.3 (v) asserts to the satisfaction of the authority that farming will be a significant source
2.4 of income for the beginning farmer;

2.5 (vi) is enrolled in or has completed within ten years of their first year of farming a
2.6 financial management program approved by the authority or the commissioner of agriculture;

2.7 (vii) agrees to notify the authority if the beginning farmer no longer meets the eligibility
2.8 requirements within the three-year certification period, in which case the beginning farmer
2.9 is no longer eligible for credits under this section; and

2.10 (viii) has other qualifications as specified by the authority.

2.11 The authority may waive the requirement in item (vi) if the participant requests a waiver
2.12 and has a four-year degree in an agricultural program or related field, reasonable agricultural
2.13 job-related experience, or certification as an adult farm management instructor.

2.14 (d) "Family member" means a family member within the meaning of the Internal Revenue
2.15 Code, section 267(c)(4).

2.16 (e) "Farm product" means plants and animals useful to humans and includes, but is not
2.17 limited to, forage and sod crops, oilseeds, grain and feed crops, dairy and dairy products,
2.18 poultry and poultry products, livestock, fruits, and vegetables.

2.19 (f) "Farming" means the active use, management, and operation of real and personal
2.20 property for the production of a farm product.

2.21 (g) "Limited liability company" means a family farm limited liability company, an
2.22 authorized farm limited liability company, or other limited liability company authorized to
2.23 engage in farming and own, acquire, or otherwise obtain an interest in agricultural land
2.24 under section 500.24.

2.25 ~~(g)~~ (h) "Owner of agricultural assets" means an individual, trust, or pass-through entity
2.26 that is the owner in fee of agricultural land or has legal title to any other agricultural asset.
2.27 Owner of agricultural assets does not mean an equipment dealer, livestock dealer defined
2.28 in section 17A.03, subdivision 7, or comparable entity that is engaged in the business of
2.29 selling agricultural assets for profit and that is not engaged in farming as its primary business
2.30 activity. An owner of agricultural assets approved and certified by the authority under
2.31 subdivision 4 must notify the authority if the owner no longer meets the definition in this
2.32 paragraph within the three year certification period and is then no longer eligible for credits
2.33 under this section.

3.1 ~~(h)~~ (i) "Resident" has the meaning given in section 290.01, subdivision 7.

3.2 ~~(i)~~ (j) "Share rent agreement" means a rental agreement in which the principal
3.3 consideration given to the owner of agricultural assets is a predetermined portion of the
3.4 production of farm products produced from the rented agricultural assets and which provides
3.5 for sharing production costs or risk of loss, or both.

3.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.7 31, 2021.

3.8 Sec. 3. Minnesota Statutes 2020, section 41B.0391, subdivision 2, is amended to read:

3.9 Subd. 2. **Tax credit for owners of agricultural assets.** (a) An owner of agricultural
3.10 assets may take a credit against the tax due under chapter 290 for the sale or rental of
3.11 agricultural assets to a beginning farmer in the amount allocated by the authority under
3.12 subdivision 4. An owner of agricultural assets is eligible for allocation of a credit equal to:

3.13 (1) five percent of the lesser of the sale price or the fair market value of the agricultural
3.14 asset, up to a maximum of \$32,000;

3.15 (2) ten percent of the gross rental income in each of the first, second, and third years of
3.16 a rental agreement, up to a maximum of \$7,000 per year; or

3.17 (3) 15 percent of the cash equivalent of the gross rental income in each of the first,
3.18 second, and third years of a share rent agreement, up to a maximum of \$10,000 per year.

3.19 (b) A qualifying rental agreement includes cash rent of agricultural assets or a share rent
3.20 agreement. The agricultural asset must be rented at prevailing community rates as determined
3.21 by the authority.

3.22 (c) The credit may be claimed only after approval and certification by the authority, and
3.23 is limited to the amount stated on the certificate issued under subdivision 4. An owner of
3.24 agricultural assets must apply to the authority for certification and allocation of a credit, in
3.25 a form and manner prescribed by the authority.

3.26 (d) An owner of agricultural assets or beginning farmer may terminate a rental agreement,
3.27 including a share rent agreement, for reasonable cause upon approval of the authority. If a
3.28 rental agreement is terminated without the fault of the owner of agricultural assets, the tax
3.29 credits shall not be retroactively disallowed. In determining reasonable cause, the authority
3.30 must look at which party was at fault in the termination of the agreement. If the authority
3.31 determines the owner of agricultural assets did not have reasonable cause, the owner of
3.32 agricultural assets must repay all credits received as a result of the rental agreement to the

4.1 commissioner of revenue. The repayment is additional income tax for the taxable year in
4.2 which the authority makes its decision or when a final adjudication under subdivision 5,
4.3 paragraph (a), is made, whichever is later.

4.4 (e) The credit is limited to the liability for tax as computed under chapter 290 for the
4.5 taxable year. If the amount of the credit determined under this section for any taxable year
4.6 exceeds this limitation, the excess is a beginning farmer incentive credit carryover according
4.7 to section 290.06, subdivision 37.

4.8 (f) Notwithstanding subdivision 1, paragraph (c), for purposes of the credit for the sale
4.9 of an agricultural asset under paragraph (a), clause (1), the family member definitional
4.10 exclusions in subdivision 1, paragraph (c), clauses (4) and (5), do not apply.

4.11 (g) For a qualifying sale to a family member to qualify for the credit under paragraph
4.12 (a), clause (1), the sale price of the agricultural asset must equal or exceed the assessed
4.13 value of the asset under chapter 273 as of the date of the sale. If there is no assessed value,
4.14 the sale price must equal or exceed 80 percent of the fair market value of the asset as of the
4.15 date of the sale.

4.16 (h) For the purposes of this section, "qualifying sale to a family member" means a sale
4.17 to a beginning farmer in which the beginning farmer or the beginning farmer's spouse is a
4.18 family member of:

4.19 (1) the owner of the agricultural asset; or

4.20 (2) a partner, member, shareholder, or trustee of the owner of the agricultural asset.

4.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.22 31, 2021.

4.23 Sec. 4. Minnesota Statutes 2020, section 41B.0391, subdivision 4, is amended to read:

4.24 Subd. 4. **Authority duties.** (a) The authority shall:

4.25 (1) approve and certify or recertify beginning farmers as eligible for the program under
4.26 this section;

4.27 (2) approve and certify or recertify owners of agricultural assets as eligible for the tax
4.28 credit under subdivision 2 subject to the allocation limits in paragraph (c);

4.29 (3) provide necessary and reasonable assistance and support to beginning farmers for
4.30 qualification and participation in financial management programs approved by the authority;

5.1 (4) refer beginning farmers to agencies and organizations that may provide additional
5.2 pertinent information and assistance; and

5.3 (5) notwithstanding section 41B.211, the Rural Finance Authority must share information
5.4 with the commissioner of revenue to the extent necessary to administer provisions under
5.5 this subdivision and section 290.06, subdivisions 37 and 38. The Rural Finance Authority
5.6 must annually notify the commissioner of revenue of approval and certification or
5.7 recertification of beginning farmers and owners of agricultural assets under this section.
5.8 For credits under subdivision 2, the notification must include the amount of credit approved
5.9 by the authority and stated on the credit certificate.

5.10 (b) The certification of a beginning farmer or an owner of agricultural assets under this
5.11 section is valid for the year of the certification and the two following years, after which
5.12 time the beginning farmer or owner of agricultural assets must apply to the authority for
5.13 recertification.

5.14 (c) For credits for owners of agricultural assets allowed under subdivision 2, the authority
5.15 must not allocate more than \$5,000,000 for taxable years beginning after December 31,
5.16 2017, and before January 1, 2019, and must not allocate more than \$6,000,000 for taxable
5.17 years beginning after December 31, 2018.

5.18 (d) The authority must allocate credits on a first-come, first-served basis beginning on
5.19 January 1 of each year, except that recertifications for the second and third years of credits
5.20 under subdivision 2, paragraph (a), clauses (1) and (2), have first priority. Any amount
5.21 authorized but not allocated in any taxable year does not cancel and is added to the allocation
5.22 for the next taxable year.

5.23 (e) To encourage socially disadvantaged farmers and ranchers to apply for and receive
5.24 credits under this section, the authority must promote the availability of this credit to socially
5.25 disadvantaged farmers and ranchers, and must provide application assistance targeted to
5.26 socially disadvantaged farmers and ranchers. For the purposes of this section, "socially
5.27 disadvantaged farmer or rancher" has the meaning given in United States Code, title 7,
5.28 section 2279(a)(5).

5.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
5.30 31, 2021.

5.31 Sec. 5. Minnesota Statutes 2020, section 41B.0391, subdivision 6, is amended to read:

5.32 Subd. 6. **Report to legislature.** (a) No later than February 1, ~~2022~~ 2023, the Rural
5.33 Finance Authority, in consultation with the commissioner of revenue, must provide a report

6.1 to the chairs and ranking minority members of the legislative committees having jurisdiction
6.2 over agriculture, economic development, rural development, and taxes, in compliance with
6.3 sections 3.195 and 3.197, on the beginning farmer tax credits under this section issued in
6.4 tax years beginning after December 31, 2017, and before January 1, ~~2022~~ 2023.

6.5 (b) The report must include background information on beginning farmers in Minnesota
6.6 and any other information the commissioner and authority find relevant to evaluating the
6.7 effect of the credits on increasing opportunities for and the number of beginning farmers.

6.8 (c) For credits issued under subdivision 2, paragraph (a), clauses (1) to (3), the report
6.9 must include:

6.10 (1) the number and amount of credits issued under each clause;

6.11 (2) the geographic distribution of credits issued under each clause;

6.12 (3) the type of agricultural assets for which credits were issued under clause (1);

6.13 (4) the number and geographic distribution of beginning farmers whose purchase or
6.14 rental of assets resulted in credits for the seller or owner of the asset;

6.15 (5) the number and amount of credits disallowed under subdivision 2, paragraph (d);

6.16 (6) data on the number of beginning farmers by geographic region in calendar years
6.17 2017 through ~~2021~~ 2022, including:

6.18 (i) the number of beginning farmers by gender, race, and ethnicity, as those terms are
6.19 applied in the 2020 United States Census; and

6.20 (ii) to the extent available, the number of beginning farmers who are members of a
6.21 socially disadvantaged group, as defined in United States Code, title 7, section 2279(a)(6);
6.22 and

6.23 (7) the number and amount of credit applications that exceeded the allocation available
6.24 in each year.

6.25 (d) For credits issued under subdivision 3, the report must include:

6.26 (1) the number and amount of credits issued;

6.27 (2) the geographic distribution of credits;

6.28 (3) a listing and description of each approved financial management program for which
6.29 credits were issued; and

6.30 (4) a description of the approval procedure for financial management programs not on
6.31 the list maintained by the authority, as provided in subdivision 3, paragraph (a).

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

7.2 Sec. 6. Minnesota Statutes 2020, section 116J.401, subdivision 2, is amended to read:

7.3 Subd. 2. **Duties; authorizations; limitations.** (a) The commissioner of employment
7.4 and economic development shall:

7.5 (1) provide regional development commissions, the Metropolitan Council, and units of
7.6 local government with information, technical assistance, training, and advice on using
7.7 federal and state programs;

7.8 (2) receive and administer the Small Cities Community Development Block Grant
7.9 Program authorized by Congress under the Housing and Community Development Act of
7.10 1974, as amended;

7.11 (3) receive and administer the section 107 technical assistance program grants authorized
7.12 by Congress under the Housing and Community Development Act of 1974, as amended;

7.13 (4) receive, administer, and supervise other state and federal grants and grant programs
7.14 for planning, community affairs, community development purposes, employment and
7.15 training services, and other state and federal programs assigned to the department by law
7.16 or by the governor in accordance with section 4.07;

7.17 (5) receive applications for state and federal grants and grant programs for planning,
7.18 community affairs, and community development purposes, and other state and federal
7.19 programs assigned to the department by law or by the governor in accordance with section
7.20 4.07;

7.21 (6) act as the agent of, and cooperate with, the federal government in matters of mutual
7.22 concern, including the administration of any federal funds granted to the state to aid in the
7.23 performance of functions of the commissioner;

7.24 (7) provide consistent, integrated employment and training services across the state;

7.25 (8) administer the Wagner-Peyser Act, the Workforce Investment Act, and other federal
7.26 employment and training programs;

7.27 (9) establish the standards for all employment and training services administered under
7.28 this chapter and chapters 116L, 248, 268, and 268A;

7.29 (10) administer the aspects of the Minnesota family investment program, general
7.30 assistance, and the Supplemental Nutrition Assistance Program (SNAP) that relate to
7.31 employment and training services, subject to the contract under section 116L.86, subdivision
7.32 1;

8.1 (11) obtain reports from local service units and service providers for the purpose of
8.2 evaluating the performance of employment and training services;

8.3 (12) as requested, certify employment and training services, and decertify services that
8.4 fail to comply with performance criteria according to standards established by the
8.5 commissioner;

8.6 (13) develop standards for the contents and structure of the local service unit plans and
8.7 plans for Indian tribe employment and training services, review and comment on those
8.8 plans, and approve or disapprove the plans;

8.9 (14) supervise the county boards of commissioners, local service units, and any other
8.10 units of government designated in federal or state law as responsible for employment and
8.11 training programs;

8.12 (15) establish administrative standards and payment conditions for providers of
8.13 employment and training services;

8.14 (16) enter into agreements with Indian tribes as necessary to provide employment and
8.15 training services as appropriate funds become available;

8.16 (17) cooperate with the federal government and its employment and training agencies
8.17 in any reasonable manner as necessary to qualify for federal aid for employment and training
8.18 services and money;

8.19 (18) administer and supervise all forms of unemployment insurance provided for under
8.20 federal and state laws;

8.21 (19) provide current state and substate labor market information and forecasts, in
8.22 cooperation with other agencies;

8.23 (20) require all general employment and training programs that receive state funds to
8.24 make available information about opportunities for women in nontraditional careers in the
8.25 trades and technical occupations;

8.26 (21) consult with the Rehabilitation Council for the Blind on matters pertaining to
8.27 programs and services for the blind and visually impaired;

8.28 (22) enter into agreements with other departments of the state and local units of
8.29 government as necessary;

8.30 (23) establish and maintain administrative units necessary to perform administrative
8.31 functions common to all divisions of the department;

9.1 (24) investigate, study, and undertake ways and means of promoting and encouraging
9.2 the prosperous development and protection of the legitimate interest and welfare of Minnesota
9.3 business, industry, and commerce, within and outside the state;

9.4 (25) locate markets for manufacturers and processors and aid merchants in locating and
9.5 contacting markets;

9.6 (26) as necessary or useful for the proper execution of the powers and duties of the
9.7 commissioner in promoting and developing Minnesota business, industry, and commerce,
9.8 both within and outside the state, investigate and study conditions affecting Minnesota
9.9 business, industry, and commerce; collect and disseminate information; and engage in
9.10 technical studies, scientific investigations, statistical research, and educational activities;

9.11 (27) plan and develop an effective business information service both for the direct
9.12 assistance of business and industry of the state and for the encouragement of business and
9.13 industry outside the state to use economic facilities within the state;

9.14 (28) compile, collect, and develop periodically, or otherwise make available, information
9.15 relating to current business conditions;

9.16 (29) conduct or encourage research designed to further new and more extensive uses of
9.17 the natural and other resources of the state and designed to develop new products and
9.18 industrial processes;

9.19 (30) study trends and developments in the industries of the state and analyze the reasons
9.20 underlying the trends;

9.21 (31) study costs and other factors affecting successful operation of businesses within
9.22 the state;

9.23 (32) make recommendations regarding circumstances promoting or hampering business
9.24 and industrial development;

9.25 (33) serve as a clearing house for business and industrial problems of the state;

9.26 (34) advise small business enterprises regarding improved methods of accounting and
9.27 bookkeeping;

9.28 (35) cooperate with interstate commissions engaged in formulating and promoting the
9.29 adoption of interstate compacts and agreements helpful to business, industry, and commerce;

9.30 (36) cooperate with other state departments and with boards, commissions, and other
9.31 state agencies in the preparation and coordination of plans and policies for the development

10.1 of the state and for the use and conservation of its resources insofar as the use, conservation,
10.2 and development may be appropriately directed or influenced by a state agency;

10.3 (37) in connection with state, county, and municipal public works projects, assemble
10.4 and coordinate information relative to the status, scope, cost, and employment possibilities
10.5 and availability of materials, equipment, and labor, and recommend limitations on the public
10.6 works;

10.7 (38) gather current progress information with reference to public and private works
10.8 projects of the state and its political subdivisions with reference to conditions of employment;

10.9 (39) inquire into and report to the governor, when requested by the governor, with respect
10.10 to any program of public state improvements and its financing; and request and obtain
10.11 information from other state departments or agencies as may be needed for the report;

10.12 (40) study changes in population and current trends and prepare plans and suggest policies
10.13 for the development and conservation of the resources of the state;

10.14 (41) confer and cooperate with the executive, legislative, or planning authorities of the
10.15 United States, neighboring states and provinces, and the counties and municipalities of
10.16 neighboring states, for the purpose of bringing about a coordination between the development
10.17 of neighboring provinces, states, counties, and municipalities and the development of this
10.18 state;

10.19 (42) generally gather, compile, and make available statistical information relating to
10.20 business, trade, commerce, industry, transportation, communication, natural resources, and
10.21 other like subjects in this state, with authority to call upon other state departments for
10.22 statistical data and results obtained by them and to arrange and compile that statistical
10.23 information in a reasonable manner;

10.24 (43) publish documents and annually convene regional meetings to inform businesses,
10.25 local government units, assistance providers, and other interested persons of changes in
10.26 state and federal law related to economic development;

10.27 (44) annually convene conferences of providers of economic development-related
10.28 financial and technical assistance for the purposes of exchanging information on economic
10.29 development assistance, coordinating economic development activities, and formulating
10.30 economic development strategies;

10.31 (45) provide business with information on the economic benefits of energy conservation
10.32 and on the availability of energy conservation assistance;

11.1 (46) as part of the biennial budget process, prepare performance measures for each
11.2 business loan or grant program within the jurisdiction of the commissioner. Measures include
11.3 source of funds for each program, number of jobs proposed or promised at the time of
11.4 application and the number of jobs created, estimated number of jobs retained, the average
11.5 salary and benefits for the jobs resulting from the program, and the number of projects
11.6 approved;

11.7 (47) provide a continuous program of education for business people;

11.8 (48) publish, disseminate, and distribute information and statistics;

11.9 (49) promote and encourage the expansion and development of markets for Minnesota
11.10 products;

11.11 (50) promote and encourage the location and development of new businesses in the state
11.12 as well as the maintenance and expansion of existing businesses and for that purpose
11.13 cooperate with state and local agencies and individuals, both within and outside the state;

11.14 (51) advertise and disseminate information as to natural resources, desirable locations,
11.15 and other advantages for the purpose of attracting businesses to locate in this state;

11.16 (52) aid the various communities in this state in attracting business to their communities;

11.17 (53) advise and cooperate with municipal, county, regional, and other planning agencies
11.18 and planning groups within the state for the purpose of promoting coordination between
11.19 the state and localities as to plans and development in order to maintain a high level of
11.20 gainful employment in private profitable production and achieve commensurate advancement
11.21 in social and cultural welfare;

11.22 (54) coordinate the activities of statewide and local planning agencies, correlate
11.23 information secured from them and from state departments and disseminate information
11.24 and suggestions to the planning agencies;

11.25 (55) encourage and assist in the organization and functioning of local planning agencies
11.26 where none exist; ~~and~~

11.27 (56) adopt measures calculated to promote public interest in and understanding of the
11.28 problems of planning and, to that end, may publish and distribute copies of any plan or any
11.29 report and may employ other means of publicity and education that will give full effect to
11.30 the provisions of sections 116J.60 to 116J.63; and

12.1 (57) the commissioner may release to the Department of Revenue data on individuals
12.2 to the extent required to administer the new markets tax credit under chapter 116X and
12.3 sections 290.0693 and 297I.20, subdivision 6.

12.4 (b) At the request of any governmental subdivision in paragraph (a), clause (53), the
12.5 commissioner may provide planning assistance, which includes but is not limited to surveys,
12.6 land use studies, urban renewal plans, technical services and other planning work to any
12.7 city or other municipality in the state or perform similar planning work in any county or
12.8 metropolitan or regional area in the state. The commissioner must not perform the planning
12.9 work with respect to a metropolitan or regional area which is under the jurisdiction for
12.10 planning purposes of a county, metropolitan, regional, or joint planning body, except at the
12.11 request or with the consent of the respective county, metropolitan, regional, or joint planning
12.12 body.

12.13 (c) The commissioner is authorized to:

12.14 (1) receive and expend money from municipal, county, regional, and other planning
12.15 agencies;

12.16 (2) accept and disburse grants and other aids for planning purposes from the federal
12.17 government and from other public or private sources;

12.18 (3) utilize money received under clause (2) for the employment of consultants and other
12.19 temporary personnel to assist in the supervision or performance of planning work supported
12.20 by money other than state-appropriated money;

12.21 (4) enter into contracts with agencies of the federal government, units of local government
12.22 or combinations thereof, and with private persons that are necessary in the performance of
12.23 the planning assistance function of the commissioner; and

12.24 (5) assist any local government unit in filling out application forms for the federal
12.25 grants-in-aid.

12.26 (d) In furtherance of its planning functions, any city or town, however organized, may
12.27 expend money and contract with agencies of the federal government, appropriate departments
12.28 of state government, other local units of government, and with private persons.

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

13.1 Sec. 7. Minnesota Statutes 2021 Supplement, section 116J.8737, subdivision 5, is amended
13.2 to read:

13.3 Subd. 5. **Credit allowed.** (a) A qualified investor or qualified fund is eligible for a credit
13.4 equal to 25 percent of the qualified investment in a qualified small business. Investments
13.5 made by a pass-through entity qualify for a credit only if the entity is a qualified fund. The
13.6 commissioner must not allocate to qualified investors or qualified funds more than the dollar
13.7 amount in credits allowed for the taxable years listed in paragraph (i). For each taxable year,
13.8 50 percent must be allocated to credits for qualified investments in qualified greater
13.9 Minnesota businesses and minority-owned, women-owned, or veteran-owned qualified
13.10 small businesses in Minnesota. Any portion of a taxable year's credits that is reserved for
13.11 qualified investments in greater Minnesota businesses and minority-owned, women-owned,
13.12 or veteran-owned qualified small businesses in Minnesota that is not allocated by September
13.13 30 of the taxable year is available for allocation to other credit applications beginning on
13.14 October 1. Any portion of a taxable year's credits that is not allocated by the commissioner
13.15 does not cancel and may be carried forward to subsequent taxable years until all credits
13.16 have been allocated.

13.17 (b) The commissioner may not allocate more than a total maximum amount in credits
13.18 for a taxable year to a qualified investor for the investor's cumulative qualified investments
13.19 as an individual qualified investor and as an investor in a qualified fund; for married couples
13.20 filing joint returns the maximum is \$250,000, and for all other filers the maximum is
13.21 \$125,000. The commissioner may not allocate more than a total of \$1,000,000 in credits
13.22 over all taxable years for qualified investments in any one qualified small business.

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

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

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

13.30 A member of the family of an individual disqualified by this paragraph is not eligible for a
13.31 credit under this section. For a married couple filing a joint return, the limitations in this
13.32 paragraph apply collectively to the investor and spouse. For purposes of determining the
13.33 ownership interest of an investor under this paragraph, the rules under section 267(c) and
13.34 267(e) of the Internal Revenue Code apply.

14.1 (d) Applications for tax credits must be made available on the department's website by
14.2 November 1 of the preceding year.

14.3 (e) Qualified investors and qualified funds must apply to the commissioner for tax credits.
14.4 Tax credits must be allocated to qualified investors or qualified funds in the order that the
14.5 tax credit request applications are filed with the department. The commissioner must approve
14.6 or reject tax credit request applications within 15 days of receiving the application. The
14.7 investment specified in the application must be made within 60 days of the allocation of
14.8 the credits. If the investment is not made within 60 days, the credit allocation is canceled
14.9 and available for reallocation. A qualified investor or qualified fund that fails to invest as
14.10 specified in the application, within 60 days of allocation of the credits, must notify the
14.11 commissioner of the failure to invest within five business days of the expiration of the
14.12 60-day investment period.

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

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

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

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

15.5 (2) 80 percent or more of the assets of the qualified small business is sold before the end
15.6 of the three-year period;

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

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

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

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

15.13 (i) The credit allowed under this subdivision is effective as follows:

15.14 (1) \$10,000,000 for taxable years beginning after December 31, 2020, and before January
15.15 1, 2022; and

15.16 (2) ~~\$5,000,000~~ \$12,000,000 for taxable years beginning after December 31, 2021, and
15.17 before January 1, 2023.

15.18 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
15.19 after December 31, 2021.

15.20 Sec. 8. Minnesota Statutes 2021 Supplement, section 116U.27, subdivision 1, is amended
15.21 to read:

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

15.24 (b) "Allocation certificate" means a certificate issued by the commissioner to a taxpayer
15.25 upon receipt of an initial application for a credit for a project that has not yet been completed.

15.26 (c) "Application" means the application for a credit under subdivision 4.

15.27 (d) "Commissioner" means the commissioner of employment and economic development.

15.28 (e) "Credit certificate" means a certificate issued by the commissioner upon submission
15.29 of the cost verification report in subdivision 4, paragraph (e).

16.1 (f) "Eligible production costs" means eligible production costs as defined in section
16.2 116U.26, paragraph (b), clause (1), incurred in Minnesota that are directly attributable to
16.3 the production of a film project in Minnesota.

16.4 (g) "Film" has the meaning given in section 116U.26, paragraph (b), clause (2).

16.5 (h) "Project" means a film:

16.6 (1) that includes the promotion of Minnesota;

16.7 (2) for which the taxpayer has expended at least \$1,000,000 in ~~the taxable year~~ a
16.8 consecutive twelve-month period beginning when expenditures are first paid in Minnesota
16.9 for eligible production costs; and

16.10 (3) to the extent practicable, that employs Minnesota residents.

16.11 (i) "Promotion of Minnesota" or "promotion" means visible display of a static or animated
16.12 logo, approved by the commissioner and lasting approximately five seconds, that promotes
16.13 Minnesota within its presentation in the end credits before the below-the-line crew crawl
16.14 for the life of the project.

16.15 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
16.16 after December 31, 2021.

16.17 **Sec. 9. [116X.01] NEW MARKETS TAX CREDIT.**

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

16.20 (b) "Applicable percentage" means zero percent for each of the first two credit allowance
16.21 dates and ten percent for each of the final five credit allowance dates.

16.22 (c) "CDFI fund" means the Community Development Financial Institutions fund of the
16.23 United States Department of the Treasury.

16.24 (d) "Commissioner" means the commissioner of employment and economic development.

16.25 (e) "Credit allowance date" means:

16.26 (1) the date on which a qualified equity investment is initially made; and

16.27 (2) each of the six anniversary dates thereafter.

16.28 (f) "Greater Minnesota aggregate credit amount" means \$30,000,000 of credits allowed
16.29 to all certified qualified equity investments in greater Minnesota counties.

17.1 (g) "Greater Minnesota allocation" means \$60,000,000 in qualified equity investment
17.2 authority to be awarded for investment in qualified active low-income community businesses
17.3 with principal business operations in a greater Minnesota county.

17.4 (h) "Greater Minnesota county" means any county located in Minnesota that is not a
17.5 metropolitan county.

17.6 (i) "Metropolitan aggregate credit amount" means \$30,000,000 of credits allowed to all
17.7 certified qualified equity investments in metropolitan counties.

17.8 (j) "Metropolitan allocation" means \$60,000,000 in qualified equity investment authority
17.9 to be awarded for investment in qualified active low-income community businesses with
17.10 principal business operations in a metropolitan county.

17.11 (k) "Metropolitan county" has the meaning given in section 473.121, subdivision 4.

17.12 (l) "Minnesota qualified community development entity" means a qualified community
17.13 development entity that is or whose controlling entity is headquartered in this state.

17.14 (m) "Internal Revenue Code" has the meaning given in section 290.01, subdivision 31.

17.15 (n) "Principal business operations" means the physical location of a business where at
17.16 least 60 percent of a qualified active low-income community business' employees work.
17.17 An out-of-state business that has agreed to relocate employees or a Minnesota business that
17.18 has agreed to hire employees using the proceeds of a qualified low-income community
17.19 investment to establish principal business operations in Minnesota is deemed to have principal
17.20 business operations in Minnesota if the business satisfies the requirements of this paragraph
17.21 within 180 days of receiving the qualified low-income community investment or another
17.22 date as agreed by the business and the commissioner.

17.23 (o) "Purchase price" means the amount paid to the qualified community development
17.24 entity for a qualified equity investment.

17.25 (p) "Qualified active low-income community business" has the meaning given in section
17.26 45D of the Internal Revenue Code, except that any business that derives or projects to derive
17.27 15 percent or more of its annual revenue from the rental or sale of real estate is not considered
17.28 to be a qualified active low-income community business. This exception does not apply to
17.29 a business that is controlled by or under common control with another business if the second
17.30 business:

17.31 (1) does not derive or project to derive 15 percent or more of its annual revenue from
17.32 the rental or sale of real estate; and

18.1 (2) is the primary tenant of the real estate leased from the initial business.

18.2 A business is deemed a qualified active low-income community business for the duration
18.3 of a qualified low-income community investment if the qualified community development
18.4 entity reasonably expects, at the time it makes the qualified low-income community
18.5 investment, that the business will continue to satisfy the requirements for being a qualified
18.6 active low-income community business throughout the entire period of the qualified
18.7 low-income community investment.

18.8 (q) "Qualified community development entity" has the meaning given in section 45D
18.9 of the Internal Revenue Code, provided that the entity:

18.10 (1) has previously entered into an allocation agreement with the CDFI fund with respect
18.11 to credits authorized by section 45D of the Internal Revenue Code; and

18.12 (2) includes the state within the service area set forth in the allocation agreement.

18.13 (r) "Qualified equity investment" means an equity investment in a qualified community
18.14 development entity, if the equity investment:

18.15 (1) is acquired after the effective date of this section at its original issuance solely in
18.16 exchange for cash;

18.17 (2) has at least 100 percent of its cash purchase price used by the qualified community
18.18 development entity to make qualified low-income community investments in qualified
18.19 active low-income community businesses that have their principal business operations in
18.20 the state of Minnesota; and

18.21 (3) is:

18.22 (i) designated by the qualified community development entity as a qualified equity
18.23 investment under this section; and

18.24 (ii) except for a Minnesota qualified community development entity, is at least 50 percent
18.25 designated by the qualified community development entity as a qualified equity investment
18.26 under section 45D of the Internal Revenue Code.

18.27 An investment that does not qualify under clause (1) is a qualified equity investment if the
18.28 investment met the requirements of this paragraph while under possession of a prior holder.

18.29 (s) "Qualified low-income community investment" means any capital or equity investment
18.30 in, or loan to, any qualified active low-income community business.

18.31 (t) "Tax credit" or "credit" means a credit against the tax imposed by chapter 290 or
18.32 297I.

19.1 (u) "Taxpayer" means a taxpayer as defined in section 290.01, subdivision 6, or a taxpayer
19.2 as defined in section 297I.01, subdivision 16.

19.3 Subd. 2. **Credit allowed; qualification; limitation.** (a) An entity is eligible for a credit
19.4 against the tax imposed under chapter 290 or 297I, subject to the requirements of this
19.5 subdivision. The credit may be claimed against the tax imposed by chapter 290 or 297I, but
19.6 not both.

19.7 (b) The credit equals the applicable percentage for each credit allowance date multiplied
19.8 by the purchase price paid to the qualified community development entity for the qualified
19.9 equity investment.

19.10 Subd. 3. **Application.** (a) A qualified community development entity that seeks to have
19.11 an equity investment designated as a qualified equity investment and eligible for the credit
19.12 under this section shall apply to the commissioner on a form provided by the commissioner
19.13 that includes:

19.14 (1) the name, address, and tax identification number of the applicant, and evidence of
19.15 the applicant's certification as a qualified community development entity by the CDFI fund;

19.16 (2) a copy of the allocation agreement executed by the applicant or its controlling entity,
19.17 and the CDFI fund;

19.18 (3) a certificate executed by an executive officer of the applicant attesting that the
19.19 allocation agreement remains in effect and has not been revoked or canceled by the CDFI
19.20 fund;

19.21 (4) a description of the proposed amount, structure, and purchaser of the equity
19.22 investment;

19.23 (5) the amount of qualified equity investment authority sought under the greater
19.24 Minnesota allocation or the metropolitan allocation, as applicable, which collectively may
19.25 not exceed the applicant or its controlling entity's available qualified equity investment
19.26 authority under section 45D of the Internal Revenue Code multiplied by two, provided this
19.27 limitation does not apply to a Minnesota qualified community development entity;

19.28 (6) if required by clause (5), evidence of the applicant or its controlling entity's available
19.29 qualified equity investment authority under section 45D of the Internal Revenue Code; and

19.30 (7) a nonrefundable application fee of \$5,000 paid to the commissioner to offset costs
19.31 associated with personnel and administrative expenses related to administering the credit.

20.1 (b) The commissioner shall set a date to accept applications not less than 30 days but
20.2 not more than 45 days after the CDFI fund announces allocation awards under a notice of
20.3 funding availability that was published in the Federal Register in November 2021.

20.4 (c) A qualified community development entity may apply for both a greater Minnesota
20.5 allocation and a metropolitan allocation.

20.6 **Subd. 4. Certification and timing of qualified equity investments.** (a) Within 30 days
20.7 after receipt of an application, the commissioner shall grant or deny the application in full
20.8 or in part. If the commissioner denies any part of the application, the commissioner shall
20.9 inform the applicant of the grounds for the denial. If the applicant provides the information
20.10 required by the commissioner or otherwise completes its application within 15 days of the
20.11 notice of denial, the application is deemed complete as of the original date of submission.
20.12 If the applicant fails to provide the requested information or complete its application within
20.13 the 15-day period, the applicant must submit a new application.

20.14 (b) If the application is deemed complete, the commissioner shall certify the proposed
20.15 equity investment as a qualified equity investment eligible for a credit under this section.
20.16 The commissioner shall provide written notice of the certification to the qualified community
20.17 development entity. Once the qualified community development entity identifies the
20.18 taxpayers who are allocated credits and their respective credit amounts, the qualified
20.19 community development entity shall provide a notice of allocation to the commissioner.
20.20 The commissioner shall provide a certification to the qualified community development
20.21 entity and each taxpayer containing the credit amount and utilization schedule for which
20.22 the taxpayer is eligible. If the taxpayer is eligible to utilize the credits change due to a transfer
20.23 of a qualified equity investment or a change in allocation pursuant to paragraph (c), the
20.24 qualified community development entity shall notify the commissioner of the change.

20.25 (c) The commissioner shall certify applications for the greater Minnesota allocation and
20.26 the metropolitan allocation in proportionate percentages based upon the ratio of the amount
20.27 of qualified equity investments requested in applications for each allocation to the total
20.28 amount of qualified equity investments requested in all applications for each allocation
20.29 received on the same day.

20.30 (d) If a pending request cannot be fully certified, the commissioner shall certify the
20.31 portion that may be certified unless the qualified community development entity elects to
20.32 withdraw its request rather than receive a partial award of qualified equity investment
20.33 authority.

21.1 (e) A qualified community development entity must make its qualified equity investment
21.2 by January 1, 2025.

21.3 (f) An approved applicant may transfer all or a portion of its certified qualified equity
21.4 investment authority to its controlling entity or any affiliate or partner of the controlling
21.5 entity that is also a qualified community development entity if the applicant provides the
21.6 information required in the application with respect to the transferee and the applicant
21.7 notifies the commissioner in the notice required by paragraph (g). Within 30 days after
21.8 receiving notice of certification under paragraph (b), the applicant or transferee shall:

21.9 (1) issue qualified equity investments in an amount equal to the total amount of certified
21.10 qualified equity investment authority;

21.11 (2) receive cash in the amount of the certified qualified equity investment; and

21.12 (3) if the applicant or transferee is not a Minnesota qualified community development
21.13 entity, designate 50 percent of the qualified equity investment authority as a qualified equity
21.14 investment under section 45D of the Internal Revenue Code.

21.15 The entity to which the certified qualified equity investment authority is transferred is
21.16 responsible for any assessment resulting from an audit by the commissioner of revenue.

21.17 (g) The qualified community development entity must provide the commissioner with
21.18 evidence of the receipt of the cash investment and, if the qualified community development
21.19 entity is not a Minnesota qualified community development entity, the designation of 50
21.20 percent of the qualified equity investment as a qualified equity investment under section
21.21 45D of the Internal Revenue Code within 35 days after receiving notice of certification. If
21.22 the qualified community development entity does not receive the cash investment, issue the
21.23 qualified equity investment within 30 days following receipt of the certification notice, and
21.24 comply with paragraph (f), clause (3), if applicable, the certification is void. A voided
21.25 certification must be returned to the commissioner and must first be awarded pro rata to
21.26 applicants that received awards of qualified equity investment authority and complied with
21.27 paragraph (f).

21.28 (h) The commissioner shall notify the commissioner of revenue of credits approved
21.29 under this subdivision within 15 days of granting an application.

21.30 Subd. 5. **Credit recapture.** (a) The commissioner of revenue must recapture credits
21.31 should it determine, or the commissioner determines, any of the following:

22.1 (1) any amount of the federal tax credit available with respect to a qualified equity
22.2 investment that is eligible for a credit under this section is recaptured under section 45D of
22.3 the Internal Revenue Code;

22.4 (2) the qualified community development entity redeems or makes principal repayment
22.5 with respect to a qualified equity investment prior to seven years after the date of issuance
22.6 of the qualified equity investment; or

22.7 (3) the qualified community development entity fails to invest at least 100 percent of
22.8 the cash purchase price of the qualified equity investment in qualified low-income community
22.9 investments in greater Minnesota counties or metropolitan counties, as applicable, within
22.10 12 months of the issuance of the qualified equity investment and maintains the investment
22.11 in qualified low-income community investments in greater Minnesota counties or
22.12 metropolitan counties, as applicable, until the last credit allowance date for the qualified
22.13 equity investment.

22.14 Upon verification of the event indicated in the notification, the commissioner must notify
22.15 the entity otherwise eligible for the credit allowed under this section and issue an assessment
22.16 for overpayment under the provisions of section 289A.37, subdivision 2, and notify the
22.17 entity of ineligibility for future credits with respect to the qualified equity investment.

22.18 The recapture under clause (1) must be proportionate to the federal recapture with respect
22.19 to the qualified equity investment. The recapture under clause (2) must be proportionate to
22.20 the amount of the redemption or repayment with respect to the qualified equity investment.

22.21 The recapture under clause (3) must be proportionate to the amount of qualified equity
22.22 investment that was failed to be invested or maintained.

22.23 (b) For purposes of paragraph (a), clause (3), an investment is considered maintained
22.24 by a qualified community development entity even if the investment has been sold or repaid,
22.25 provided that the qualified community development entity reinvests an amount equal to the
22.26 capital returned to or recovered by the qualified community development entity from the
22.27 original investment, exclusive of any profits realized, in another qualified low-income
22.28 community investment in this state as required under the greater Minnesota allocation or
22.29 metropolitan allocation within 12 months after the receipt of that capital. Periodic loan
22.30 repayments received by a qualified community development entity from a qualified active
22.31 low-income community business within a calendar year must be treated as maintained in
22.32 qualified low-income community investments if a qualified community development entity
22.33 reinvests the repayments in qualified low-income community investments by the end of the
22.34 following calendar year.

23.1 (c) A qualified community development entity is not required to reinvest capital returned
23.2 from qualified low-income community investments after the sixth anniversary of the issuance
23.3 of the qualified equity investment, the proceeds of which were used to make the qualified
23.4 low-income community investment, and the qualified low-income community investment
23.5 is considered held by the qualified community development entity through the seventh
23.6 anniversary of the qualified equity investment's issuance.

23.7 (d) With respect to any one qualified active low-income community business, the
23.8 maximum amount of qualified low-income community investments made in that business
23.9 in aggregate with all of its affiliates that may be counted toward the satisfaction of paragraph
23.10 (a), clause (3), is \$10,000,000, whether made by one or several qualified community
23.11 development entities but exclusive of redeemed or repaid qualified low-income community
23.12 investment by the qualified active low-income community business.

23.13 (e) The commissioner shall provide notice to the qualified community development
23.14 entity of any proposed recapture of credits pursuant to this subdivision. The notice must
23.15 specify the conditions under which the deficiency resulting in the proposed recapture occurred
23.16 and state that the credits will be recaptured within 90 days unless the qualified community
23.17 development entity complies with the conditions identified in the notice. If the entity does
23.18 not comply with the conditions identified in the notice within the 90-day period, the
23.19 commissioner shall provide the entity and the taxpayer from whom the credit is to be
23.20 recaptured with a final order of recapture. Any credit for which a final recapture order has
23.21 been issued must be recaptured by the commissioner from the taxpayer who claimed the
23.22 credit on a tax return. The qualified equity investment authority of the recaptured credits
23.23 must be returned to the commissioner and must first be awarded pro rata to applicants that
23.24 have received awards of qualified equity investment authority and complied with this
23.25 subdivision.

23.26 (f) If credits are recaptured under this section, any remaining credit is forfeited.

23.27 Subd. 6. **Examination.** The commissioner may conduct examinations to verify that the
23.28 credits under this section have been received and applied according to the requirements of
23.29 this section and to verify that no event has occurred that would result in a recapture of credits
23.30 under subdivision 5.

23.31 Subd. 7. **Annual reporting by community development entities.** (a) Each qualified
23.32 community development entity shall submit an annual report to the commissioner within
23.33 120 days after the beginning of each calendar year during the compliance period. No annual
23.34 report is due prior to the first anniversary of the initial credit allowance date. The report

24.1 must include but is not limited to information with respect to all qualified low-income
24.2 community investments made by the qualified community development entity, including:

24.3 (1) the date and amount of, and bank statements or wire transfer reports documenting,
24.4 qualified low-income community investments;

24.5 (2) the name and address of each qualified active low-income community business
24.6 funded by the qualified community development entity, the number of persons employed
24.7 by the business at the time of the initial qualified low-income community investment, and
24.8 a brief description of the business and its financing;

24.9 (3) the number of employment positions maintained by each qualified active low-income
24.10 community business as of the date of the report or the end of the preceding calendar year
24.11 and the average annual salaries of those positions;

24.12 (4) the total number of employment positions created and retained as a result of qualified
24.13 low-income community investments and the average annual salaries of those positions;

24.14 (5) a certification by its chief executive officer or similar officer that no credits have
24.15 been subject to recapture under subdivision 5; and

24.16 (6) any changes with respect to the taxpayers entitled to claim credits with respect to
24.17 qualified equity investments issued by the qualified community development entity since
24.18 its last report pursuant to this section.

24.19 (b) The qualified community development entity is not required to provide the annual
24.20 report set forth in this section for qualified low-income community investments that have
24.21 been redeemed or repaid.

24.22 Subd. 8. **Program report.** If the credit under this section has not been reviewed under
24.23 the provisions of section 3.8855 by December 15, 2031, the commissioner, with input from
24.24 the commissioner of revenue, shall report to the legislature no later than December 31, 2031,
24.25 regarding the implementation of the credit under this section, including an evaluation of
24.26 the credit using the components listed in section 3.885, subdivision 5.

24.27 Subd. 9. **Expiration.** This section expires for taxable years beginning after December
24.28 31, 2030, except that the commissioner's authority to allow the credit under subdivision 2
24.29 based on certificates that were issued under subdivision 4 before expiration remains in effect
24.30 through the year following the year in which all certificates have either been canceled or
24.31 resulted in issuance of credit certificates, or 2033, whichever is earlier.

24.32 Subd. 10. **Account created; appropriation.** The Minnesota new markets tax credit
24.33 account is created in the special revenue fund in the state treasury. The account is

25.1 administered by the commissioner. Application fees required under subdivision 3, paragraph
25.2 (a), clause (7), are appropriated to the commissioner for costs associated with certifying
25.3 applications and for personnel and administrative expenses related to administering the
25.4 credit under this section.

25.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
25.6 31, 2022, and expires on the date provided under section 45D of the Internal Revenue Code.

25.7 Sec. 10. Minnesota Statutes 2020, section 270B.14, subdivision 2, is amended to read:

25.8 Subd. 2. **Disclosure to Department of Employment and Economic Development.** (a)
25.9 Data relating to individuals are treated as follows:

25.10 (1) Return information may be disclosed to the Department of Employment and Economic
25.11 Development to the extent provided in clause (2) and for the purposes provided in clause
25.12 (3).

25.13 (2) The data that may be disclosed is limited to the amount of gross income earned by
25.14 an individual, the total amounts of earnings from each employer, and the employer's name.

25.15 (3) Data may be requested pertaining only to individuals who have claimed benefits
25.16 under sections 268.03 to 268.23 and only if the individuals are the subject of investigations
25.17 based on other information available to the Department of Employment and Economic
25.18 Development. Data received may be used only as set forth in section 268.19, subdivision
25.19 1, paragraph (b).

25.20 (4) Notwithstanding the limitation in paragraph (a), the commissioner may disclose
25.21 return information to the Department of Employment and Economic Development to the
25.22 extent required to administer the new markets tax credit in sections 290.0693 and 297I.20.

25.23 (b) Data pertaining to corporations or other employing units may be disclosed to the
25.24 Department of Employment and Economic Development to the extent necessary for the
25.25 proper enforcement of chapter 268.

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

25.27 Sec. 11. Minnesota Statutes 2021 Supplement, section 289A.08, subdivision 7a, is amended
25.28 to read:

25.29 Subd. 7a. **Pass-through entity tax.** (a) For the purposes of this subdivision, the following
25.30 terms have the meanings given:

26.1 (1) "income" has the meaning given in subdivision 7, paragraph (j), modified by the
 26.2 addition provided in section 290.0131, subdivision 5, and the subtraction provided in section
 26.3 290.0132, subdivision 3, except that the provisions that apply to a partnership apply to a
 26.4 qualifying entity and the provisions that apply to a partner apply to a qualifying owner. The
 26.5 income of ~~both a resident and~~ qualifying owner of a qualifying entity that is a partnership
 26.6 or limited liability company taxed as a partnership under the Internal Revenue Code is not
 26.7 subject to allocation outside this state as provided for resident individuals under section
 26.8 290.17, subdivision 1, paragraph (a). The income of both a nonresident qualifying owner
 26.9 of a qualifying entity and the income of a resident qualifying owner of a qualifying entity
 26.10 that is an S corporation including a qualified subchapter S subsidiary organized under section
 26.11 1361(b)(3)(B) of the Internal Revenue Code is allocated and assigned to this state as provided
 26.12 for nonresident partners and shareholders under sections 290.17, 290.191, and 290.20;

26.13 (2) "qualifying entity" means a partnership, limited liability company taxed as a
 26.14 partnership or S corporation, or S corporation including a qualified subchapter S subsidiary
 26.15 organized under section 1361(b)(3)(B) of the Internal Revenue Code that has at least one
 26.16 qualifying owner. Qualifying entity does not include a ~~partnership, limited liability company,~~
 26.17 ~~or corporation that has a partnership, limited liability company other than a disregarded~~
 26.18 ~~entity, or corporation as a partner, member, or shareholder~~ publicly traded partnership, as
 26.19 defined in section 7704 of the Internal Revenue Code; and

26.20 (3) "qualifying owner" means:

26.21 (i) a resident or nonresident individual or estate that is a partner, member, or shareholder
 26.22 of a qualifying entity; ~~or~~

26.23 (ii) a resident or nonresident trust that is a shareholder of a qualifying entity that is an
 26.24 S corporation; or

26.25 (iii) a disregarded entity that has a qualifying owner as its single owner.

26.26 (b) For taxable years beginning after December 31, 2020, ~~in which the taxes of a~~
 26.27 ~~qualifying owner are limited under section 164(b)(6)(B) of the Internal Revenue Code, a~~
 26.28 qualifying entity may elect to file a return and pay the pass-through entity tax imposed under
 26.29 paragraph (c). The election:

26.30 (1) must be made on or before the due date or extended due date of the qualifying entity's
 26.31 pass-through entity tax return;

26.32 (2) must exclude partners, members, shareholders, or owners who are not qualifying
 26.33 owners;

27.1 ~~(2)~~ (3) may only be made by qualifying owners who collectively hold more than a 50
27.2 percent of the ownership ~~interest~~ interests in the qualifying entity held by qualifying owners;

27.3 ~~(3)~~ (4) is binding on all qualifying owners who have an ownership interest in the
27.4 qualifying entity; and

27.5 ~~(4)~~ (5) once made is irrevocable for the taxable year.

27.6 (c) Subject to the election in paragraph (b), a pass-through entity tax is imposed on a
27.7 qualifying entity in an amount equal to the sum of the tax liability of each qualifying owner.

27.8 (d) The amount of a qualifying owner's tax liability under paragraph (c) is the amount
27.9 of the qualifying owner's income multiplied by the highest tax rate for individuals under
27.10 section 290.06, subdivision 2c. When making this determination:

27.11 (1) nonbusiness deductions, standard deductions, or personal exemptions are not allowed;
27.12 and

27.13 (2) a credit or deduction is allowed only to the extent allowed to the qualifying owner.

27.14 (e) The amount of each credit and deduction used to determine a qualifying owner's tax
27.15 liability under paragraph (d) must also be used to determine that qualifying owner's income
27.16 tax liability under chapter 290.

27.17 (f) This subdivision does not negate the requirement that a qualifying owner pay estimated
27.18 tax if the qualifying owner's tax liability would exceed the requirements set forth in section
27.19 289A.25. The qualifying owner's liability to pay estimated tax on the qualifying owner's
27.20 tax liability as determined under paragraph (d) is, however, satisfied when the qualifying
27.21 entity pays estimated tax in the manner prescribed in section 289A.25 for composite estimated
27.22 tax.

27.23 (g) A qualifying owner's adjusted basis in the interest in the qualifying entity, and the
27.24 treatment of distributions, is determined as if the election to pay the pass-through entity tax
27.25 under paragraph (b) is not made.

27.26 (h) To the extent not inconsistent with this subdivision, for purposes of this chapter, a
27.27 pass-through entity tax return must be treated as a composite return and a qualifying entity
27.28 filing a pass-through entity tax return must be treated as a partnership filing a composite
27.29 return.

27.30 (i) The provisions of subdivision 17 apply to the election to pay the pass-through entity
27.31 tax under this subdivision.

28.1 (j) If a nonresident qualifying owner of a qualifying entity making the election to file
28.2 and pay the tax under this subdivision has no other Minnesota source income, filing of the
28.3 pass-through entity tax return is a return for purposes of subdivision 1, provided that the
28.4 nonresident qualifying owner must not have any Minnesota source income other than the
28.5 income from the qualifying entity, other electing qualifying entities, and other partnerships
28.6 electing to file a composite return under subdivision 7. If it is determined that the nonresident
28.7 qualifying owner has other Minnesota source income, the inclusion of the income and tax
28.8 liability for that owner under this provision will not constitute a return to satisfy the
28.9 requirements of subdivision 1. The tax paid for the qualifying owner as part of the
28.10 pass-through entity tax return is allowed as a payment of the tax by the qualifying owner
28.11 on the date on which the pass-through entity tax return payment was made.

28.12 (k) This section expires at the same time and on the same terms as section 164(b)(6)(B)
28.13 of the Internal Revenue Code, except that the expiration of this section does not affect the
28.14 commissioner's authority to audit or power of examination and assessments for credits
28.15 claimed under this section.

28.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
28.17 31, 2021.

28.18 Sec. 12. Minnesota Statutes 2020, section 289A.10, subdivision 1, is amended to read:

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

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

28.23 (2) the sum of the federal gross estate and federal adjusted taxable gifts, as defined in
28.24 section 2001(b) of the Internal Revenue Code, made within three years of the date of the
28.25 decedent's death exceeds ~~\$1,200,000 for estates of decedents dying in 2014; \$1,400,000 for~~
28.26 ~~estates of decedents dying in 2015; \$1,600,000 for estates of decedents dying in 2016;~~
28.27 ~~\$2,100,000 for estates of decedents dying in 2017; \$2,400,000 for estates of decedents dying~~
28.28 ~~in 2018; \$2,700,000 for estates of decedents dying in 2019; and \$3,000,000 for estates of~~
28.29 ~~decedents dying in 2020 and thereafter.~~

28.30 (b) The return must contain a computation of the Minnesota estate tax due. The return
28.31 must be signed by the personal representative.

29.1 (c) The return may include an election, as provided in section 291.03, subdivision 1e,
29.2 to allow a decedent's surviving spouse to take into account the decedent's deceased spousal
29.3 unused exclusion amount.

29.4 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after June
29.5 30, 2022.

29.6 Sec. 13. Minnesota Statutes 2021 Supplement, section 289A.382, subdivision 2, is amended
29.7 to read:

29.8 **Subd. 2. Reporting and payment requirements for partnerships and tiered**
29.9 **partners.** (a) Except for when an audited partnership makes the election in subdivision 3,
29.10 and except for negative federal adjustments required under federal law taken into account
29.11 by the partnership in the partnership return for the adjustment or other year, all final federal
29.12 adjustments of an audited partnership must comply with paragraph (b) and each direct
29.13 partner of the audited partnership, other than a tiered partner, must comply with paragraph
29.14 (c).

29.15 (b) No later than 90 days after the final determination date, the audited partnership must:

29.16 (1) file a completed federal adjustments report, including all partner-level information
29.17 required under section 289A.12, subdivision 3, with the commissioner;

29.18 (2) notify each of its direct partners of their distributive share of the final federal
29.19 adjustments;

29.20 (3) file an amended composite report for all direct partners who were included in a
29.21 composite return under section 289A.08, subdivision 7, in the reviewed year, and pay the
29.22 additional amount that would have been due had the federal adjustments been reported
29.23 properly as required; ~~and~~

29.24 (4) file amended withholding reports for all direct partners who were or should have
29.25 been subject to nonresident withholding under section 290.92, subdivision 4b, in the reviewed
29.26 year, and pay the additional amount that would have been due had the federal adjustments
29.27 been reported properly as required; and

29.28 (5) file an amended pass-through entity tax report for all direct partners who were
29.29 included in a pass-through entity tax return under section 289A.08, subdivision 7a, in the
29.30 reviewed year, and pay the additional amount that would have been due had the federal
29.31 adjustments been reported properly as required.

30.1 (c) No later than 180 days after the final determination date, each direct partner, other
30.2 than a tiered partner, that is subject to a tax administered under this chapter, other than the
30.3 sales tax, must:

30.4 (1) file a federal adjustments report reporting their distributive share of the adjustments
30.5 reported to them under paragraph (b), clause (2); and

30.6 (2) pay any additional amount of tax due as if the final federal adjustment had been
30.7 properly reported, plus any penalty and interest due under this chapter, and less any credit
30.8 for related amounts paid or withheld and remitted on behalf of the direct partner under
30.9 paragraph (b), clauses (3) and (4).

30.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
30.11 31, 2021.

30.12 Sec. 14. Minnesota Statutes 2020, section 290.0131, is amended by adding a subdivision
30.13 to read:

30.14 Subd. 20. **Dependent flexible spending accounts.** For a taxpayer who claims the credit
30.15 under section 290.067, or for a married taxpayer filing a separate return whose spouse claims
30.16 the credit under that section, the amount of dependent care assistance that is excluded from
30.17 gross income under section 129 of the Internal Revenue Code is an addition.

30.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
30.19 31, 2021.

30.20 Sec. 15. Minnesota Statutes 2020, section 290.0132, subdivision 21, is amended to read:

30.21 Subd. 21. **Military service pension; retirement pay.** (a) To the extent included in
30.22 federal adjusted gross income, compensation received from a pension or other retirement
30.23 pay from the federal government for service in the military, ~~as~~ is a subtraction. Only the
30.24 following amounts may be subtracted under this subdivision:

30.25 (1) compensation computed under United States Code, title 10, sections 1401 to 1414,
30.26 1447 to 1455, and 12733, ~~is a subtraction;~~

30.27 (2) the total amount of a federal employee retirement system pension under United States
30.28 Code, title 5, chapter 84, multiplied by the taxpayer's military service ratio; and

30.29 (3) the total amount of a civil service retirement system pension under United States
30.30 Code, title 5, chapter 83, subchapter III, multiplied by the taxpayer's military service ratio.

31.1 (b) The subtraction is limited to individuals who do not claim the credit under section
31.2 290.0677.

31.3 (c) For purposes of this subdivision, "military service ratio" means:

31.4 (1) in the case of a federal employee retirement system pension, the years of service
31.5 credited to the taxpayer for military service under United States Code, title 5, section 8411,
31.6 divided by the total service credited to the taxpayer under that section; and

31.7 (2) in the case of a civil service retirement system pension, the years of service credited
31.8 to the taxpayer for military service under United States Code, title 5, section 8322, divided
31.9 by the total service credited to the taxpayer under that section.

31.10 (d) For purposes of calculating the ratio under paragraph (b), the commissioner must
31.11 consider the number of full years and months credited to the taxpayer, excluding any
31.12 fractional part of a month, if any.

31.13 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
31.14 after December 31, 2020.

31.15 Sec. 16. Minnesota Statutes 2020, section 290.0132, subdivision 26, is amended to read:

31.16 Subd. 26. **Social Security benefits.** ~~(a) A portion of taxable~~ The amount of Social
31.17 Security benefits received by a taxpayer in a taxable year is allowed as a subtraction. The
31.18 ~~subtraction equals the lesser of taxable Social Security benefits or a maximum subtraction~~
31.19 ~~subject to the limits under paragraphs (b), (c), and (d).~~

31.20 ~~(b) For married taxpayers filing a joint return and surviving spouses, the maximum~~
31.21 ~~subtraction equals \$5,150. The maximum subtraction is reduced by 20 percent of provisional~~
31.22 ~~income over \$78,180. In no case is the subtraction less than zero.~~

31.23 ~~(c) For single or head-of-household taxpayers, the maximum subtraction equals \$4,020.~~
31.24 ~~The maximum subtraction is reduced by 20 percent of provisional income over \$61,080.~~
31.25 ~~In no case is the subtraction less than zero.~~

31.26 ~~(d) For married taxpayers filing separate returns, the maximum subtraction equals~~
31.27 ~~one-half the maximum subtraction for joint returns under paragraph (b). The maximum~~
31.28 ~~subtraction is reduced by 20 percent of provisional income over one-half the threshold~~
31.29 ~~amount specified in paragraph (b). In no case is the subtraction less than zero.~~

31.30 ~~(e) For purposes of this subdivision, "provisional income" means modified adjusted~~
31.31 ~~gross income as defined in section 86(b)(2) of the Internal Revenue Code, plus one-half of~~

32.1 ~~the taxable Social Security benefits received during the taxable year, and "Social Security~~
 32.2 ~~benefits" has the meaning given in section 86(d)(1) of the Internal Revenue Code.~~

32.3 ~~(f) The commissioner shall adjust the maximum subtraction and threshold amounts in~~
 32.4 ~~paragraphs (b) to (d) as provided in section 270C.22. The statutory year is taxable year~~
 32.5 ~~2019. The maximum subtraction and threshold amounts as adjusted must be rounded to the~~
 32.6 ~~nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10~~
 32.7 ~~amount.~~

32.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 32.9 31, 2021.

32.10 Sec. 17. Minnesota Statutes 2020, section 290.0132, is amended by adding a subdivision
 32.11 to read:

32.12 Subd. 32. **Emergency assistance for postsecondary student grants.** (a) An emergency
 32.13 grant for postsecondary students is a subtraction.

32.14 (b) For the purposes of this subdivision, "emergency grant for postsecondary students"
 32.15 means an emergency grant to a student of an eligible institution, as defined in section
 32.16 136A.103, to meet the financial needs of a student that could result in the student not
 32.17 completing the term or their program, including but not limited to grants provided under
 32.18 Laws 2021, First Special Session chapter 2, article 1, section 2, subdivision 24.

32.19 (c) This subdivision expires for taxable years beginning after December 31, 2029.

32.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 32.21 31, 2021, and before January 1, 2030.

32.22 Sec. 18. Minnesota Statutes 2021 Supplement, section 290.06, subdivision 2c, is amended
 32.23 to read:

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

32.28 (1) On the first ~~\$38,770~~ \$41,050, ~~5.35~~ 5.1 percent;

32.29 (2) On all over ~~\$38,770~~ \$41,050, but not over ~~\$154,020~~ \$163,060, 6.8 percent;

32.30 (3) On all over ~~\$154,020~~ \$163,060, but not over ~~\$269,010~~ \$284,810, 7.85 percent;

32.31 (4) On all over ~~\$269,010~~ \$284,810, 9.85 percent.

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

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

33.6 (1) On the first ~~\$26,520~~ \$28,080, ~~5.35~~ 5.1 percent;

33.7 (2) On all over ~~\$26,520~~ \$28,080, but not over ~~\$87,110~~ \$92,230, 6.8 percent;

33.8 (3) On all over ~~\$87,110~~ \$92,230, but not over ~~\$161,720~~ \$171,220, 7.85 percent;

33.9 (4) On all over ~~\$161,720~~ \$171,220, 9.85 percent.

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

33.13 (1) On the first ~~\$32,650~~ \$34,570, ~~5.35~~ 5.1 percent;

33.14 (2) On all over ~~\$32,650~~ \$34,570, but not over ~~\$131,190~~ \$138,890, 6.8 percent;

33.15 (3) On all over ~~\$131,190~~ \$138,890, but not over ~~\$214,980~~ \$227,600, 7.85 percent;

33.16 (4) On all over ~~\$214,980~~ \$227,600, 9.85 percent.

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

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

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

33.30 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, and
33.31 17, and 290.0137, paragraph (a); and reduced by

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

34.5 (2) the denominator is the individual's federal adjusted gross income as defined in section
34.6 62 of the Internal Revenue Code, increased by:

34.7 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, and
34.8 17, and 290.0137, paragraph (a); and reduced by

34.9 (ii) the subtractions under sections 290.0132, subdivisions 2, 9, 10, 14, 15, 17, 18, and
34.10 27, and 290.0137, paragraph (c).

34.11 (f) If an individual who is not a Minnesota resident for the entire year is a qualifying
34.12 owner of a qualifying entity that elects to pay tax as provided in section 289A.08, subdivision
34.13 7a, paragraph (b), the individual must compute the individual's Minnesota income tax as
34.14 provided in paragraph (e), and also must include, to the extent attributed to the electing
34.15 qualifying entity:

34.16 (1) in paragraph (e), clause (1), item (i), and paragraph (e), clause (2), item (i), the
34.17 addition under section 290.0131, subdivision 5; and

34.18 (2) in paragraph (e), clause (1), item (ii), and paragraph (e), clause (2), item (ii), the
34.19 subtraction under section 290.0132, subdivision 3.

34.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
34.21 31, 2021.

34.22 Sec. 19. Minnesota Statutes 2020, section 290.06, subdivision 2d, is amended to read:

34.23 Subd. 2d. **Inflation adjustment of brackets.** The commissioner shall annually adjust
34.24 the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed
34.25 in subdivision 2c as provided in section 270C.22. The statutory year is taxable year ~~2019~~
34.26 2022. The rate applicable to any rate bracket must not be changed. The dollar amounts
34.27 setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate
34.28 brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in
34.29 \$5, it must be rounded up to the nearest \$10 amount. The commissioner shall determine the
34.30 rate bracket for married filing separate returns after this adjustment is done. The rate bracket
34.31 for married filing separate must be one-half of the rate bracket for married filing joint.

35.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
35.2 31, 2021.

35.3 Sec. 20. Minnesota Statutes 2021 Supplement, section 290.06, subdivision 22, is amended
35.4 to read:

35.5 Subd. 22. **Credit for taxes paid to another state.** (a) A taxpayer who is liable for taxes
35.6 based on net income to another state, as provided in paragraphs (b) through (f), upon income
35.7 allocated or apportioned to Minnesota, is entitled to a credit for the tax paid to another state
35.8 if the tax is actually paid in the taxable year or a subsequent taxable year. A taxpayer who
35.9 is a resident of this state pursuant to section 290.01, subdivision 7, paragraph (b), and who
35.10 is subject to income tax as a resident in the state of the individual's domicile is not allowed
35.11 this credit unless the state of domicile does not allow a similar credit.

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

35.19 (c) If the taxpayer is an athletic team that apportions all of its income under section
35.20 290.17, subdivision 5, the credit is determined by multiplying the tax payable under this
35.21 chapter by the ratio derived from dividing the total net income subject to tax in the other
35.22 state by the taxpayer's Minnesota taxable income.

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

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

35.29 (e) In the case of the tax assessed on a lump-sum distribution under section 290.032, the
35.30 credit allowed under paragraph (a) is the tax assessed by the other state on the lump-sum
35.31 distribution that is also subject to tax under section 290.032, and shall not exceed the tax
35.32 assessed under section 290.032. To the extent the total lump-sum distribution defined in
35.33 section 290.032, subdivision 1, includes lump-sum distributions received in prior years or

36.1 is all or in part an annuity contract, the reduction to the tax on the lump-sum distribution
36.2 allowed under section 290.032, subdivision 2, includes tax paid to another state that is
36.3 properly apportioned to that distribution.

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

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

36.16 (h) For the purposes of this subdivision, a resident partner of an entity taxed as a
36.17 partnership under the Internal Revenue Code must be considered to have paid a tax imposed
36.18 on the partner in an amount equal to the partner's pro rata share of any net income tax paid
36.19 by the partnership to another state. For purposes of the preceding sentence, the term "net
36.20 income" tax means any tax imposed on or measured by a partnership's net income. For
36.21 purposes of this paragraph, "partnership" includes a limited liability company and "partner"
36.22 includes a member of a limited liability company.

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

36.24 (1) includes:

36.25 (i) the District of Columbia; and

36.26 (ii) a province or territory of Canada; but

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

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

36.30 (k) For a tax imposed by a province or territory of Canada, the tax for purposes of this
36.31 subdivision is the excess of the tax over the amount of the foreign tax credit allowed under
36.32 section 27 of the Internal Revenue Code. In determining the amount of the foreign tax credit
36.33 allowed, the net income taxes imposed by Canada on the income are deducted first. Any

37.1 remaining amount of the allowable foreign tax credit reduces the provincial or territorial
37.2 tax that qualifies for the credit under this subdivision.

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

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

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

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

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

37.24 (m) For purposes of this subdivision, a resident sole member of a disregarded limited
37.25 liability company must be considered to have paid a tax imposed on the sole member in an
37.26 amount equal to the net income tax paid by the disregarded limited liability company to
37.27 another state. For the purposes of this paragraph, the term "disregarded limited liability
37.28 company" means a limited liability company that is disregarded as an entity separate from
37.29 its owner as defined in Code of Federal Regulations, title 26, section 301.7701; and "net
37.30 income" tax means any tax imposed on or measured by a disregarded limited liability
37.31 company's net income.

37.32 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
37.33 31, 2021.

38.1 Sec. 21. Minnesota Statutes 2020, section 290.067, is amended to read:

38.2 **290.067 DEPENDENT GREAT START CHILD CARE AND DEPENDENT CARE**
38.3 **CREDIT.**

38.4 Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the tax
38.5 due from the taxpayer and a spouse, if any, under this chapter an amount equal to ~~the~~
38.6 ~~dependent care credit for which the taxpayer is eligible pursuant to the provisions of section~~
38.7 ~~21 of the Internal Revenue Code except that in determining whether the child qualified as~~
38.8 ~~a dependent, income received as a Minnesota family investment program grant or allowance~~
38.9 ~~to or on behalf of the child must not be taken into account in determining whether the child~~
38.10 ~~received more than half of the child's support from the taxpayer~~ the taxpayer's eligible
38.11 dependent care expenses, as determined under subdivisions 1a and 1b, multiplied by the
38.12 taxpayer's credit percentage, as determined under subdivision 1c.

38.13 ~~(b) If a child who has not attained the age of six years at the close of the taxable year is~~
38.14 ~~cared for at a licensed family day care home operated by the child's parent, the taxpayer is~~
38.15 ~~deemed to have paid employment-related expenses. If the child is 16 months old or younger~~
38.16 ~~at the close of the taxable year, the amount of expenses deemed to have been paid equals~~
38.17 ~~the maximum limit for one qualified individual under section 21(c) and (d) of the Internal~~
38.18 ~~Revenue Code. If the child is older than 16 months of age but has not attained the age of~~
38.19 ~~six years at the close of the taxable year, the amount of expenses deemed to have been paid~~
38.20 ~~equals the amount the licensee would charge for the care of a child of the same age for the~~
38.21 ~~same number of hours of care.~~

38.22 (c) If a married couple:

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

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

38.25 (3) ~~does not participate in a dependent care assistance program as defined in section 129~~
38.26 ~~of the Internal Revenue Code, in lieu of the actual employment related expenses paid for~~
38.27 ~~that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i)~~
38.28 ~~the combined earned income of the couple or (ii) the amount of the maximum limit for one~~
38.29 ~~qualified individual under section 21(c) and (d) of the Internal Revenue Code will be deemed~~
38.30 ~~to be the employment related expense paid for that child. The earned income limitation of~~
38.31 ~~section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These~~
38.32 ~~deemed amounts apply regardless of whether any employment-related expenses have been~~
38.33 ~~paid.~~

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

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

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

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

39.11 ~~(e) (b) In the case of a nonresident, part-year resident, or a person who has earned income~~
39.12 ~~not subject to tax under this chapter including earned income excluded pursuant to section~~
39.13 ~~290.0132, subdivision 10, the credit determined under section 21 of the Internal Revenue~~
39.14 ~~Code this section must be allocated based on the ratio by which the earned income of the~~
39.15 ~~claimant and the claimant's spouse from Minnesota sources bears to the total earned income~~
39.16 ~~of the claimant and the claimant's spouse using the percentage calculated in section 290.06,~~
39.17 ~~subdivision 2c, paragraph (e).~~

39.18 ~~(c) For the purposes of this section, the following terms have the meanings given:~~

39.19 ~~(1) "employment-related expenses" has the meaning given in section 21(b)(2) of the~~
39.20 ~~Internal Revenue Code;~~

39.21 ~~(2) "qualifying individual" has the meaning given in section 21(b)(1) of the Internal~~
39.22 ~~Revenue Code, except that in determining whether the child qualified as a dependent, income~~
39.23 ~~received as a Minnesota family investment program grant or allowance to or on behalf of~~
39.24 ~~the child must not be taken into account in determining whether the child received more~~
39.25 ~~than half of the child's support from the taxpayer; and~~

39.26 ~~(3) "young child" means a qualifying individual who had not attained the age of five by~~
39.27 ~~December 31 of the taxable year.~~

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

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

40.1 ~~(h) For taxpayers with federal adjusted gross income in excess of \$52,230, the credit is~~
40.2 ~~equal to the lesser of the credit otherwise calculated under this subdivision, or the amount~~
40.3 ~~equal to \$600 minus five percent of federal adjusted gross income in excess of \$52,230 for~~
40.4 ~~taxpayers with one qualified individual, or \$1,200 minus five percent of federal adjusted~~
40.5 ~~gross income in excess of \$52,230 for taxpayers with two or more qualified individuals,~~
40.6 ~~but in no case is the credit less than zero.~~

40.7 Subd. 1a. **Eligible dependent care expenses.** (a) A taxpayer's eligible dependent care
40.8 expenses equals the amount of employment-related expenses incurred by the taxable year,
40.9 subject to the limitations in paragraphs (b) and (c).

40.10 (b) Except as provided in subdivision 1b, a taxpayer's eligible dependent care expenses
40.11 are limited to:

40.12 (1) \$3,000 if there was one qualifying individual with respect to the taxpayer; or

40.13 (2) \$6,000 if there were two or more qualifying individuals with respect to the taxpayer.

40.14 Subd. 1b. **Eligible expenses for taxpayers with young children.** For a taxpayer with
40.15 a young child, the limit in paragraph (b) is increased as follows:

40.16 (1) for a taxpayer with one young child with respect to the taxpayer, the limit is increased
40.17 by \$1,000;

40.18 (2) for a taxpayer with two young children with respect to the taxpayer, the limit is
40.19 increased by \$2,000; and

40.20 (3) for a taxpayer with three or more young children with respect to the taxpayer, the
40.21 limit is increased by \$3,000.

40.22 Subd. 1c. **Credit percentage.** (a) The credit percentage equals 50 percent, subject to
40.23 the reductions in paragraphs (b) and (c).

40.24 (b) A taxpayer's credit percentage is reduced by two percentage points for each \$1,000,
40.25 or fraction thereof, by which the taxpayer's adjusted gross income exceeds \$80,000.

40.26 (c) For a married taxpayer filing a separate return, the credit percentage must be calculated
40.27 under paragraphs (a) and (b), except the adjusted gross income thresholds are one-half the
40.28 amounts for other filers, as adjusted for inflation under subdivision 2b.

40.29 Subd. 2b. **Inflation adjustment.** The commissioner shall annually adjust the dollar
40.30 amount of the income threshold at which the ~~maximum~~ credit percentage begins to be
40.31 reduced under subdivision ~~1~~ 1c as provided in section 270C.22. The statutory year is taxable
40.32 year ~~2019~~ 2022.

41.1 Subd. 2c. Deemed expenses. (a) If a child who has not attained the age of six years at
41.2 the close of the taxable year is cared for at a licensed family day care home operated by the
41.3 child's parent, the taxpayer is deemed to have paid employment-related expenses. The
41.4 amount of expenses deemed to have been paid equals the amount the licensee would charge
41.5 for the care of a child of the same age for the same number of hours of care.

41.6 (b) If a married couple:

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

41.9 (2) does not participate in a dependent care assistance program as defined in section 129
41.10 of the Internal Revenue Code; then in lieu of the actual employment-related expenses paid
41.11 for that child under or the deemed amount under paragraph (a), the amount deemed to be
41.12 the employment-related expense paid for that child equals the lesser of:

41.13 (i) the combined earned income of the couple; or

41.14 (ii) the amount of the maximum limit for one qualified individual under subdivision 1a,
41.15 as increased by subdivision 1b.

41.16 The earned income limitation of section 21(d) of the Internal Revenue Code shall not apply
41.17 to this deemed amount. These deemed amounts apply regardless of whether any
41.18 employment-related expenses have been paid.

41.19 Subd. 2d. Identifying information required. (a) No credit is allowed for any amount
41.20 paid to any person unless:

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

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

41.26 (b) The rule in section 21(e)(10) of the Internal Revenue Code applies for the credit
41.27 under this section.

41.28 **Subd. 3. Credit to be refundable.** If the amount of credit which a claimant would be
41.29 eligible to receive pursuant to this subdivision exceeds the claimant's tax liability under
41.30 chapter 290, the excess amount of the credit shall be refunded to the claimant by the
41.31 commissioner of revenue. An amount sufficient to pay the refunds required by this section
41.32 is appropriated to the commissioner from the general fund.

42.1 Subd. 4. **Right to file claim.** The right to file a claim under this section shall be personal
42.2 to the claimant and shall not survive death, but such right may be exercised on behalf of a
42.3 claimant by the claimant's legal guardian or attorney-in-fact. When a claimant dies after
42.4 having filed a timely claim the amount thereof shall be disbursed to another member of the
42.5 household as determined by the commissioner of revenue. If the claimant was the only
42.6 member of a household, the claim may be paid to the claimant's personal representative,
42.7 but if neither is appointed and qualified within two years of the filing of the claim, the
42.8 amount of the claim shall escheat to the state.

42.9 Subd. 5. **Employment-related expenses.** For the purposes of determining
42.10 employment-related expenses, the provisions of sections 21(d) and 21(e)(6) of the Internal
42.11 Revenue Code apply.

42.12 Subd. 6. **Rules for married couples filing separate returns.** A married taxpayer filing
42.13 a separate return may claim the credit under this section, but only one spouse may claim
42.14 the credit.

42.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
42.16 31, 2021.

42.17 Sec. 22. Minnesota Statutes 2020, section 290.0674, subdivision 2, is amended to read:

42.18 Subd. 2. **Limitations.** (a) For claimants with adjusted gross income not greater than
42.19 ~~\$33,500~~ \$70,000, the maximum credit allowed for a family is \$1,000 multiplied by the
42.20 number of qualifying children in kindergarten through grade 12 in the family. The maximum
42.21 credit for families with one qualifying child in kindergarten through grade 12 is reduced by
42.22 \$1 for each \$4 of ~~household~~ adjusted gross income over ~~\$33,500~~ \$70,000, and the maximum
42.23 credit for families with two or more qualifying children in kindergarten through grade 12
42.24 is reduced by \$2 for each \$4 of ~~household~~ adjusted gross income over ~~\$33,500~~ \$70,000,
42.25 but in no case is the credit less than zero.

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

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

42.31 (d) The commissioner shall annually adjust the household income limitation in paragraph
42.32 (a) as provided in section 270C.22. The statutory year is 2022.

43.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
43.2 31, 2021.

43.3 Sec. 23. Minnesota Statutes 2020, section 290.068, subdivision 1, is amended to read:

43.4 Subdivision 1. **Credit allowed.** A corporation, partners in a partnership, or shareholders
43.5 in a corporation treated as an "S" corporation under section 290.9725 are allowed a credit
43.6 against the tax computed under this chapter for the taxable year equal to:

43.7 (a) ten percent of the first \$2,000,000 of the excess (if any) of

43.8 (1) the qualified research expenses for the taxable year, over

43.9 (2) the base amount; and

43.10 (b) ~~four~~ 4.25 percent on all of such excess expenses over \$2,000,000.

43.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
43.12 31, 2021.

43.13 Sec. 24. Minnesota Statutes 2020, section 290.0681, subdivision 4, is amended to read:

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

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

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

43.22 (b) The recipient of a credit certificate may assign the certificate to another taxpayer
43.23 before the first one-fifth payment is claimed, which is then allowed the credit under this
43.24 section or section 297I.20, subdivision 3. Before the first one-fifth payment is claimed, the
43.25 first assignee may subsequently assign the credit certificate in whole, but not in part, to a
43.26 second assignee. A second assignment may only be assigned to a financial institution. An
43.27 assignment is not valid unless the assignee notifies the commissioner within 30 days of the
43.28 date that the assignment is made. The commissioner shall prescribe the forms necessary for
43.29 notifying the commissioner of the assignment of a credit certificate and for claiming a credit
43.30 by assignment. The original credit certificate recipient, and each assignee, must file a return
43.31 with the commissioner for the taxable year that the project is placed in service.

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

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

44.5 **EFFECTIVE DATE.** This section is effective for projects placed in service after June
44.6 30, 2022.

44.7 Sec. 25. **[290.0693] NEW MARKETS TAX CREDIT.**

44.8 Subdivision 1. **Definitions.** For purposes of this section, terms defined in section 116X.01
44.9 have the meanings given in that section.

44.10 Subd. 2. **Credit allowed.** (a) An entity that makes or is transferred a qualified equity
44.11 investment is allowed a credit against the tax imposed under this chapter equal to the amount
44.12 calculated under section 116X.01, subdivision 2. The credit is claimed beginning in the
44.13 taxable year of the third credit allowance date.

44.14 (b) Tax credits earned by or allocated to a partnership, a limited liability company taxed
44.15 as a partnership, or an S corporation are passed through to the partners, members,
44.16 shareholders, or owners, respectively, in accordance with the provisions of any agreement
44.17 among such partners, members, shareholders, or owners, or, in the absence of such agreement,
44.18 pro rata to each partner, member, shareholder, or owner based on their share of the entity's
44.19 assets as of the last day of the taxable year. A pass-through of a credit is not considered a
44.20 sale for the purposes of section 116X.01.

44.21 (c) If the amount of the credit under this section exceeds the taxpayer's liability for tax
44.22 under this chapter, the excess is a credit carryover to each of the five succeeding taxable
44.23 years. The entire amount of the excess unused credit for the taxable year must be carried
44.24 first to the earliest of the taxable years to which the credit may be carried and then to each
44.25 successive year to which the credit may be carried. The amount of the unused credit that
44.26 may be added under this paragraph may not exceed the taxpayer's liability for tax, less any
44.27 credit for the current taxable year.

44.28 Subd. 3. **Sunset.** This section expires at the same time and on the same terms as section
44.29 116X.01, except that the expiration of this section does not affect the commissioner of
44.30 revenue's authority to audit or power of examination and assessment for credits claimed
44.31 under this section.

44.32 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
44.33 31, 2022, and expires on the date provided under section 45D of the Internal Revenue Code.

45.1 Sec. 26. Minnesota Statutes 2020, section 291.016, subdivision 3, is amended to read:

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

45.4 (1) ~~the an~~ exclusion amount for the year of death under paragraph (b) of \$3,000,000;
45.5 and

45.6 ~~(2) the lesser of:~~

45.7 ~~(i) (2)~~ (2) the value of qualified small business property under section 291.03, subdivision
45.8 9, and the value of qualified farm property under section 291.03, subdivision 10; or, up to
45.9 \$2,000,000.

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

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

45.12 ~~(1) \$2,100,000 for decedents dying in 2017;~~

45.13 ~~(2) \$2,400,000 for decedents dying in 2018;~~

45.14 ~~(3) \$2,700,000 for decedents dying in 2019; and~~

45.15 ~~(4) \$3,000,000 for decedents dying in 2020 and thereafter.~~

45.16 (b) In the case of a decedent that is a surviving spouse there is an additional subtraction
45.17 allowed in computing the Minnesota taxable estate, a deceased spousal unused exclusion
45.18 amount, which is equal to the lesser of:

45.19 (1) \$3,000,000; or

45.20 (2) the excess of \$3,000,000 over the amount of the Minnesota taxable estate of the last
45.21 predeceased spouse of the decedent, but not including in the taxable estate property described
45.22 in section 291.03, subdivisions 9 and 10, but in no case less than zero.

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

45.25 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after June
45.26 30, 2022.

45.27 Sec. 27. Minnesota Statutes 2020, section 291.03, subdivision 1, is amended to read:

45.28 Subdivision 1. **Tax amount.** The tax imposed must be computed by applying to the
45.29 Minnesota taxable estate the following schedule of rates and then multiplying the resulting
45.30 amount ~~multiplied~~ by a fraction, not greater than one, the numerator of which is the value

46.1 of the Minnesota gross estate plus the value of gifts under section 291.016, subdivision 2,
 46.2 clause (3), with a Minnesota situs, and the denominator of which is the federal gross estate
 46.3 plus the value of gifts under section 291.016, subdivision 2, clause (3):

46.4 ~~(a) For estates of decedents dying in 2017:~~

46.5	Amount of Minnesota Taxable Estate	Rate of Tax
46.6	Not over \$5,100,000	12 percent
46.7	Over \$5,100,000 but not over \$7,100,000	\$612,000 plus 12.8 percent of the excess over
46.8		\$5,100,000
46.9	Over \$7,100,000 but not over \$8,100,000	\$868,000 plus 13.6 percent of the excess over
46.10		\$7,100,000
46.11	Over \$8,100,000 but not over \$9,100,000	\$1,004,000 plus 14.4 percent of the excess
46.12		over \$8,100,000
46.13	Over \$9,100,000 but not over \$10,100,000	\$1,148,000 plus 15.2 percent of the excess
46.14		over \$9,100,000
46.15	Over \$10,100,000	\$1,300,000 plus 16 percent of the excess over
46.16		\$10,100,000

46.17 ~~(b) For estates of decedents dying in 2018 and thereafter:~~

46.18	Amount of Minnesota Taxable Estate	Rate of Tax
46.19	Not over \$7,100,000	13 percent
46.20	Over \$7,100,000 but not over \$8,100,000	\$923,000 plus 13.6 percent of the excess over
46.21		\$7,100,000
46.22	Over \$8,100,000 but not over \$9,100,000	\$1,059,000 plus 14.4 percent of the excess
46.23		over \$8,100,000
46.24	Over \$9,100,000 but not over \$10,100,000	\$1,203,000 plus 15.2 percent of the excess
46.25		over \$9,100,000
46.26	Over \$10,100,000	\$1,355,000 plus 16 percent of the excess over
46.27		\$10,100,000

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

46.29 Sec. 28. Minnesota Statutes 2020, section 291.03, is amended by adding a subdivision to
 46.30 read:

46.31 **Subd. 1e. Election of portability of deceased spousal unused exclusion amounts;**
 46.32 **election irrevocable; deemed elections.** (a) A personal representative of a decedent's estate
 46.33 may elect, on a return required under section 289A.10, subdivision 1, to allow a decedent's
 46.34 surviving spouse to take into account the decedent's deceased spousal unused exclusion
 46.35 amount, as provided in section 291.016, subdivision 3, paragraph (b).

46.36 (b) In order for a surviving spouse to take into account the decedent's deceased spousal
 46.37 unused exclusion amount, as provided in section 291.016, subdivision 3, paragraph (b), a
 46.38 personal representative of a decedent's estate must file a return and make the portability

47.1 election under paragraph (a). The return is subject to the same provisions as a return required
47.2 under section 289A.10, subdivision 1.

47.3 (c) An election under paragraph (a) or (b) is irrevocable. The personal representative of
47.4 a decedent's estate must state affirmatively on the return that the decedent's estate is electing
47.5 portability. The commissioner may prescribe the form of the election on the return.

47.6 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after June
47.7 30, 2022.

47.8 Sec. 29. Minnesota Statutes 2020, section 297I.20, is amended by adding a subdivision
47.9 to read:

47.10 Subd. 6. **New markets tax credit.** A taxpayer may claim a credit against the premiums
47.11 tax imposed under this chapter equal to the amount calculated under section 116X.01,
47.12 subdivision 2. The credit is claimed beginning in the taxable year of the third credit allowance
47.13 date. If the amount of the credit exceeds the liability for tax under this chapter, the excess
47.14 is a credit carryover to each of the five succeeding taxable years. The entire amount of the
47.15 excess unused credit for the taxable year must be carried first to the earliest of the taxable
47.16 years to which the credit may be carried and then to each successive year to which the credit
47.17 may be carried. This credit does not affect the calculation of fire state aid under section
47.18 477B.03 and police state aid under section 477C.03.

47.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
47.20 31, 2022, and expires on the date provided under section 45D of the Internal Revenue Code.

47.21 Sec. 30. **REPEALER.**

47.22 Minnesota Statutes 2020, section 290.0674, subdivision 2a, is repealed.

47.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
47.24 31, 2021.

47.25 Sec. 31. **REPEALER.**

47.26 Minnesota Statutes 2021 Supplement, section 290.0681, subdivision 10, is repealed.

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