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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 1938

02/16/2023 Authored by Gomez
The bill was read for the first time and referred to the Committee on Rules and Legislative Administration
02/21/2023 Adoption of Report: Re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; modifying individual income and corporate franchise taxes,
1.3 sales and use taxes, property taxes, local government aids, and other miscellaneous
1.4 taxes and tax provisions; modifying income tax additions, subtractions, and credits;
1.5 modifying taxes on capital gains; proposing a child tax credit; proposing an advance
1.6 payment and one-time refundable tax credit; modifying cannabis-related sales and
1.7 use tax provisions; proposing sales tax exemptions for certain entities; modifying
1.8 eligibility for certain property tax programs; modifying the formula and adding
1.9 definitions for the calculation of local government aids; proposing new forms of
1.10 local government aids; appropriating money; amending Minnesota Statutes 2022,
1.11 sections 116J.8737, subdivisions 5, 12; 270C.52, subdivision 2; 273.124,
1.12 subdivisions 6, 13, 13a, 13c, 13d, 14; 273.1245, subdivision 1; 273.1315,
1.13 subdivision 2; 273.1387, subdivision 2; 289A.08, subdivisions 7, as amended, 7a,
1.14 as amended; 290.0131, by adding a subdivision; 290.0132, subdivision 26; 290.06,
1.15 subdivision 2c, as amended; 290.067; 290.0671, subdivision 1; 290.0674,
1.16 subdivisions 2, 2a, by adding a subdivision; 290.0677, subdivision 1; 290.0681,
1.17 subdivisions 3, 10; 290.091, subdivision 2, as amended; 290B.03, subdivision 1;
1.18 290B.04, subdivisions 3, 4; 290B.05, subdivision 1; 297A.61, by adding
1.19 subdivisions; 297A.67, subdivisions 2, 7; 297A.70, subdivisions 2, 4, 18; 297A.71,
1.20 by adding a subdivision; 297A.75, subdivisions 1, 2, 3; 477A.011, subdivision 34,
1.21 by adding subdivisions; 477A.0124, subdivision 2; 477A.013, subdivisions 8, 9;
1.22 477A.03, subdivisions 2a, 2b; Laws 2006, chapter 259, article 11, section 3, as
1.23 amended; Laws 2023, chapter 1, section 15; proposing coding for new law in
1.24 Minnesota Statutes, chapters 290; 477A; repealing Minnesota Statutes 2022,
1.25 sections 290.0132, subdivision 33; 477A.011, subdivisions 30a, 38, 42, 45;
1.26 477A.013, subdivision 13.

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

1.28 ARTICLE 1
1.29 INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES

1.30 Section 1. Minnesota Statutes 2022, section 116J.8737, subdivision 5, is amended to read:

1.31 Subd. 5. Credit allowed. (a) A qualified investor or qualified fund is eligible for a credit
1.32 equal to 25 percent of the qualified investment in a qualified small business. Investments

2.1 made by a pass-through entity qualify for a credit only if the entity is a qualified fund. The
2.2 commissioner must not allocate to qualified investors or qualified funds more than the dollar
2.3 amount in credits allowed for the taxable years listed in paragraph (i). For each taxable year,
2.4 50 percent must be allocated to credits for qualified investments in qualified greater
2.5 Minnesota businesses and minority-owned, women-owned, or veteran-owned qualified
2.6 small businesses in Minnesota. Any portion of a taxable year's credits that is reserved for
2.7 qualified investments in greater Minnesota businesses and minority-owned, women-owned,
2.8 or veteran-owned qualified small businesses in Minnesota that is not allocated by September
2.9 30 of the taxable year is available for allocation to other credit applications beginning on
2.10 October 1. Any portion of a taxable year's credits that is not allocated by the commissioner
2.11 does not cancel and may be carried forward to subsequent taxable years until all credits
2.12 have been allocated.

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

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

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

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

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

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

2.33 (e) Qualified investors and qualified funds must apply to the commissioner for tax credits.
2.34 Tax credits must be allocated to qualified investors or qualified funds in the order that the

3.1 tax credit request applications are filed with the department. The commissioner must approve
3.2 or reject tax credit request applications within 15 days of receiving the application. The
3.3 investment specified in the application must be made within 60 days of the allocation of
3.4 the credits. If the investment is not made within 60 days, the credit allocation is canceled
3.5 and available for reallocation. A qualified investor or qualified fund that fails to invest as
3.6 specified in the application, within 60 days of allocation of the credits, must notify the
3.7 commissioner of the failure to invest within five business days of the expiration of the
3.8 60-day investment period.

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

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

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

4.1 (2) 80 percent or more of the assets of the qualified small business is sold before the end
4.2 of the three-year period;

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

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

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

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

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

4.10 (1) \$10,000,000 for taxable years beginning after December 31, 2020, and before January
4.11 1, 2022; ~~and~~

4.12 (2) \$5,000,000 for taxable years beginning after December 31, 2021, and before January
4.13 1, 2023; and

4.14 (3) \$10,000,000 for taxable years beginning after December 31, 2022, and before January
4.15 1, 2031.

4.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.17 31, 2022.

4.18 Sec. 2. Minnesota Statutes 2022, section 116J.8737, subdivision 12, is amended to read:

4.19 Subd. 12. **Sunset.** This section expires for taxable years beginning after December 31,
4.20 ~~2022~~ 2030, except that reporting requirements under subdivision 6 and revocation of credits
4.21 under subdivision 7 remain in effect through ~~2024~~ 2032 for qualified investors and qualified
4.22 funds, and through ~~2026~~ 2034 for qualified small businesses, reporting requirements under
4.23 subdivision 9 remain in effect through ~~2022~~ 2030, and the appropriation in subdivision 11
4.24 remains in effect through ~~2026~~ 2034.

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

4.26 Sec. 3. Minnesota Statutes 2022, section 289A.08, subdivision 7, as amended by Laws
4.27 2023, chapter 1, section 2, is amended to read:

4.28 Subd. 7. **Composite income tax returns for nonresident partners, shareholders, and**
4.29 **beneficiaries.** (a) The commissioner may allow a partnership with nonresident partners to
4.30 file a composite return and to pay the tax on behalf of nonresident partners who have no

5.1 other Minnesota source income. This composite return must include the names, addresses,
5.2 Social Security numbers, income allocation, and tax liability for the nonresident partners
5.3 electing to be covered by the composite return.

5.4 (b) The computation of a partner's tax liability must be determined by multiplying the
5.5 income allocated to that partner by the highest rate used to determine the tax liability for
5.6 individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard
5.7 deductions, or personal exemptions are not allowed. The computation of a partner's
5.8 preferential rate income tax liability must be computed under section 290.055.

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

5.13 (d) The electing partner must not have any Minnesota source income other than the
5.14 income from the partnership, other electing partnerships, and other qualifying entities
5.15 electing to file and pay the pass-through entity tax under subdivision 7a. If it is determined
5.16 that the electing partner has other Minnesota source income, the inclusion of the income
5.17 and tax liability for that partner under this provision will not constitute a return to satisfy
5.18 the requirements of subdivision 1. The tax paid for the individual as part of the composite
5.19 return is allowed as a payment of the tax by the individual on the date on which the composite
5.20 return payment was made. If the electing nonresident partner has no other Minnesota source
5.21 income, filing of the composite return is a return for purposes of subdivision 1.

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

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

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

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

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

6.8 (j) For the purposes of this subdivision, "income" means the partner's share of federal
 6.9 adjusted gross income from the partnership modified by the additions provided in section
 6.10 290.0131, subdivisions 8 to 10, 16, and 17, and the subtractions provided in: (1) section
 6.11 290.0132, subdivisions 9, 27, 28, and 31, to the extent the amount is assignable or allocable
 6.12 to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction
 6.13 allowed under section 290.0132, subdivision 9, is only allowed on the composite tax
 6.14 computation to the extent the electing partner would have been allowed the subtraction.

6.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 6.16 31, 2022.

6.17 Sec. 4. Minnesota Statutes 2022, section 289A.08, subdivision 7a, as amended by Laws
 6.18 2023, chapter 1, section 3, is amended to read:

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

6.21 (1) "income" has the meaning given in subdivision 7, paragraph (j), modified by the
 6.22 addition provided in section 290.0131, subdivision 5, and the subtraction provided in section
 6.23 290.0132, subdivision 3, except that the provisions that apply to a partnership apply to a
 6.24 qualifying entity and the provisions that apply to a partner apply to a qualifying owner. The
 6.25 income of both a resident and nonresident qualifying owner is allocated and assigned to
 6.26 this state as provided for nonresident partners and shareholders under sections 290.17,
 6.27 290.191, and 290.20;

6.28 (2) "qualifying entity" means a partnership, limited liability company, or S corporation
 6.29 including a qualified subchapter S subsidiary organized under section 1361(b)(3)(B) of the
 6.30 Internal Revenue Code. Qualifying entity does not include a partnership, limited liability
 6.31 company, or corporation that has a partnership, limited liability company other than a
 6.32 disregarded entity, or corporation as a partner, member, or shareholder; and

6.33 (3) "qualifying owner" means:

7.1 (i) a resident or nonresident individual or estate that is a partner, member, or shareholder
7.2 of a qualifying entity; or

7.3 (ii) a resident or nonresident trust that is a shareholder of a qualifying entity that is an
7.4 S corporation.

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

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

7.11 (2) may only be made by qualifying owners who collectively hold more than a 50 percent
7.12 ownership interest in the qualifying entity;

7.13 (3) is binding on all qualifying owners who have an ownership interest in the qualifying
7.14 entity; and

7.15 (4) once made is irrevocable for the taxable year.

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

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

7.21 (1) nonbusiness deductions, standard deductions, or personal exemptions are not allowed;
7.22 and

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

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

7.27 (f) This subdivision does not negate the requirement that a qualifying owner pay estimated
7.28 tax if the qualifying owner's tax liability would exceed the requirements set forth in section
7.29 289A.25. The qualifying owner's liability to pay estimated tax on the qualifying owner's
7.30 tax liability as determined under paragraph (d) is, however, satisfied when the qualifying
7.31 entity pays estimated tax in the manner prescribed in section 289A.25 for composite estimated
7.32 tax.

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

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

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

8.10 (j) If a nonresident qualifying owner of a qualifying entity making the election to file
8.11 and pay the tax under this subdivision has no other Minnesota source income, filing of the
8.12 pass-through entity tax return is a return for purposes of subdivision 1, provided that the
8.13 nonresident qualifying owner must not have any Minnesota source income other than the
8.14 income from the qualifying entity, other electing qualifying entities, and other partnerships
8.15 electing to file a composite return under subdivision 7. If it is determined that the nonresident
8.16 qualifying owner has other Minnesota source income, the inclusion of the income and tax
8.17 liability for that owner under this provision will not constitute a return to satisfy the
8.18 requirements of subdivision 1. The tax paid for the qualifying owner as part of the
8.19 pass-through entity tax return is allowed as a payment of the tax by the qualifying owner
8.20 on the date on which the pass-through entity tax return payment was made.

8.21 (k) Once a credit is claimed by a qualifying owner under section 290.06, subdivision
8.22 40, a qualifying entity cannot receive a refund for tax paid under this subdivision for any
8.23 amounts claimed under that section by the qualifying owners. Once a credit is claimed under
8.24 section 290.06, subdivision 40, any refund must be claimed in conjunction with a return
8.25 filed by the qualifying owner.

8.26 (l) The computation of a partner's preferential rate income tax liability must be computed
8.27 under section 290.055.

8.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
8.29 31, 2022.

8.30 Sec. 5. Minnesota Statutes 2022, section 290.0131, is amended by adding a subdivision
8.31 to read:

8.32 Subd. 21. **Dependent flexible spending accounts.** For a taxpayer who claims the credit
8.33 under section 290.067 or for a married taxpayer filing a separate return whose spouse claims

9.1 the credit under section 290.067, the amount of dependent care assistance that is excluded
 9.2 from gross income under section 129 of the Internal Revenue Code is an addition.

9.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 9.4 31, 2022.

9.5 Sec. 6. Minnesota Statutes 2022, section 290.0132, subdivision 26, is amended to read:

9.6 Subd. 26. **Social Security benefits.** (a) A portion of ~~taxable~~ Social Security benefits is
 9.7 allowed as a subtraction. The subtraction equals the lesser of ~~taxable~~ Social Security benefits
 9.8 or a maximum subtraction subject to the limits ~~under~~ in paragraphs (b), ~~(c), and~~ to (d).

9.9 (b) For married taxpayers filing a joint return and surviving spouses, the maximum
 9.10 subtraction equals ~~\$5,150~~ \$10,000. The maximum subtraction is reduced by 20 percent of
 9.11 provisional income over ~~\$78,180~~ \$120,000. In no case is the subtraction less than zero.

9.12 (c) For single or head-of-household taxpayers, the maximum subtraction equals ~~\$4,020~~
 9.13 \$7,800. The maximum subtraction is reduced by 20 percent of provisional income over
 9.14 ~~\$61,080~~ \$93,600. In no case is the subtraction less than zero.

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

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

9.23 (f) The commissioner shall adjust the maximum subtraction and threshold amounts in
 9.24 paragraphs (b) to (d) as provided in section 270C.22. The statutory year is taxable year ~~2019~~
 9.25 2023. The maximum subtraction and threshold amounts as adjusted must be rounded to the
 9.26 nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10
 9.27 amount.

9.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 9.29 31, 2022.

10.1 **Sec. 7. [290.055] CAPITAL GAINS TAX.**

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

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

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

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

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

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

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

10.16 (4) For an estate or trust, the tax on preferential rate income must be computed by
10.17 multiplying the preferential rate income tax liability by a fraction, the numerator of which
10.18 is the amount of the estate or trust's preferential rate income allocated to the state pursuant
10.19 to the provisions of sections 290.17, 290.191, and 290.20, and the denominator of which is
10.20 the taxpayer's total preferential rate income.

10.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
10.22 31, 2022.

10.23 **Sec. 8.** Minnesota Statutes 2022, section 290.06, subdivision 2c, as amended by Laws
10.24 2023, chapter 1, section 15, is amended to read:

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

10.29 (1) On the first \$38,770, 5.35 percent;

10.30 (2) On all over \$38,770, but not over \$154,020, 6.8 percent;

10.31 (3) On all over \$154,020, but not over \$269,010, 7.85 percent;

11.1 (4) On all over \$269,010, 9.85 percent.

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

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

11.7 (1) On the first \$26,520, 5.35 percent;

11.8 (2) On all over \$26,520, but not over \$87,110, 6.8 percent;

11.9 (3) On all over \$87,110, but not over \$161,720, 7.85 percent;

11.10 (4) On all over \$161,720, 9.85 percent.

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

11.14 (1) On the first \$32,650, 5.35 percent;

11.15 (2) On all over \$32,650, but not over \$131,190, 6.8 percent;

11.16 (3) On all over \$131,190, but not over \$214,980, 7.85 percent;

11.17 (4) On all over \$214,980, 9.85 percent.

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

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

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

12.1 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, ~~and~~
 12.2 17, 19, and 20, and 290.0137, paragraph (a); and reduced by

12.3 (ii) the Minnesota assignable portion of the subtraction for United States government
 12.4 interest under section 290.0132, subdivision 2, the subtractions under sections 290.0132,
 12.5 subdivisions 9, 10, 14, 15, 17, 18, 27, ~~and 31~~, and 32, and 290.0137, paragraph (c), after
 12.6 applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17;
 12.7 and

12.8 (2) the denominator is the individual's federal adjusted gross income as defined in section
 12.9 62 of the Internal Revenue Code, increased by:

12.10 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, ~~and~~
 12.11 17, 19, and 20, and 290.0137, paragraph (a); and reduced by

12.12 (ii) the subtractions under sections 290.0132, subdivisions 2, 9, 10, 14, 15, 17, 18, 27,
 12.13 ~~and 31~~, and 32, and 290.0137, paragraph (c).

12.14 (f) If an individual who is not a Minnesota resident for the entire year is a qualifying
 12.15 owner of a qualifying entity that elects to pay tax as provided in section 289A.08, subdivision
 12.16 7a, paragraph (b), the individual must compute the individual's Minnesota income tax as
 12.17 provided in paragraph (e), and also must include, to the extent attributed to the electing
 12.18 qualifying entity:

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

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

12.23 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
 12.24 after December 31, 2018.

12.25 Sec. 9. Minnesota Statutes 2022, section 290.067, is amended to read:

12.26 **290.067 ~~DEPENDENT~~ GREAT START CHILD CARE AND DEPENDENT CARE**
 12.27 **CREDIT.**

12.28 Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the tax
 12.29 due from the taxpayer and a spouse, if any, under this chapter an amount equal to ~~the~~
 12.30 ~~dependent care credit for which the taxpayer is eligible pursuant to the provisions of section~~
 12.31 ~~21 of the Internal Revenue Code except that in determining whether the child qualified as~~
 12.32 ~~a dependent, income received as a Minnesota family investment program grant or allowance~~

13.1 ~~to or on behalf of the child must not be taken into account in determining whether the child~~
 13.2 ~~received more than half of the child's support from the taxpayer~~ the taxpayer's eligible
 13.3 dependent care expenses, as determined under subdivisions 1a and 1b, multiplied by the
 13.4 taxpayer's credit percentage, as determined under subdivision 1c.

13.5 (b) ~~If a child who has not attained the age of six years at the close of the taxable year is~~
 13.6 ~~cared for at a licensed family day care home operated by the child's parent, the taxpayer is~~
 13.7 ~~deemed to have paid employment-related expenses. If the child is 16 months old or younger~~
 13.8 ~~at the close of the taxable year, the amount of expenses deemed to have been paid equals~~
 13.9 ~~the maximum limit for one qualified individual under section 21(e) and (d) of the Internal~~
 13.10 ~~Revenue Code. If the child is older than 16 months of age but has not attained the age of~~
 13.11 ~~six years at the close of the taxable year, the amount of expenses deemed to have been paid~~
 13.12 ~~equals the amount the licensee would charge for the care of a child of the same age for the~~
 13.13 ~~same number of hours of care.~~

13.14 (e) ~~If a married couple:~~

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

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

13.17 (3) ~~does not participate in a dependent care assistance program as defined in section 129~~
 13.18 ~~of the Internal Revenue Code, in lieu of the actual employment related expenses paid for~~
 13.19 ~~that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i)~~
 13.20 ~~the combined earned income of the couple or (ii) the amount of the maximum limit for one~~
 13.21 ~~qualified individual under section 21(e) and (d) of the Internal Revenue Code will be deemed~~
 13.22 ~~to be the employment related expense paid for that child. The earned income limitation of~~
 13.23 ~~section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These~~
 13.24 ~~deemed amounts apply regardless of whether any employment-related expenses have been~~
 13.25 ~~paid.~~

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

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

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

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

14.4 ~~(e) (b) In the case of a nonresident, part-year resident, or a person who has earned income~~
14.5 ~~not subject to tax under this chapter including earned income excluded pursuant to section~~
14.6 ~~290.0132, subdivision 10, the credit determined under section 21 of the Internal Revenue~~
14.7 ~~Code this section must be allocated based on the ratio by which the earned income of the~~
14.8 ~~claimant and the claimant's spouse from Minnesota sources bears to the total earned income~~
14.9 ~~of the claimant and the claimant's spouse using the percentage calculated in section 290.06,~~
14.10 ~~subdivision 2c, paragraph (e).~~

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

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

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

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

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

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

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

15.1 Subd. 1a. **Eligible dependent care expenses.** (a) A taxpayer's eligible dependent care
15.2 expenses equals the amount of employment-related expenses incurred during the taxable
15.3 year, subject to the limitations in paragraph (b) and subdivision 1b.

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

15.6 (1) \$3,000 if there was one qualifying individual with respect to the taxpayer; or

15.7 (2) \$6,000 if there were two or more qualifying individuals with respect to the taxpayer.

15.8 Subd. 1b. **Eligible expenses for taxpayers with young children.** For taxable years
15.9 beginning after December 31, 2022, and before January 1, 2031, for a taxpayer with a young
15.10 child, the limit in subdivision 1a, paragraph (b), is increased as follows:

15.11 (1) for a taxpayer with one young child with respect to the taxpayer, the limit is increased
15.12 by \$5,000;

15.13 (2) for a taxpayer with two young children with respect to the taxpayer, the limit is
15.14 increased by \$10,000; and

15.15 (3) for a taxpayer with three or more young children with respect to the taxpayer, the
15.16 limit is increased by \$15,000.

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

15.19 (b) A taxpayer's credit percentage is reduced by one percentage point for each \$800, or
15.20 fraction thereof, by which the taxpayer's adjusted gross income exceeds \$200,000.

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

15.24 Subd. 2b. **Inflation adjustment.** The commissioner shall annually adjust the dollar
15.25 amount of the income threshold at which the ~~maximum~~ credit percentage begins to be
15.26 reduced under subdivision 1c as provided in section 270C.22. The statutory year is taxable
15.27 year ~~2019~~ 2023.

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

16.1 for the care of a child of the same age for the same number of hours of care up to the
16.2 maximum eligible expenses allowed, as determined under subdivisions 1a and 1b.

16.3 (b) If a taxpayer, regardless of filing status:

16.4 (1) has a qualifying individual who has not attained the age of one year at the close of
16.5 the taxable year; and

16.6 (2) used the deemed amount under paragraph (a) in lieu of the actual employment-related
16.7 expenses paid for that child, the amount of deemed employment-related expenses equals
16.8 the lesser of:

16.9 (i) the earned income of the taxpayer; or

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

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

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

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

16.28 **Subd. 5. Employment-related expenses.** For the purposes of determining
16.29 employment-related expenses, the provisions of section 21(d) of the Internal Revenue Code
16.30 apply.

16.31 **Subd. 6. Special rules.** For purposes of this section, the special rules of section 21(e)
16.32 of the Internal Revenue Code apply, except the special rule in section 21(e)(2) of the Internal
16.33 Revenue Code, requiring married couples to file a joint return, does not apply.

17.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
17.2 31, 2022.

17.3 Sec. 10. Minnesota Statutes 2022, section 290.0671, subdivision 1, is amended to read:

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

17.8 (1) a taxpayer with no qualifying children who has attained the age of 19, but not attained
17.9 age 65 before the close of the taxable year and is otherwise eligible for a credit under section
17.10 32 of the Internal Revenue Code may also receive a credit; ~~and~~

17.11 (2) a taxpayer who is otherwise eligible for a credit under section 32 of the Internal
17.12 Revenue Code remains eligible for the credit even if the taxpayer's earned income or adjusted
17.13 gross income exceeds the income limitation under section 32 of the Internal Revenue Code; ~~;~~
17.14 and

17.15 (3) the requirements of section 32(m) of the Internal Revenue Code do not apply.

17.16 (b) For individuals with no qualifying children, the credit equals 3.9 percent of the first
17.17 \$7,150 of earned income. The credit is reduced by 2.0 percent of earned income or adjusted
17.18 gross income, whichever is greater, in excess of the phaseout threshold, but in no case is
17.19 the credit less than zero.

17.20 (c) For individuals with one qualifying child, the credit equals 9.35 percent of the first
17.21 \$11,950 of earned income. The credit is reduced by 6.0 percent of earned income or adjusted
17.22 gross income, whichever is greater, in excess of the phaseout threshold, but in no case is
17.23 the credit less than zero.

17.24 (d) For individuals with two qualifying children, the credit equals 11 percent of the first
17.25 \$19,600 of earned income. The credit is reduced by 10.5 percent of earned income or adjusted
17.26 gross income, whichever is greater, in excess of the phaseout threshold, but in no case is
17.27 the credit less than zero.

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

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

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

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

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

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

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

18.14 (1) \$14,570 for married taxpayers filing joint returns with no qualifying children;

18.15 (2) \$8,730 for all other taxpayers with no qualifying children;

18.16 (3) \$28,610 for married taxpayers filing joint returns with one qualifying child;

18.17 (4) \$22,770 for all other taxpayers with one qualifying child;

18.18 (5) \$32,840 for married taxpayers filing joint returns with two qualifying children;

18.19 (6) \$27,000 for all other taxpayers with two qualifying children;

18.20 (7) \$33,140 for married taxpayers filing joint returns with three or more qualifying
18.21 children; and

18.22 (8) \$27,300 for all other taxpayers with three or more qualifying children.

18.23 (i) The commissioner shall construct tables showing the amount of the credit at various
18.24 income levels and make them available to taxpayers. The tables shall follow the schedule
18.25 contained in this subdivision, except that the commissioner may graduate the transition
18.26 between income brackets.

18.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
18.28 31, 2022.

19.1 Sec. 11. Minnesota Statutes 2022, section 290.0674, subdivision 2, is amended to read:

19.2 Subd. 2. **Limitations.** (a) For claimants with income not greater than ~~\$33,500~~ \$59,210,
 19.3 the maximum credit allowed for a family is \$1,000 multiplied by the number of qualifying
 19.4 children in kindergarten through grade 12 in the family. The maximum credit for families
 19.5 with one qualifying child in kindergarten through grade 12 is reduced by \$1 for each \$4 of
 19.6 ~~household~~ income over ~~\$33,500~~ \$59,210, and the maximum credit for families with two or
 19.7 more qualifying children in kindergarten through grade 12 is reduced by \$2 for each \$4 of
 19.8 ~~household~~ income over ~~\$33,500~~ \$59,210, but in no case is the credit less than zero.

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

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

19.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 19.15 31, 2022.

19.16 Sec. 12. Minnesota Statutes 2022, section 290.0674, subdivision 2a, is amended to read:

19.17 Subd. 2a. **Income.** ~~(a)~~ For purposes of this section, "income" means ~~the sum of the~~
 19.18 ~~following:~~

19.19 ~~(1) federal adjusted gross income as defined in section 62 of the Internal Revenue Code;~~
 19.20 ~~and.~~

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

19.22 ~~(i) all nontaxable income;~~

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

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

19.29 ~~(iv) cash public assistance and relief;~~

19.30 ~~(v) any pension or annuity (including railroad retirement benefits, all payments received~~
 19.31 ~~under the federal Social Security Act, Supplemental Security Income, and veterans benefits);~~

20.1 ~~which was not exclusively funded by the claimant or spouse, or which was funded exclusively~~
 20.2 ~~by the claimant or spouse and which funding payments were excluded from federal adjusted~~
 20.3 ~~gross income in the years when the payments were made;~~

20.4 ~~(vi) interest received from the federal or a state government or any instrumentality or~~
 20.5 ~~political subdivision thereof;~~

20.6 ~~(vii) workers' compensation;~~

20.7 ~~(viii) nontaxable strike benefits;~~

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

20.11 ~~(x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of~~
 20.12 ~~1986, as amended through December 31, 1995;~~

20.13 ~~(xi) contributions made by the claimant to an individual retirement account, including~~
 20.14 ~~a qualified voluntary employee contribution; simplified employee pension plan;~~
 20.15 ~~self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of~~
 20.16 ~~the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal~~
 20.17 ~~Revenue Code;~~

20.18 ~~(xii) nontaxable scholarship or fellowship grants;~~

20.19 ~~(xiii) the amount of deduction allowed under section 199 of the Internal Revenue Code;~~

20.20 ~~(xiv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue~~
 20.21 ~~Code;~~

20.22 ~~(xv) the amount deducted for tuition expenses under section 222 of the Internal Revenue~~
 20.23 ~~Code; and~~

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

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

20.31 ~~(b) "Income" does not include:~~

- 21.1 ~~(1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;~~
 21.2 ~~(2) amounts of any pension or annuity that were exclusively funded by the claimant or~~
 21.3 ~~spouse if the funding payments were not excluded from federal adjusted gross income in~~
 21.4 ~~the years when the payments were made;~~
 21.5 ~~(3) surplus food or other relief in kind supplied by a governmental agency;~~
 21.6 ~~(4) relief granted under chapter 290A;~~
 21.7 ~~(5) child support payments received under a temporary or final decree of dissolution or~~
 21.8 ~~legal separation; and~~
 21.9 ~~(6) restitution payments received by eligible individuals and excludable interest as~~
 21.10 ~~defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001,~~
 21.11 ~~Public Law 107-16.~~

21.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 21.13 31, 2022.

21.14 Sec. 13. Minnesota Statutes 2022, section 290.0674, is amended by adding a subdivision
 21.15 to read:

21.16 Subd. 2b. **Inflation adjustment.** The commissioner shall annually adjust the dollar
 21.17 amount of the income threshold at which the maximum credit begins to be reduced under
 21.18 subdivision 2 as provided in section 270C.22. The statutory year is taxable year 2023.

21.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 21.20 31, 2023.

21.21 Sec. 14. Minnesota Statutes 2022, section 290.0677, subdivision 1, is amended to read:

21.22 Subdivision 1. **Credit allowed; current military service.** (a) An individual is allowed
 21.23 a credit against the tax due under this chapter equal to \$59 for each month or portion thereof
 21.24 that the individual was in active military service in a designated area after September 11,
 21.25 2001, and before January 1, 2009, while a Minnesota domiciliary.

21.26 (b) An individual is allowed a credit against the tax due under this chapter equal to \$120
 21.27 for each month or portion thereof that the individual was in active military service in a
 21.28 designated area after December 31, 2008, while a Minnesota domiciliary.

21.29 (c) For active service performed after September 11, 2001, and before December 31,
 21.30 2006, the individual may claim the credit in the taxable year beginning after December 31,
 21.31 2005, and before January 1, 2007.

22.1 (d) For active service performed after December 31, 2006, the individual may claim the
 22.2 credit for the ~~taxable~~ calendar year in which the active service was performed.

22.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 22.4 31, 2022.

22.5 Sec. 15. Minnesota Statutes 2022, section 290.0681, subdivision 3, is amended to read:

22.6 Subd. 3. **Applications; allocations.** (a) To qualify for a credit or grant under this section,
 22.7 the developer of a project must apply to the office before the rehabilitation begins. The
 22.8 application must contain the information and be in the form prescribed by the office. The
 22.9 office may collect a fee for application of up to 0.5 percent of qualified rehabilitation
 22.10 expenditures, up to \$40,000, based on estimated qualified rehabilitation expenditures, to
 22.11 offset costs associated with personnel and administrative expenses related to administering
 22.12 the state or federal credit and preparing the economic impact report in subdivision 9.
 22.13 Application fees are deposited in the account. The application must indicate if the application
 22.14 is for a credit or a grant in lieu of the credit or a combination of the two and designate the
 22.15 taxpayer qualifying for the credit or the recipient of the grant.

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

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

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

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

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

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

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

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

23.6 **EFFECTIVE DATE.** This section is effective July 1, 2023.

23.7 Sec. 16. Minnesota Statutes 2022, section 290.0681, subdivision 10, is amended to read:

23.8 Subd. 10. **Sunset.** This section expires after fiscal year ~~2022~~ 2031, except that the office's
23.9 authority to issue credit certificates under subdivision 4 based on allocation certificates that
23.10 were issued before fiscal year ~~2023~~ 2032 remains in effect through ~~2025~~ 2035, and the
23.11 reporting requirements in subdivision 9 remain in effect through the year following the year
23.12 in which all allocation certificates have either been canceled or resulted in issuance of credit
23.13 certificates, or ~~2026~~ 2036, whichever is earlier.

23.14 **EFFECTIVE DATE.** This section is effective July 1, 2023.

23.15 Sec. 17. **[290.0687] MINNESOTA CHILD TAX CREDIT.**

23.16 **Subdivision 1. Definitions.** For purposes of this section, the following terms have the
23.17 meanings given:

23.18 (1) "child" means a qualifying child, as defined in section 152(c) of the Internal Revenue
23.19 Code, who was under 18 years of age at the end of the taxable year;

23.20 (2) "credit" means the Minnesota Child Tax Credit allowed by this section;

23.21 (3) "disabled adult child" means a qualifying child, as defined in section 152(c) of the
23.22 Internal Revenue Code, who was:

23.23 (i) at least 18 years of age at the end of the taxable year; and

23.24 (ii) at any time during the taxable year was permanently and totally disabled, as defined
23.25 in section 22(e)(3) of the Internal Revenue Code; and

23.26 (4) "threshold amount" means:

23.27 (i) \$33,300 for individuals who are not married;

23.28 (ii) \$50,000 for married taxpayers filing a joint return; and

23.29 (iii) \$25,000 for married taxpayers filing separate returns.

24.1 Subd. 2. **Credit allowed.** Residents and part-year residents are allowed a credit against
24.2 the tax due under this chapter in an amount equal to \$1,000 per child or disabled adult child.

24.3 Subd. 3. **Limitations.** (a) The maximum total credit allowed to a taxpayer for the taxable
24.4 year is \$3,000.

24.5 (b) The maximum credit, as determined in paragraph (a), is reduced by \$100 for each
24.6 \$1,000 by which the taxpayer's adjusted gross income exceeds the threshold amount. In no
24.7 case is the credit less than zero.

24.8 (c) For part-year residents, the credit must be allocated based on the percentage calculated
24.9 under section 290.06, subdivision 2c, paragraph (e).

24.10 (d) For purposes of this subdivision, marital status is determined under section 7703 of
24.11 the Internal Revenue Code.

24.12 Subd. 4. **Credit refundable.** If the amount of credit which the claimant is eligible to
24.13 receive under this section exceeds the claimant's tax liability under this chapter, the
24.14 commissioner shall refund the excess to the claimant.

24.15 Subd. 5. **Inflation adjustment.** The commissioner must annually adjust the credit amount
24.16 under subdivision 2, the dollar amount of the income threshold at which the maximum credit
24.17 begins to be reduced under subdivision 3, and the maximum credit, as provided in section
24.18 270C.22. The statutory year is taxable year 2023.

24.19 Subd. 6. **Appropriation.** An amount sufficient to pay the refunds required by this section
24.20 is appropriated to the commissioner from the general fund.

24.21 Subd. 7. **Sunset.** This section expires for taxable years beginning after December 31,
24.22 2030. The expiration of this section does not affect the commissioner's authority to audit
24.23 or power of examination and assessment for credits claimed under this section.

24.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
24.25 31, 2022.

24.26 Sec. 18. Minnesota Statutes 2022, section 290.091, subdivision 2, as amended by Laws
24.27 2023, chapter 1, section 18, is amended to read:

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

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

- 25.1 (1) the taxpayer's federal alternative minimum taxable income as defined in section
25.2 55(b)(1)(D) of the Internal Revenue Code;
- 25.3 (2) the taxpayer's itemized deductions allowed in computing federal alternative minimum
25.4 taxable income, but excluding:
- 25.5 (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;
- 25.6 (ii) the medical expense deduction;
- 25.7 (iii) the casualty, theft, and disaster loss deduction; and
- 25.8 (iv) the impairment-related work expenses of a person with a disability;
- 25.9 (3) for depletion allowances computed under section 613A(c) of the Internal Revenue
25.10 Code, with respect to each property (as defined in section 614 of the Internal Revenue Code),
25.11 to the extent not included in federal alternative minimum taxable income, the excess of the
25.12 deduction for depletion allowable under section 611 of the Internal Revenue Code for the
25.13 taxable year over the adjusted basis of the property at the end of the taxable year (determined
25.14 without regard to the depletion deduction for the taxable year);
- 25.15 (4) to the extent not included in federal alternative minimum taxable income, the amount
25.16 of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue
25.17 Code determined without regard to subparagraph (E);
- 25.18 (5) to the extent not included in federal alternative minimum taxable income, the amount
25.19 of interest income as provided by section 290.0131, subdivision 2;
- 25.20 (6) the amount of addition required by section 290.0131, subdivisions 9, 10, and 16;
- 25.21 (7) the deduction allowed under section 199A of the Internal Revenue Code, to the extent
25.22 not included in the addition required under clause (6); and
- 25.23 (8) to the extent not included in federal alternative minimum taxable income, the amount
25.24 of foreign-derived intangible income deducted under section 250 of the Internal Revenue
25.25 Code;
- 25.26 less the sum of the amounts determined under the following:
- 25.27 (i) interest income as defined in section 290.0132, subdivision 2;
- 25.28 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision
25.29 3, to the extent included in federal alternative minimum taxable income;
- 25.30 (iii) the amount of investment interest paid or accrued within the taxable year on
25.31 indebtedness to the extent that the amount does not exceed net investment income, as defined

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

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

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

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

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

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

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

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

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

26.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 26.21 31, 2022.

26.22 Sec. 19. Laws 2023, chapter 1, section 15, the effective date, is amended to read:

26.23 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
 26.24 after December 31, ~~2022~~ 2019.

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

26.26 Sec. 20. **HISTORIC STRUCTURE REHABILITATION CREDIT; SPECIAL**
 26.27 **PROVISION.**

26.28 For the purposes of the credit under Minnesota Statutes, section 290.0681, projects that
 26.29 have started rehabilitation work after June 30, 2022, and before July 1, 2023, that otherwise

27.1 meet all other requirements of Minnesota Statutes, section 290.0681, subdivision 3, may
 27.2 be eligible for the credit if the application is received within 60 days of July 1, 2023.

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

27.4 Sec. 21. **REVIVAL AND REENACTMENT OF EXPIRED PROVISIONS.**

27.5 (a) The expired provisions of Minnesota Statutes, section 116J.8737, subdivisions 1 to
 27.6 9, 11, and 12, as amended by Laws 2021, First Special Session chapter 14, article 1, sections
 27.7 1 and 2, and sections 1 and 2 of this article, are revived and reenacted.

27.8 (b) The expired provisions of Minnesota Statutes, section 290.0692, are revived and
 27.9 reenacted.

27.10 (c) The expired provisions of Minnesota Statutes, section 290.0681, subdivisions 1 to
 27.11 10, as amended by Laws 2021, First Special Session chapter 14, article 1, section 11, and
 27.12 sections 13 to 18 of this article, are revived and reenacted.

27.13 **EFFECTIVE DATE.** Paragraphs (a) and (b) are effective retroactively for taxable years
 27.14 beginning after December 31, 2022. Paragraph (c) is effective for applications for allocation
 27.15 certificates submitted beginning July 1, 2023.

27.16 Sec. 22. **REPEALER.**

27.17 Minnesota Statutes 2022, section 290.0132, subdivision 33, as added by Laws 2023,
 27.18 chapter 1, section 12, is repealed.

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

27.20 **ARTICLE 2**

27.21 **ADVANCE PAYMENT AND ONE-TIME REFUNDABLE CREDIT**

27.22 Section 1. **2023 ADVANCE PAYMENT AND ONE-TIME REFUNDABLE CREDIT.**

27.23 Subdivision 1. **Credit allowed; eligibility.** (a) An individual is allowed a credit against
 27.24 the tax imposed under Minnesota Statutes, chapter 290. The credit equals \$1,000 for an
 27.25 individual who files an income tax return as a single person or as a married person who
 27.26 files a married filing separate income tax return and \$2,000 for all other income tax filers.

27.27 (b) For an individual, or a married couple filing a joint income tax return, with a
 27.28 dependent, as defined in sections 151 and 152 of the Internal Revenue Code, the credit is
 27.29 increased by \$200 per dependent up to a maximum additional credit of \$600.

28.1 (c) The maximum combined credit under this subdivision is \$1,600 for an individual
28.2 who files an income tax return as a single person or as a married individual who files a
28.3 married filing separate income tax return and \$2,600 for all other income tax filers.

28.4 (d) The credit is not available to an individual who:

28.5 (1) is not a resident of Minnesota, as defined in Minnesota Statutes, section 290.01,
28.6 subdivision 7, during any part of 2023;

28.7 (2) is a dependent, as defined in sections 151 and 152 of the Internal Revenue Code, for
28.8 2023; and

28.9 (3) has adjusted gross income, as defined in Minnesota Statutes, section 290.01,
28.10 subdivision 21a, for 2023 greater than:

28.11 (i) \$75,000 for an individual who files an income tax return as a single person or as a
28.12 married person who files a married filing separate income tax return; and

28.13 (ii) \$150,000 for all other income tax filers.

28.14 (e) For an individual who was a Minnesota resident for only part of 2023, or for a married
28.15 couple filing a joint return where one or both individuals were Minnesota residents for only
28.16 part of 2023, the credit equals the credit allowed under paragraph (a) times the percentage
28.17 calculated under Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e).

28.18 (f) If the amount of the credit under this subdivision exceeds the individual's or the
28.19 married couple's liability for tax under Minnesota Statutes, chapter 290, the commissioner
28.20 shall refund the excess to the taxpayer.

28.21 (g) The credit applies to taxable years beginning after December 31, 2022, and before
28.22 January 1, 2024.

28.23 Subd. 2. **Advance payment of credit.** (a) The commissioner of revenue may issue a
28.24 taxpayer an advance payment of the credit provided in subdivision 1. To be eligible for an
28.25 advance payment, the commissioner must reasonably believe the taxpayer will be eligible
28.26 for the credit, and the taxpayer must have filed, before January 1, 2023:

28.27 (1) an individual income tax return for tax year 2021; or

28.28 (2) a property tax refund return under Minnesota Statutes, chapter 290A, based on
28.29 property taxes payable in 2022 or rent constituting property taxes paid in 2021.

28.30 (b) The commissioner may contract with a third party to implement all or part of the
28.31 payment process.

29.1 (c) The commissioner must not issue an advance payment to any taxpayer who:

29.2 (1) was not a resident of Minnesota on December 31, 2021;

29.3 (2) was a dependent, as defined in sections 151 and 152 of the Internal Revenue Code,
29.4 for 2021;

29.5 (3) had adjusted gross income, as defined in Minnesota Statutes, section 290.01,
29.6 subdivision 21a, for 2021 greater than (i) \$50,000 for an individual who filed an income
29.7 tax return as a single person or as a married individual who filed a married filing separate
29.8 income tax return, or (ii) \$100,000 for all other income tax filers; or

29.9 (4) died before January 1, 2023.

29.10 (d) The advance payment under this section shall be paid by the commissioner of revenue
29.11 based on information available in the commissioner's records, and individuals are not
29.12 required to file a claim with the commissioner. The decision of the commissioner to not
29.13 make an advance payment to a taxpayer is not appealable.

29.14 (e) The commissioner of revenue must make a joint advance payment to individuals
29.15 who filed a joint income tax return for 2021. If individuals who receive a joint advance
29.16 payment do not file a joint tax return with each other for 2023, each spouse is deemed to
29.17 have received an advance payment equal to one-half of the joint payment.

29.18 Subd. 3. **Payments to taxpayers who do not receive an advance payment.** (a) A
29.19 taxpayer may claim any amount of unpaid credit on an individual income tax return for
29.20 2023 if the taxpayer was eligible for:

29.21 (1) the credit under subdivision 1 and did not receive an advance payment under
29.22 subdivision 2; or

29.23 (2) the additional credit under subdivision 1, paragraph (a), clause (2), and did not receive
29.24 an advance payment for the full amount of the credit.

29.25 (b) The credit allowed to a taxpayer under this subdivision is reduced by any advance
29.26 payment received under subdivision 2. The credit allowed for married taxpayers who file
29.27 a joint return in 2023 is reduced by any advance payment received under subdivision 2 by
29.28 either spouse.

29.29 (c) No credit under paragraph (a), clause (2), is allowed unless the TIN of the dependent,
29.30 as defined in section 7701(a)(41) of the Internal Revenue Code, is included on the tax return
29.31 that lists the individual as a dependent.

30.1 Subd. 4. **Repayment of advance payment.** (a) An individual or married couple who
30.2 receives an advance payment under subdivision 2 but who does not meet eligibility for the
30.3 credit under subdivision 1, paragraph (a), or does not meet eligibility for the amount of the
30.4 advance payment of the credit allowed under subdivision (1), paragraph (b), must repay the
30.5 amount of the overpayment to the commissioner of revenue. Repayment is due on April
30.6 15, 2024.

30.7 (b) All provisions not inconsistent with this section under Minnesota Statutes, chapters
30.8 270C and 289A, relating to collection, audit, assessment, refunds, penalty, interest,
30.9 enforcement, collection remedies, appeal, and administration of individual income tax apply
30.10 to this section.

30.11 (c) The commissioner may issue an order of assessment under Minnesota Statutes,
30.12 section 270C.33, to recover an advance payment made under subdivision 2 that is issued
30.13 to a person not eligible for the credit. The assessment must be made within the period for
30.14 assessing tax for the 2023 individual income tax under Minnesota Statutes, section 289A.38.

30.15 Subd. 5. **Internal Revenue Code.** References to the Internal Revenue Code in this
30.16 section are to the Internal Revenue Code of 1986, as amended, that is in effect under
30.17 Minnesota Statutes, section 290.01, for the taxable year to which the reference relates.

30.18 Subd. 6. **Data classification.** Data classified as nonpublic data or private data on
30.19 individuals, including return information, as defined in Minnesota Statutes, section 270B.01,
30.20 subdivision 3, may be shared or disclosed between the commissioner of revenue and any
30.21 third-party vendor contracted with under this section, to the extent necessary to administer
30.22 advance payments under this section.

30.23 Subd. 7. **Advance payment not subject to set off.** The commissioner of revenue must
30.24 not apply, and must not certify to another agency to apply, an advance payment to any
30.25 unpaid tax or nontax debt.

30.26 Subd. 8. **Not income.** (a) An advance payment or refund of a credit under this section
30.27 is not considered income in determining Minnesota income tax, Minnesota income tax
30.28 credits, the Minnesota property tax refund, or the Minnesota senior citizen property tax
30.29 deferral.

30.30 (b) Notwithstanding any law to the contrary, the advance payment or credit under this
30.31 section must not be considered income, assets, or personal property for purposes of
30.32 determining eligibility or recertifying eligibility for:

30.33 (1) child care assistance programs under Minnesota Statutes, chapter 119B;

31.1 (2) general assistance, Minnesota supplemental aid, and food support under Minnesota
 31.2 Statutes, chapter 256D;

31.3 (3) housing support under Minnesota Statutes, chapter 256I;

31.4 (4) the Minnesota family investment program and diversionary work program under
 31.5 Minnesota Statutes, chapter 256J; and

31.6 (5) economic assistance programs under Minnesota Statutes, chapter 256P.

31.7 (c) The commissioner of human services must not consider an advance payment or credit
 31.8 under this section as income or assets under Minnesota Statutes, section 256B.056,
 31.9 subdivisions 1a, paragraph (a); 3; or 3c, or for persons with eligibility determined under
 31.10 Minnesota Statutes, section 256B.057, subdivisions 3, 3a, or 3b.

31.11 Subd. 9. **Procurement.** The commissioner of revenue is exempt from the requirements
 31.12 of Minnesota Statutes, section 16A.15, subdivision 3; 16B.97; and 16B.98, subdivisions 5,
 31.13 7, and 8; and chapter 16C, and any other state procurement laws and procedures in
 31.14 administering this section.

31.15 Subd. 10. **Appropriation.** The amount necessary to make the advance payments and
 31.16 refunds payable under this section is appropriated to the commissioner of revenue from the
 31.17 general fund.

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

31.19 **ARTICLE 3**

31.20 **SALES AND USE TAXES**

31.21 Section 1. Minnesota Statutes 2022, section 297A.61, is amended by adding a subdivision
 31.22 to read:

31.23 Subd. 59. **Cannabis.** "Cannabis" means any species of the genus cannabis plant, or any
 31.24 mixture or preparation of any species of the genus cannabis plant, including whole plant
 31.25 extracts and resins.

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

31.27 Sec. 2. Minnesota Statutes 2022, section 297A.61, is amended by adding a subdivision to
 31.28 read:

31.29 Subd. 60. **Adult-use cannabis.** "Adult-use cannabis" means cannabis, including cannabis
 31.30 extracts and resins, that produces or is advertised as producing intoxicating or mood-altering
 31.31 effects when consumed by any route of administration. Adult-use cannabis does not include

32.1 a product dispensed by a registered medical cannabis manufacturer under sections 152.22
32.2 to 152.37.

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

32.4 Sec. 3. Minnesota Statutes 2022, section 297A.61, is amended by adding a subdivision to
32.5 read:

32.6 Subd. 61. **Adult-use cannabis product.** "Adult-use cannabis product" means a cannabis
32.7 product that produces or is advertised as producing intoxicating or mood-altering effects
32.8 when consumed by any route of administration. Adult-use cannabis product does not include
32.9 a product dispensed by a registered medical cannabis manufacturer under sections 152.22
32.10 to 152.37.

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

32.12 Sec. 4. Minnesota Statutes 2022, section 297A.67, subdivision 2, is amended to read:

32.13 Subd. 2. **Food and food ingredients.** Except as otherwise provided in this subdivision,
32.14 food and food ingredients are exempt. For purposes of this subdivision, "food" and "food
32.15 ingredients" mean substances, whether in liquid, concentrated, solid, frozen, dried, or
32.16 dehydrated form, that are sold for ingestion or chewing by humans and are consumed for
32.17 their taste or nutritional value. Food and food ingredients exempt under this subdivision do
32.18 not include candy, soft drinks, dietary supplements, and prepared foods. Food and food
32.19 ingredients do not include alcoholic beverages and tobacco. Food and food ingredients do
32.20 not include adult-use cannabis and adult-use cannabis products. For purposes of this
32.21 subdivision, "alcoholic beverages" means beverages that are suitable for human consumption
32.22 and contain one-half of one percent or more of alcohol by volume. For purposes of this
32.23 subdivision, "tobacco" means cigarettes, cigars, chewing or pipe tobacco, or any other item
32.24 that contains tobacco. For purposes of this subdivision, "dietary supplements" means any
32.25 product, other than tobacco, intended to supplement the diet that:

32.26 (1) contains one or more of the following dietary ingredients:

32.27 (i) a vitamin;

32.28 (ii) a mineral;

32.29 (iii) an herb or other botanical;

32.30 (iv) an amino acid;

33.1 (v) a dietary substance for use by humans to supplement the diet by increasing the total
33.2 dietary intake; and

33.3 (vi) a concentrate, metabolite, constituent, extract, or combination of any ingredient
33.4 described in items (i) to (v);

33.5 (2) is intended for ingestion in tablet, capsule, powder, softgel, gelcap, or liquid form,
33.6 or if not intended for ingestion in such form, is not represented as conventional food and is
33.7 not represented for use as a sole item of a meal or of the diet; and

33.8 (3) is required to be labeled as a dietary supplement, identifiable by the supplement facts
33.9 box found on the label and as required pursuant to Code of Federal Regulations, title 21,
33.10 section 101.36.

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

33.12 Sec. 5. Minnesota Statutes 2022, section 297A.67, subdivision 7, is amended to read:

33.13 Subd. 7. **Drugs; medical devices.** (a) Sales of the following drugs and medical devices
33.14 for human use are exempt:

33.15 (1) drugs, including over-the-counter drugs;

33.16 (2) single-use finger-pricking devices for the extraction of blood and other single-use
33.17 devices and single-use diagnostic agents used in diagnosing, monitoring, or treating diabetes;

33.18 (3) insulin and medical oxygen for human use, regardless of whether prescribed or sold
33.19 over the counter;

33.20 (4) prosthetic devices;

33.21 (5) durable medical equipment for home use only;

33.22 (6) mobility enhancing equipment;

33.23 (7) prescription corrective eyeglasses; and

33.24 (8) kidney dialysis equipment, including repair and replacement parts.

33.25 (b) Items purchased in transactions covered by:

33.26 (1) Medicare as defined under title XVIII of the Social Security Act, United States Code,
33.27 title 42, section 1395, et seq.; or

33.28 (2) Medicaid as defined under title XIX of the Social Security Act, United States Code,
33.29 title 42, section 1396, et seq.

33.30 (c) For purposes of this subdivision:

34.1 (1) "Drug" means a compound, substance, or preparation, and any component of a
34.2 compound, substance, or preparation, other than food and food ingredients, dietary
34.3 supplements, adult-use cannabis, adult-use cannabis products, or alcoholic beverages that
34.4 is:

34.5 (i) recognized in the official United States Pharmacopoeia, official Homeopathic
34.6 Pharmacopoeia of the United States, or official National Formulary, and supplement to any
34.7 of them;

34.8 (ii) intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease;
34.9 or

34.10 (iii) intended to affect the structure or any function of the body.

34.11 (2) "Durable medical equipment" means equipment, including repair and replacement
34.12 parts, including single-patient use items, but not including mobility enhancing equipment,
34.13 that:

34.14 (i) can withstand repeated use;

34.15 (ii) is primarily and customarily used to serve a medical purpose;

34.16 (iii) generally is not useful to a person in the absence of illness or injury; and

34.17 (iv) is not worn in or on the body.

34.18 For purposes of this clause, "repair and replacement parts" includes all components or
34.19 attachments used in conjunction with the durable medical equipment, including repair and
34.20 replacement parts which are for single patient use only.

34.21 (3) "Mobility enhancing equipment" means equipment, including repair and replacement
34.22 parts, but not including durable medical equipment, that:

34.23 (i) is primarily and customarily used to provide or increase the ability to move from one
34.24 place to another and that is appropriate for use either in a home or a motor vehicle;

34.25 (ii) is not generally used by persons with normal mobility; and

34.26 (iii) does not include any motor vehicle or equipment on a motor vehicle normally
34.27 provided by a motor vehicle manufacturer.

34.28 (4) "Over-the-counter drug" means a drug that contains a label that identifies the product
34.29 as a drug as required by Code of Federal Regulations, title 21, section 201.66. The label
34.30 must include a "drug facts" panel or a statement of the active ingredients with a list of those
34.31 ingredients contained in the compound, substance, or preparation. Over-the-counter drugs

35.1 do not include grooming and hygiene products, regardless of whether they otherwise meet
 35.2 the definition. "Grooming and hygiene products" are soaps, cleaning solutions, shampoo,
 35.3 toothpaste, mouthwash, antiperspirants, and suntan lotions and sunscreens.

35.4 (5) "Prescribed" and "prescription" means a direction in the form of an order, formula,
 35.5 or recipe issued in any form of oral, written, electronic, or other means of transmission by
 35.6 a duly licensed health care professional.

35.7 (6) "Prosthetic device" means a replacement, corrective, or supportive device, including
 35.8 repair and replacement parts, worn on or in the body to:

35.9 (i) artificially replace a missing portion of the body;

35.10 (ii) prevent or correct physical deformity or malfunction; or

35.11 (iii) support a weak or deformed portion of the body.

35.12 Prosthetic device does not include corrective eyeglasses.

35.13 (7) "Kidney dialysis equipment" means equipment that:

35.14 (i) is used to remove waste products that build up in the blood when the kidneys are not
 35.15 able to do so on their own; and

35.16 (ii) can withstand repeated use, including multiple use by a single patient, notwithstanding
 35.17 the provisions of clause (2).

35.18 (8) A transaction is covered by Medicare or Medicaid if any portion of the cost of the
 35.19 item purchased in the transaction is paid for or reimbursed by the federal government or
 35.20 the state of Minnesota pursuant to the Medicare or Medicaid program, by a private insurance
 35.21 company administering the Medicare or Medicaid program on behalf of the federal
 35.22 government or the state of Minnesota, or by a managed care organization for the benefit of
 35.23 a patient enrolled in a prepaid program that furnishes medical services in lieu of conventional
 35.24 Medicare or Medicaid coverage pursuant to agreement with the federal government or the
 35.25 state of Minnesota.

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

35.27 Sec. 6. Minnesota Statutes 2022, section 297A.70, subdivision 2, is amended to read:

35.28 Subd. 2. **Sales to government.** (a) All sales, except those listed in paragraph (b), to the
 35.29 following governments and political subdivisions, or to the listed agencies or instrumentalities
 35.30 of governments and political subdivisions, are exempt:

35.31 (1) the United States and its agencies and instrumentalities;

36.1 (2) school districts, local governments, the University of Minnesota, state universities,
36.2 community colleges, technical colleges, state academies, the Perpich Minnesota Center for
36.3 Arts Education, and an instrumentality of a political subdivision that is accredited as an
36.4 optional/special function school by the North Central Association of Colleges and Schools;

36.5 (3) hospitals and nursing homes owned and operated by political subdivisions of the
36.6 state of tangible personal property and taxable services used at or by hospitals and nursing
36.7 homes;

36.8 (4) notwithstanding paragraph (d), the sales and purchases by the Metropolitan Council
36.9 of vehicles and repair parts to equip operations provided for in section 473.4051 are exempt
36.10 through December 31, 2016;

36.11 (5) other states or political subdivisions of other states, if the sale would be exempt from
36.12 taxation if it occurred in that state; and

36.13 (6) public libraries, public library systems, multicounty, multitype library systems as
36.14 defined in section 134.001, county law libraries under chapter 134A, state agency libraries,
36.15 the state library under section 480.09, and the Legislative Reference Library.

36.16 (b) This exemption does not apply to the sales of the following products and services:

36.17 (1) building, construction, or reconstruction materials purchased by a contractor or a
36.18 subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed
36.19 maximum price covering both labor and materials for use in the construction, alteration, or
36.20 repair of a building or facility;

36.21 (2) construction materials purchased by tax exempt entities or their contractors to be
36.22 used in constructing buildings or facilities which will not be used principally by the tax
36.23 exempt entities;

36.24 (3) the leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except
36.25 for leases entered into by the United States or its agencies or instrumentalities;

36.26 (4) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2),
36.27 and prepared food, candy, soft drinks, ~~and~~ alcoholic beverages as defined in section 297A.67,
36.28 subdivision 2, adult-use cannabis, and adult-use cannabis products except for lodging,
36.29 prepared food, candy, soft drinks, ~~and~~ alcoholic beverages, adult-use cannabis, and adult-use
36.30 cannabis products purchased directly by the United States or its agencies or instrumentalities;
36.31 or

37.1 (5) goods or services purchased by a local government as inputs to a liquor store, gas
 37.2 or electric utility, solid waste hauling service, solid waste recycling service, landfill, golf
 37.3 course, marina, campground, cafe, or laundromat.

37.4 (c) As used in this subdivision, "school districts" means public school entities and districts
 37.5 of every kind and nature organized under the laws of the state of Minnesota, and any
 37.6 instrumentality of a school district, as defined in section 471.59.

37.7 (d) For purposes of the exemption granted under this subdivision, "local governments"
 37.8 has the following meaning:

37.9 (1) for the period prior to January 1, 2017, local governments means statutory or home
 37.10 rule charter cities, counties, and townships; and

37.11 (2) beginning January 1, 2017, local governments means statutory or home rule charter
 37.12 cities, counties, and townships; special districts as defined under section 6.465; any
 37.13 instrumentality of a statutory or home rule charter city, county, or township as defined in
 37.14 section 471.59; and any joint powers board or organization created under section 471.59.

37.15 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
 37.16 30, 2023.

37.17 Sec. 7. Minnesota Statutes 2022, section 297A.70, subdivision 4, is amended to read:

37.18 Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph (b),
 37.19 to the following "nonprofit organizations" are exempt:

37.20 (1) a corporation, society, association, foundation, or institution organized and operated
 37.21 exclusively for charitable, religious, or educational purposes if the item purchased is used
 37.22 in the performance of charitable, religious, or educational functions;

37.23 (2) any senior citizen group or association of groups that:

37.24 (i) in general limits membership to persons who are either age 55 or older, or persons
 37.25 with a physical disability;

37.26 (ii) is organized and operated exclusively for pleasure, recreation, and other nonprofit
 37.27 purposes, not including housing, no part of the net earnings of which inures to the benefit
 37.28 of any private shareholders; and

37.29 (iii) is an exempt organization under section 501(c) of the Internal Revenue Code; and

37.30 (3) an organization that qualifies for an exemption for memberships under subdivision
 37.31 12 if the item is purchased and used in the performance of the organization's mission.

38.1 For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery
38.2 owned by a religious organization.

38.3 (b) This exemption does not apply to the following sales:

38.4 (1) building, construction, or reconstruction materials purchased by a contractor or a
38.5 subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed
38.6 maximum price covering both labor and materials for use in the construction, alteration, or
38.7 repair of a building or facility;

38.8 (2) construction materials purchased by tax-exempt entities or their contractors to be
38.9 used in constructing buildings or facilities that will not be used principally by the tax-exempt
38.10 entities;

38.11 (3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2),
38.12 and prepared food, candy, soft drinks, ~~and~~ alcoholic beverages as defined in section 297A.67,
38.13 subdivision 2, except wine purchased by an established religious organization for sacramental
38.14 purposes or as allowed under subdivision 9a, adult-use cannabis, and adult-use cannabis
38.15 products; and

38.16 (4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except as
38.17 provided in paragraph (c).

38.18 (c) This exemption applies to the leasing of a motor vehicle as defined in section 297B.01,
38.19 subdivision 11, only if the vehicle is:

38.20 (1) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a
38.21 passenger automobile, as defined in section 168.002, if the automobile is designed and used
38.22 for carrying more than nine persons including the driver; and

38.23 (2) intended to be used primarily to transport tangible personal property or individuals,
38.24 other than employees, to whom the organization provides service in performing its charitable,
38.25 religious, or educational purpose.

38.26 (d) A limited liability company also qualifies for exemption under this subdivision if
38.27 (1) it consists of a sole member that would qualify for the exemption, and (2) the items
38.28 purchased qualify for the exemption.

38.29 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
38.30 30, 2023.

39.1 Sec. 8. Minnesota Statutes 2022, section 297A.70, subdivision 18, is amended to read:

39.2 Subd. 18. **Nursing homes and boarding care homes.** (a) All sales, except those listed
39.3 in paragraph (b), to a nursing home licensed under section 144A.02 or a boarding care home
39.4 certified as a nursing facility under title 19 of the Social Security Act are exempt if the
39.5 facility:

39.6 (1) is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal
39.7 Revenue Code; and

39.8 (2) is certified to participate in the medical assistance program under title 19 of the Social
39.9 Security Act, or certifies to the commissioner that it does not discharge residents due to the
39.10 inability to pay.

39.11 (b) This exemption does not apply to the following sales:

39.12 (1) building, construction, or reconstruction materials purchased by a contractor or a
39.13 subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed
39.14 maximum price covering both labor and materials for use in the construction, alteration, or
39.15 repair of a building or facility;

39.16 (2) construction materials purchased by tax-exempt entities or their contractors to be
39.17 used in constructing buildings or facilities that will not be used principally by the tax-exempt
39.18 entities;

39.19 (3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2),
39.20 and prepared food, candy, soft drinks, ~~and~~ alcoholic beverages as defined in section 297A.67,
39.21 subdivision 2, adult-use cannabis, and adult-use cannabis products; and

39.22 (4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except as
39.23 provided in paragraph (c).

39.24 (c) This exemption applies to the leasing of a motor vehicle as defined in section 297B.01,
39.25 subdivision 11, only if the vehicle is:

39.26 (1) a truck, as defined in section 168.002; a bus, as defined in section 168.002; or a
39.27 passenger automobile, as defined in section 168.002, if the automobile is designed and used
39.28 for carrying more than nine persons including the driver; and

39.29 (2) intended to be used primarily to transport tangible personal property or residents of
39.30 the nursing home or boarding care home.

39.31 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
39.32 30, 2023.

40.1 Sec. 9. Minnesota Statutes 2022, section 297A.71, is amended by adding a subdivision to
40.2 read:

40.3 Subd. 54. Construction materials purchased by contractors; exemption for certain
40.4 entities. (a) Materials and supplies used or consumed in and equipment incorporated into
40.5 the construction, reconstruction, repair, maintenance, or improvement of buildings or
40.6 facilities used principally by the following entities are exempt if purchased after June 30,
40.7 2021, and before January 1, 2025:

40.8 (1) school districts, as defined under section 297A.70, subdivision 2, paragraph (c);

40.9 (2) local governments, as defined under section 297A.70, subdivision 2, paragraph (d);

40.10 (3) hospitals and nursing homes owned and operated by political subdivisions of the
40.11 state, as described under section 297A.70, subdivision 2, paragraph (a), clause (3);

40.12 (4) county law libraries under chapter 134A and public libraries, regional public library
40.13 systems, and multicounty, multitype library systems, as defined in section 134.001;

40.14 (5) nonprofit groups, as defined under section 297A.70, subdivision 4;

40.15 (6) hospitals, outpatient surgical centers, and critical access dental providers, as defined
40.16 under section 297A.70, subdivision 7; and

40.17 (7) nursing homes and boarding care homes, as defined under section 297A.70,
40.18 subdivision 18.

40.19 (b) Materials and supplies used or consumed in and equipment incorporated into the
40.20 construction, reconstruction, repair, maintenance, or improvement of public infrastructure
40.21 of any kind, including but not limited to roads, bridges, culverts, drinking water facilities,
40.22 and wastewater facilities, purchased by a contractor, subcontractor, or builder as part of a
40.23 contract with the following entities are exempt if purchased after June 30, 2021, and before
40.24 January 1, 2025:

40.25 (1) school districts, as defined under section 297A.70, subdivision 2, paragraph (c); or

40.26 (2) local governments, as defined under section 297A.70, subdivision 2, paragraph (d).

40.27 (c) The tax on purchases exempt under this subdivision must be imposed and collected
40.28 as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner
40.29 provided in section 297A.75. Claims for refund for sales tax paid on eligible purchases must
40.30 be filed by February 28, 2025. Refunds for eligible purchases must not be issued after June
40.31 30, 2025.

41.1 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
41.2 made after June 30, 2021, and before January 1, 2025.

41.3 Sec. 10. Minnesota Statutes 2022, section 297A.75, subdivision 1, is amended to read:

41.4 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following
41.5 exempt items must be imposed and collected as if the sale were taxable and the rate under
41.6 section 297A.62, subdivision 1, applied. The exempt items include:

41.7 (1) building materials for an agricultural processing facility exempt under section
41.8 297A.71, subdivision 13;

41.9 (2) building materials for mineral production facilities exempt under section 297A.71,
41.10 subdivision 14;

41.11 (3) building materials for correctional facilities under section 297A.71, subdivision 3;

41.12 (4) building materials used in a residence for veterans with a disability exempt under
41.13 section 297A.71, subdivision 11;

41.14 (5) elevators and building materials exempt under section 297A.71, subdivision 12;

41.15 (6) materials and supplies for qualified low-income housing under section 297A.71,
41.16 subdivision 23;

41.17 (7) materials, supplies, and equipment for municipal electric utility facilities under
41.18 section 297A.71, subdivision 35;

41.19 (8) equipment and materials used for the generation, transmission, and distribution of
41.20 electrical energy and an aerial camera package exempt under section 297A.68, subdivision
41.21 37;

41.22 (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph
41.23 (a), clause (10);

41.24 (10) materials, supplies, and equipment for construction or improvement of projects and
41.25 facilities under section 297A.71, subdivision 40;

41.26 (11) materials, supplies, and equipment for construction, improvement, or expansion of
41.27 a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision 45;

41.28 (12) enterprise information technology equipment and computer software for use in a
41.29 qualified data center exempt under section 297A.68, subdivision 42;

41.30 (13) materials, supplies, and equipment for qualifying capital projects under section
41.31 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);

42.1 (14) items purchased for use in providing critical access dental services exempt under
42.2 section 297A.70, subdivision 7, paragraph (c);

42.3 (15) items and services purchased under a business subsidy agreement for use or
42.4 consumption primarily in greater Minnesota exempt under section 297A.68, subdivision
42.5 44;

42.6 (16) building materials, equipment, and supplies for constructing or replacing real
42.7 property exempt under section 297A.71, subdivisions 49; 50, paragraph (b); and 51;

42.8 (17) building materials, equipment, and supplies for qualifying capital projects under
42.9 section 297A.71, subdivision 52; ~~and~~

42.10 (18) building materials, equipment, and supplies for constructing, remodeling, expanding,
42.11 or improving a fire station, police station, or related facilities exempt under section 297A.71,
42.12 subdivision 53; and

42.13 (19) building construction or reconstruction materials, supplies, and equipment exempt
42.14 under section 297A.71, subdivision 54.

42.15 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
42.16 made after June 30, 2021, and before January 1, 2025.

42.17 Sec. 11. Minnesota Statutes 2022, section 297A.75, subdivision 2, is amended to read:

42.18 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the
42.19 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items must
42.20 be paid to the applicant. Only the following persons may apply for the refund:

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

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

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

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

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

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

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

43.1 (8) for subdivision 1, clauses (9), (10), (13), (17), and (18), the applicant must be the
 43.2 governmental entity that owns or contracts for the project or facility; ~~and~~

43.3 (9) for subdivision 1, clause (16), the applicant must be the owner or developer of the
 43.4 building or project; and

43.5 (10) for subdivision 1, clause (19), the applicant must be the entity:

43.6 (i) listed in section 297A.71, subdivision 54, paragraph (a), that principally uses the
 43.7 building or facility; or

43.8 (ii) listed in section 297A.71, subdivision 54, paragraph (b), that contracts with a
 43.9 contractor, subcontractor, or builder for the public infrastructure project.

43.10 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
 43.11 made after June 30, 2021, and before January 1, 2025.

43.12 Sec. 12. Minnesota Statutes 2022, section 297A.75, subdivision 3, is amended to read:

43.13 Subd. 3. **Application.** (a) The application must include sufficient information to permit
 43.14 the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor,
 43.15 or builder, under subdivision 1, clauses (3) to (13) or (15) to ~~(18)~~ (19), the contractor,
 43.16 subcontractor, or builder must furnish to the refund applicant a statement including the cost
 43.17 of the exempt items and the taxes paid on the items unless otherwise specifically provided
 43.18 by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under
 43.19 this section.

43.20 (b) An applicant may not file more than two applications per calendar year for refunds
 43.21 for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

43.22 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
 43.23 made after June 30, 2021, and before January 1, 2025.

43.24 **ARTICLE 4**

43.25 **PROPERTY TAXES, AIDS, AND CREDITS**

43.26 Section 1. Minnesota Statutes 2022, section 273.124, subdivision 6, is amended to read:

43.27 Subd. 6. **Leasehold cooperatives.** When one or more dwellings or one or more buildings
 43.28 which each contain several dwelling units is owned by a nonprofit corporation subject to
 43.29 the provisions of chapter 317A and qualifying under section 501(c)(3) or 501(c)(4) of the
 43.30 Internal Revenue Code, or a limited partnership which corporation or partnership operates
 43.31 the property in conjunction with a cooperative association, and has received public financing,

44.1 homestead treatment may be claimed by the cooperative association on behalf of the members
44.2 of the cooperative for each dwelling unit occupied by a member of the cooperative. The
44.3 cooperative association must provide the assessor with the Social Security numbers or
44.4 individual taxpayer identification numbers of those members. To qualify for the treatment
44.5 provided by this subdivision, the following conditions must be met:

44.6 (a) the cooperative association must be organized under chapter 308A or 308B and all
44.7 voting members of the board of directors must be resident tenants of the cooperative and
44.8 must be elected by the resident tenants of the cooperative;

44.9 (b) the cooperative association must have a lease for occupancy of the property for a
44.10 term of at least 20 years, which permits the cooperative association, while not in default on
44.11 the lease, to participate materially in the management of the property, including material
44.12 participation in establishing budgets, setting rent levels, and hiring and supervising a
44.13 management agent;

44.14 (c) to the extent permitted under state or federal law, the cooperative association must
44.15 have a right under a written agreement with the owner to purchase the property if the owner
44.16 proposes to sell it; if the cooperative association does not purchase the property it is offered
44.17 for sale, the owner may not subsequently sell the property to another purchaser at a price
44.18 lower than the price at which it was offered for sale to the cooperative association unless
44.19 the cooperative association approves the sale;

44.20 (d) a minimum of 40 percent of the cooperative association's members must have incomes
44.21 at or less than 60 percent of area median gross income as determined by the United States
44.22 Secretary of Housing and Urban Development under section 142(d)(2)(B) of the Internal
44.23 Revenue Code. For purposes of this clause, "member income" means the income of a member
44.24 existing at the time the member acquires cooperative membership;

44.25 (e) if a limited partnership owns the property, it must include as the managing general
44.26 partner a nonprofit organization operating under the provisions of chapter 317A and
44.27 qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code and the limited
44.28 partnership agreement must provide that the managing general partner have sufficient powers
44.29 so that it materially participates in the management and control of the limited partnership;

44.30 (f) prior to becoming a member of a leasehold cooperative described in this subdivision,
44.31 a person must have received notice that (1) describes leasehold cooperative property in plain
44.32 language, including but not limited to the effects of classification under this subdivision on
44.33 rents, property taxes and tax credits or refunds, and operating expenses, and (2) states that
44.34 copies of the articles of incorporation and bylaws of the cooperative association, the lease

45.1 between the owner and the cooperative association, a sample sublease between the
45.2 cooperative association and a tenant, and, if the owner is a partnership, a copy of the limited
45.3 partnership agreement, can be obtained upon written request at no charge from the owner,
45.4 and the owner must send or deliver the materials within seven days after receiving any
45.5 request;

45.6 (g) if a dwelling unit of a building was occupied on the 60th day prior to the date on
45.7 which the unit became leasehold cooperative property described in this subdivision, the
45.8 notice described in paragraph (f) must have been sent by first class mail to the occupant of
45.9 the unit at least 60 days prior to the date on which the unit became leasehold cooperative
45.10 property. For purposes of the notice under this paragraph, the copies of the documents
45.11 referred to in paragraph (f) may be in proposed version, provided that any subsequent
45.12 material alteration of those documents made after the occupant has requested a copy shall
45.13 be disclosed to any occupant who has requested a copy of the document. Copies of the
45.14 articles of incorporation and certificate of limited partnership shall be filed with the secretary
45.15 of state after the expiration of the 60-day period unless the change to leasehold cooperative
45.16 status does not proceed;

45.17 (h) the county attorney of the county in which the property is located must certify to the
45.18 assessor that the property meets the requirements of this subdivision;

45.19 (i) the public financing received must be from at least one of the following sources:

45.20 (1) tax increment financing proceeds used for the acquisition or rehabilitation of the
45.21 building or interest rate write-downs relating to the acquisition of the building;

45.22 (2) government issued bonds exempt from taxes under section 103 of the Internal Revenue
45.23 Code, the proceeds of which are used for the acquisition or rehabilitation of the building;

45.24 (3) programs under section 221(d)(3), 202, or 236, of Title II of the National Housing
45.25 Act;

45.26 (4) rental housing program funds under Section 8 of the United States Housing Act of
45.27 1937, as amended, or the market rate family graduated payment mortgage program funds
45.28 administered by the Minnesota Housing Finance Agency that are used for the acquisition
45.29 or rehabilitation of the building;

45.30 (5) low-income housing credit under section 42 of the Internal Revenue Code;

45.31 (6) public financing provided by a local government used for the acquisition or
45.32 rehabilitation of the building, including grants or loans from (i) federal community

46.1 development block grants; (ii) HOME block grants; or (iii) residential rental bonds issued
46.2 under chapter 474A; or

46.3 (7) other rental housing program funds provided by the Minnesota Housing Finance
46.4 Agency for the acquisition or rehabilitation of the building;

46.5 (j) at the time of the initial request for homestead classification or of any transfer of
46.6 ownership of the property, the governing body of the municipality in which the property is
46.7 located must hold a public hearing and make the following findings:

46.8 (1) that the granting of the homestead treatment of the apartment's units will facilitate
46.9 safe, clean, affordable housing for the cooperative members that would otherwise not be
46.10 available absent the homestead designation;

46.11 (2) that the owner has presented information satisfactory to the governing body showing
46.12 that the savings garnered from the homestead designation of the units will be used to reduce
46.13 tenant's rents or provide a level of furnishing or maintenance not possible absent the
46.14 designation; and

46.15 (3) that the requirements of paragraphs (b), (d), and (i) have been met.

46.16 Homestead treatment must be afforded to units occupied by members of the cooperative
46.17 association and the units must be assessed as provided in subdivision 3, provided that any
46.18 unit not so occupied shall be classified and assessed pursuant to the appropriate class. No
46.19 more than three acres of land may, for assessment purposes, be included with each dwelling
46.20 unit that qualifies for homestead treatment under this subdivision.

46.21 When dwelling units no longer qualify under this subdivision, the current owner must
46.22 notify the assessor within 60 days. Failure to notify the assessor within 60 days shall result
46.23 in the loss of benefits under this subdivision for taxes payable in the year that the failure is
46.24 discovered. For these purposes, "benefits under this subdivision" means the difference in
46.25 the net tax capacity of the units which no longer qualify as computed under this subdivision
46.26 and as computed under the otherwise applicable law, times the local tax rate applicable to
46.27 the building for that taxes payable year. Upon discovery of a failure to notify, the assessor
46.28 shall inform the auditor of the difference in net tax capacity for the building or buildings in
46.29 which units no longer qualify, and the auditor shall calculate the benefits under this
46.30 subdivision. Such amount, plus a penalty equal to 100 percent of that amount, shall then be
46.31 demanded of the building's owner. The property owner may appeal the county's determination
46.32 by serving copies of a petition for review with county officials as provided in section 278.01
46.33 and filing a proof of service as provided in section 278.01 with the Minnesota Tax Court
46.34 within 60 days of the date of the notice from the county. The appeal shall be governed by

47.1 the Tax Court procedures provided in chapter 271, for cases relating to the tax laws as
47.2 defined in section 271.01, subdivision 5; disregarding sections 273.125, subdivision 5, and
47.3 278.03, but including section 278.05, subdivision 2. If the amount of the benefits under this
47.4 subdivision and penalty are not paid within 60 days, and if no appeal has been filed, the
47.5 county auditor shall certify the amount of the benefit and penalty to the succeeding year's
47.6 tax list to be collected as part of the property taxes on the affected buildings.

47.7 **EFFECTIVE DATE.** This section is effective retroactively for homestead applications
47.8 filed in 2023 and thereafter.

47.9 Sec. 2. Minnesota Statutes 2022, section 273.124, subdivision 13, is amended to read:

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

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

47.18 (c) Every property owner applying for homestead classification must furnish to the
47.19 county assessor the Social Security number or individual taxpayer identification number of
47.20 each occupant who is listed as an owner of the property on the deed of record, the name
47.21 and address of each owner who does not occupy the property, and the name and Social
47.22 Security number or individual taxpayer identification number of the spouse of each occupying
47.23 owner. The application must be signed by each owner who occupies the property and by
47.24 each owner's spouse who occupies the property, or, in the case of property that qualifies as
47.25 a homestead under subdivision 1, paragraph (c), by the qualifying relative.

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

47.30 Owners or spouses occupying residences owned by their spouses and previously occupied
47.31 with the other spouse, either of whom fail to include the other spouse's name and Social
47.32 Security number or individual taxpayer identification number on the homestead application
47.33 or provide the affidavits or other proof requested, will be deemed to have elected to receive

48.1 only partial homestead treatment of their residence. The remainder of the residence will be
48.2 classified as nonhomestead residential. When an owner or spouse's name and Social Security
48.3 number or individual taxpayer identification number appear on homestead applications for
48.4 two separate residences and only one application is signed, the owner or spouse will be
48.5 deemed to have elected to homestead the residence for which the application was signed.

48.6 (d) If residential real estate is occupied and used for purposes of a homestead by a relative
48.7 of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for
48.8 the property to receive homestead status, a homestead application must be filed with the
48.9 assessor. The Social Security number or individual taxpayer identification number of each
48.10 relative occupying the property and the name and Social Security number or individual
48.11 taxpayer identification number of the spouse of a relative occupying the property shall be
48.12 required on the homestead application filed under this subdivision. If a different relative of
48.13 the owner subsequently occupies the property, the owner of the property must notify the
48.14 assessor within 30 days of the change in occupancy. The Social Security number or individual
48.15 taxpayer identification number of a relative occupying the property or the spouse of a relative
48.16 occupying the property is private data on individuals as defined by section 13.02, subdivision
48.17 12, but may be disclosed to the commissioner of revenue, or, for the purposes of proceeding
48.18 under the Revenue Recapture Act to recover personal property taxes owing, to the county
48.19 treasurer.

48.20 (e) The homestead application shall also notify the property owners that if the property
48.21 is granted homestead status for any assessment year, that same property shall remain
48.22 classified as homestead until the property is sold or transferred to another person, or the
48.23 owners, the spouse of the owner, or the relatives no longer use the property as their
48.24 homestead. Upon the sale or transfer of the homestead property, a certificate of value must
48.25 be timely filed with the county auditor as provided under section 272.115. Failure to notify
48.26 the assessor within 30 days that the property has been sold, transferred, or that the owner,
48.27 the spouse of the owner, or the relative is no longer occupying the property as a homestead,
48.28 shall result in the penalty provided under this subdivision and the property will lose its
48.29 current homestead status.

48.30 (f) If a homestead application has not been filed with the county by December 31, the
48.31 assessor shall classify the property as nonhomestead for the current assessment year for
48.32 taxes payable in the following year, provided that the owner may be entitled to receive the
48.33 homestead classification by proper application under section 375.192.

48.34 **EFFECTIVE DATE.** This section is effective retroactively for homestead applications
48.35 filed in 2023 and thereafter.

49.1 Sec. 3. Minnesota Statutes 2022, section 273.124, subdivision 13a, is amended to read:

49.2 Subd. 13a. **Occupant list.** At the request of the commissioner, each county must give
49.3 the commissioner a list that includes the name and Social Security number or individual
49.4 taxpayer identification number of each occupant of homestead property who is the property
49.5 owner, property owner's spouse, qualifying relative of a property owner, or a spouse of a
49.6 qualifying relative. The commissioner shall use the information provided on the lists as
49.7 appropriate under the law, including for the detection of improper claims by owners, or
49.8 relatives of owners, under chapter 290A.

49.9 **EFFECTIVE DATE.** This section is effective for homestead data provided to the
49.10 commissioner in 2024 and thereafter.

49.11 Sec. 4. Minnesota Statutes 2022, section 273.124, subdivision 13c, is amended to read:

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

49.22 **EFFECTIVE DATE.** This section is effective for homestead data provided to the
49.23 commissioner in 2024 and thereafter.

49.24 Sec. 5. Minnesota Statutes 2022, section 273.124, subdivision 13d, is amended to read:

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

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

49.30 (2) the name and Social Security number or individual taxpayer identification number
49.31 of each occupant of homestead property who is the property owner or qualifying relative

50.1 of a property owner, and the spouse of the property owner who occupies homestead property
 50.2 or spouse of a qualifying relative of a property owner who occupies homestead property;

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

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

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

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

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

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

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

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

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

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

50.22 **EFFECTIVE DATE.** This section is effective for homestead data provided to the
 50.23 commissioner in 2024 and thereafter.

50.24 Sec. 6. Minnesota Statutes 2022, section 273.124, subdivision 14, is amended to read:

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

50.28 (1) the parcel on which the house is located is contiguous on at least two sides to (i)
 50.29 agricultural land, (ii) land owned or administered by the United States Fish and Wildlife
 50.30 Service, or (iii) land administered by the Department of Natural Resources on which in lieu
 50.31 taxes are paid under sections 477A.11 to 477A.14 or section 477A.17;

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

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

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

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

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

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

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

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

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

51.26 (5) neither the owner nor the person actively farming the agricultural property lives
51.27 farther than four townships or cities, or a combination of four townships or cities, from the
51.28 agricultural property, except that if the owner or the owner's spouse is required to live in
51.29 employer-provided housing, the owner or owner's spouse, whichever is actively farming
51.30 the agricultural property, may live more than four townships or cities, or combination of
51.31 four townships or cities from the agricultural property.

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

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

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

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

52.13 (d) Agricultural land used for purposes of a homestead and actively farmed by a person
52.14 holding a vested remainder interest in it must be classified as a homestead under section
52.15 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other
52.16 dwellings on the land used for purposes of a homestead by persons holding vested remainder
52.17 interests who are actively engaged in farming the property, and up to one acre of the land
52.18 surrounding each homestead and reasonably necessary for the use of the dwelling as a home,
52.19 must also be assessed class 2a.

52.20 (e) Agricultural land and buildings that were class 2a homestead property under section
52.21 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as
52.22 agricultural homesteads for subsequent assessments if:

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

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

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

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

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

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

53.4 (f) Agricultural land and buildings that were class 2a homestead property under section
53.5 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified
53.6 agricultural homesteads for subsequent assessments if:

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

53.9 (2) the property is located in the county of Blue Earth, Brown, Cottonwood, Le Sueur,
53.10 Nicollet, Nobles, or Rice;

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

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

53.15 (5) the owner notifies the county assessor that the relocation was due to a March 29,
53.16 1998, tornado, and the owner furnishes the assessor any information deemed necessary by
53.17 the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the
53.18 owner must notify the assessor by December 1, 1998. Further notifications to the assessor
53.19 are not required if the property continues to meet all the requirements in this paragraph and
53.20 any dwellings on the agricultural land remain uninhabited.

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

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

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

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

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

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

54.3 Homestead treatment applies under this paragraph even if:

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

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

54.9 (A) the shareholder, member, or partner of the family farm corporation, joint family
54.10 farm venture, partnership, or limited liability company that owns the land who is actively
54.11 farming the land is a shareholder, member, or partner of the family farm corporation, joint
54.12 family farm venture, partnership, or limited liability company that is operating the farm;
54.13 and

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

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

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

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

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

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

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

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

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

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

55.10 (i) Agricultural land and buildings that were class 2a homestead property under section
55.11 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain classified
55.12 agricultural homesteads for subsequent assessments if:

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

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

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

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

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

55.27 (j) Agricultural land and buildings that were class 2a homestead property under section
55.28 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain classified as
55.29 agricultural homesteads for subsequent assessments if:

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

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

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

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

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

56.11 **EFFECTIVE DATE.** This section is effective retroactively for homestead applications
 56.12 filed in 2023 and thereafter.

56.13 Sec. 7. Minnesota Statutes 2022, section 273.1245, subdivision 1, is amended to read:

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

56.19 (1) Social Security numbers;

56.20 (2) individual taxpayer identification numbers;

56.21 ~~(2)~~ (3) copies of state or federal income tax returns; and

56.22 ~~(3)~~ (4) state or federal income tax return information, including the federal income tax
 56.23 schedule F.

56.24 **EFFECTIVE DATE.** This section is effective retroactively for homestead applications
 56.25 filed in 2023 and thereafter.

56.26 Sec. 8. Minnesota Statutes 2022, section 273.1315, subdivision 2, is amended to read:

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

57.1 (1) the information necessary to verify that, on or before June 30 of the filing year, the
 57.2 property owner or the owner's spouse satisfies the requirements of section 273.13, subdivision
 57.3 22, paragraph (b), for class 1b classification; and

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

57.5 (b) The declaration must be filed on or before October 1 to be effective for property
 57.6 taxes payable during the succeeding calendar year. The Social Security numbers, individual
 57.7 taxpayer identification numbers, and income and medical information received from the
 57.8 property owner pursuant to this subdivision are private data on individuals as defined in
 57.9 section 13.02. If approved by the assessor, the declaration remains in effect until the property
 57.10 no longer qualifies under section 273.13, subdivision 22, paragraph (b). Failure to notify
 57.11 the assessor within 30 days that the property no longer qualifies under that paragraph because
 57.12 of a sale, change in occupancy, or change in the status or condition of an occupant shall
 57.13 result in the penalty provided in section 273.124, subdivision 13b, computed on the basis
 57.14 of the class 1b benefits for the property, and the property shall lose its current class 1b
 57.15 classification.

57.16 **EFFECTIVE DATE.** This section is effective retroactively for homestead applications
 57.17 filed in 2023 and thereafter.

57.18 Sec. 9. Minnesota Statutes 2022, section 273.1387, subdivision 2, is amended to read:

57.19 Subd. 2. **Credit amount.** For each qualifying property, the school building bond
 57.20 agricultural credit is equal to the credit percent multiplied by the property's eligible net tax
 57.21 capacity multiplied by the school debt tax rate determined under section 275.08, subdivision
 57.22 1b. For property taxes payable prior to 2020, the credit percent is equal to 40 percent. For
 57.23 property taxes payable in 2020, the credit percent is equal to 50 percent. For property taxes
 57.24 payable in 2021, the credit percent is equal to 55 percent. For property taxes payable in
 57.25 2022, the credit percent is equal to 60 percent. For property taxes payable in 2023 and
 57.26 ~~thereafter~~ 2024, the credit percent is equal to 70 percent. For property taxes payable in 2025
 57.27 and thereafter, the credit percent is equal to 80 percent.

57.28 **EFFECTIVE DATE.** This section is effective beginning with property taxes payable
 57.29 in 2025 and thereafter.

57.30 Sec. 10. Minnesota Statutes 2022, section 290B.03, subdivision 1, is amended to read:

57.31 Subdivision 1. **Program qualifications.** The qualifications for the senior citizens'
 57.32 property tax deferral program are as follows:

58.1 (1) the property must be owned and occupied as a homestead by a person 65 years of
 58.2 age or older. In the case of a married couple, at least one of the spouses must be at least 65
 58.3 years old at the time the first property tax deferral is granted, regardless of whether the
 58.4 property is titled in the name of one spouse or both spouses, or titled in another way that
 58.5 permits the property to have homestead status, and the other spouse must be at least 62 years
 58.6 of age;

58.7 (2) the total household income of the qualifying homeowners, as defined in section
 58.8 290A.03, subdivision 5, for the calendar year preceding the year of the initial application
 58.9 may not exceed ~~\$60,000~~ \$75,000;

58.10 (3) the homestead must have been owned and occupied as the homestead of at least one
 58.11 of the qualifying homeowners for at least ~~15~~ five years prior to the year the initial application
 58.12 is filed;

58.13 (4) there are no state or federal tax liens or judgment liens on the homesteaded property;

58.14 (5) there are no mortgages or other liens on the property that secure future advances,
 58.15 except for those subject to credit limits that result in compliance with clause (6); and

58.16 (6) the total unpaid balances of debts secured by mortgages and other liens on the
 58.17 property, including unpaid and delinquent special assessments and interest and any delinquent
 58.18 property taxes, penalties, and interest, but not including property taxes payable during the
 58.19 year or debts secured by a residential PACE lien, as defined in section 216C.435, subdivision
 58.20 10d, does not exceed 75 percent of the assessor's estimated market value for the year.

58.21 **EFFECTIVE DATE.** This section is effective for the deferral of taxes payable in 2024
 58.22 and thereafter.

58.23 Sec. 11. Minnesota Statutes 2022, section 290B.04, subdivision 3, is amended to read:

58.24 Subd. 3. **Excess-income certification by taxpayer.** A taxpayer whose initial application
 58.25 has been approved under subdivision 2 shall notify the commissioner of revenue in writing
 58.26 by July 1 if the taxpayer's household income for the preceding calendar year exceeded
 58.27 ~~\$60,000~~ \$75,000. The certification must state the homeowner's total household income for
 58.28 the previous calendar year. No property taxes may be deferred under this chapter in any
 58.29 year following the year in which a program participant filed or should have filed an
 58.30 excess-income certification under this subdivision, unless the participant has filed a
 58.31 resumption of eligibility certification as described in subdivision 4.

58.32 **EFFECTIVE DATE.** This section is effective for the deferral of taxes payable in 2024
 58.33 and thereafter.

59.1 Sec. 12. Minnesota Statutes 2022, section 290B.04, subdivision 4, is amended to read:

59.2 Subd. 4. **Resumption of eligibility certification by taxpayer.** A taxpayer who has
 59.3 previously filed an excess-income certification under subdivision 3 may resume program
 59.4 participation if the taxpayer's household income for a subsequent year is ~~\$60,000~~ \$75,000
 59.5 or less. If the taxpayer chooses to resume program participation, the taxpayer must notify
 59.6 the commissioner of revenue in writing by July 1 of the year following a calendar year in
 59.7 which the taxpayer's household income is ~~\$60,000~~ \$75,000 or less. The certification must
 59.8 state the taxpayer's total household income for the previous calendar year. Once a taxpayer
 59.9 resumes participation in the program under this subdivision, participation will continue until
 59.10 the taxpayer files a subsequent excess-income certification under subdivision 3 or until
 59.11 participation is terminated under section 290B.08, subdivision 1.

59.12 **EFFECTIVE DATE.** This section is effective for the deferral of taxes payable in 2024
 59.13 and thereafter.

59.14 Sec. 13. Minnesota Statutes 2022, section 290B.05, subdivision 1, is amended to read:

59.15 Subdivision 1. **Determination by commissioner.** The commissioner shall determine
 59.16 each qualifying homeowner's "annual maximum property tax amount" following approval
 59.17 of the homeowner's initial application and following the receipt of a resumption of eligibility
 59.18 certification. The "annual maximum property tax amount" equals three percent of the
 59.19 homeowner's total household income for the year preceding either the initial application or
 59.20 the resumption of eligibility certification, whichever is applicable. Following approval of
 59.21 the initial application, the commissioner shall determine the qualifying homeowner's
 59.22 "maximum allowable deferral." No tax may be deferred relative to the appropriate assessment
 59.23 year for any homeowner whose total household income for the previous year exceeds
 59.24 ~~\$60,000~~ \$75,000. No tax shall be deferred in any year in which the homeowner does not
 59.25 meet the program qualifications in section 290B.03. The maximum allowable total deferral
 59.26 is equal to 75 percent of the assessor's estimated market value for the year, less the balance
 59.27 of any mortgage loans and other amounts secured by liens against the property at the time
 59.28 of application, including any unpaid and delinquent special assessments and interest and
 59.29 any delinquent property taxes, penalties, and interest, but not including property taxes
 59.30 payable during the year.

59.31 **EFFECTIVE DATE.** This section is effective for the deferral of taxes payable in 2024
 59.32 and thereafter.

60.1 Sec. 14. Minnesota Statutes 2022, section 477A.011, is amended by adding a subdivision
60.2 to read:

60.3 Subd. 3b. **Population age 65 and over.** "Population age 65 and over" means the
60.4 population age 65 and over established as of July 15 in an aid calculation year by the most
60.5 recent federal census, by a special census conducted under contract with the United States
60.6 Bureau of the Census, by a population estimate made by the Metropolitan Council, or by a
60.7 population estimate of the state demographer made pursuant to section 4A.02, whichever
60.8 is the most recent as to the stated date of the count or estimate for the preceding calendar
60.9 year and which has been certified to the commissioner of revenue on or before July 15 of
60.10 the aid calculation year. A revision to an estimate or count is effective for these purposes
60.11 only if certified to the commissioner on or before July 15 of the aid calculation year. Clerical
60.12 errors in the certification or use of estimates and counts established as of July 15 in the aid
60.13 calculation year are subject to correction within the time periods allowed under section
60.14 477A.014.

60.15 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
60.16 and thereafter.

60.17 Sec. 15. Minnesota Statutes 2022, section 477A.011, is amended by adding a subdivision
60.18 to read:

60.19 Subd. 3c. **Transformed population.** "Transformed population" means the logarithm to
60.20 the base 10 of the population.

60.21 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
60.22 and thereafter.

60.23 Sec. 16. Minnesota Statutes 2022, section 477A.011, subdivision 34, is amended to read:

60.24 Subd. 34. **City revenue need.** (a) For a city with a population equal to or greater than
60.25 10,000, "city revenue need" is 1.15 times the sum of (1) ~~4.59~~ 8.559 times the pre-1940
60.26 housing percentage; plus (2) ~~0.622~~ times the percent of housing built between 1940 and
60.27 ~~1970~~ 7.629 times the city age index; plus (3) ~~169.415~~ times the jobs per capita 5.461 times
60.28 the commercial industrial utility percentage; plus (4) ~~the sparsity adjustment~~ 8.481 times
60.29 peak population decline; plus (5) ~~307.664~~ 297.789.

60.30 (b) For a city with a population equal to or greater than 2,500 and less than 10,000, "city
60.31 revenue need" is 1.15 times the sum of (1) ~~572.62~~ 502.094; plus (2) ~~5.026~~ 4.285 times the
60.32 pre-1940 housing percentage; ~~minus~~ plus (3) ~~53.768~~ times household size 6.699 times the

61.1 commercial industrial utility percentage; plus (4) ~~14.022~~ 17.645 times peak population
 61.2 decline; plus (5) the sparsity adjustment.

61.3 (c) For a city with a population less than 2,500, "city revenue need" is the sum of (1)
 61.4 ~~410~~ 79.351; plus (2) ~~0.367~~ 246.428 times the city's transformed population ~~over 100~~; plus
 61.5 ~~(3) the sparsity adjustment. The city revenue need for a city under this paragraph shall not~~
 61.6 ~~exceed 630 plus the city's sparsity adjustment.~~

61.7 (d) For a city with a population of at least 2,500 but less than 3,000, the "city revenue
 61.8 need" equals (1) the transition factor times the city's revenue need calculated in paragraph
 61.9 (b); plus (2) ~~630~~ the city's revenue need calculated under the formula in paragraph (c) times
 61.10 the difference between one and the transition factor. For a city with a population of at least
 61.11 10,000 but less than 11,000, the "city revenue need" equals (1) the transition factor times
 61.12 the city's revenue need calculated in paragraph (a); plus (2) the city's revenue need calculated
 61.13 under the formula in paragraph (b) times the difference between one and the transition
 61.14 factor. For purposes of the first sentence of this paragraph "transition factor" is 0.2 percent
 61.15 times the amount that the city's population exceeds the minimum threshold. For purposes
 61.16 of the second sentence of this paragraph, "transition factor" is 0.1 percent times the amount
 61.17 that the city's population exceeds the minimum threshold.

61.18 (e) The city revenue need cannot be less than zero.

61.19 (f) For calendar year ~~2015~~ 2024 and subsequent years, the city revenue need for a city,
 61.20 as determined in paragraphs (a) to (e), is multiplied by the ratio of the annual implicit price
 61.21 deflator for government consumption expenditures and gross investment for state and local
 61.22 governments as prepared by the United States Department of Commerce, for the most
 61.23 recently available year to the ~~2013~~ 2020 implicit price deflator for state and local government
 61.24 purchases.

61.25 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
 61.26 and thereafter.

61.27 Sec. 17. Minnesota Statutes 2022, section 477A.011, is amended by adding a subdivision
 61.28 to read:

61.29 **Subd. 46. City age index.** "City age index" means 100 times the ratio of (1) the population
 61.30 age 65 and over within the city, to (2) the population of the city.

61.31 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
 61.32 and thereafter.

62.1 Sec. 18. Minnesota Statutes 2022, section 477A.011, is amended by adding a subdivision
62.2 to read:

62.3 Subd. 47. **Commercial industrial utility percentage.** The "commercial industrial utility
62.4 percentage" for a city is 100 times the ratio of (1) the sum of the estimated market values
62.5 of all real and personal property in the city classified as class 3 under section 273.13,
62.6 subdivision 24, to (2) the total market value of all taxable real and personal property in the
62.7 city. The market values are the amounts computed before any adjustments for fiscal
62.8 disparities under section 276A.06 or 473F.08. The market values used for this subdivision
62.9 are not equalized.

62.10 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
62.11 and thereafter.

62.12 Sec. 19. Minnesota Statutes 2022, section 477A.0124, subdivision 2, is amended to read:

62.13 Subd. 2. **Definitions.** (a) For the purposes of this section, the following terms have the
62.14 meanings given them.

62.15 (b) "County program aid" means the sum of "county need aid," "county tax base
62.16 equalization aid," and "county transition aid."

62.17 (c) "Age-adjusted population" means a county's population multiplied by the county age
62.18 index.

62.19 (d) "County age index" means the percentage of the population age 65 and over within
62.20 the county divided by the percentage of the population age 65 and over within the state,
62.21 except that the age index for any county may not be greater than 1.8 nor less than 0.8.

62.22 (e) "Population age 65 and over" ~~means the population age 65 and over established as~~
62.23 ~~of July 15 in an aid calculation year by the most recent federal census, by a special census~~
62.24 ~~conducted under contract with the United States Bureau of the Census, by a population~~
62.25 ~~estimate made by the Metropolitan Council, or by a population estimate of the state~~
62.26 ~~demographer made pursuant to section 4A.02, whichever is the most recent as to the stated~~
62.27 ~~date of the count or estimate for the preceding calendar year and which has been certified~~
62.28 ~~to the commissioner of revenue on or before July 15 of the aid calculation year. A revision~~
62.29 ~~to an estimate or count is effective for these purposes only if certified to the commissioner~~
62.30 ~~on or before July 15 of the aid calculation year. Clerical errors in the certification or use of~~
62.31 ~~estimates and counts established as of July 15 in the aid calculation year are subject to~~
62.32 ~~correction within the time periods allowed under section 477A.014~~ has the meaning given
62.33 in section 477A.011, subdivision 3b.

63.1 (f) "Part I crimes" means the three-year average annual number of Part I crimes reported
 63.2 for each county by the Department of Public Safety for the most recent years available. By
 63.3 July 1 of each year, the commissioner of public safety shall certify to the commissioner of
 63.4 revenue the number of Part I crimes reported for each county for the three most recent
 63.5 calendar years available.

63.6 (g) "Households receiving Supplemental Nutrition Assistance Program (SNAP) benefits"
 63.7 means the average monthly number of households receiving SNAP benefits for the three
 63.8 most recent years for which data is available. By July 1 of each year, the commissioner of
 63.9 human services must certify to the commissioner of revenue the average monthly number
 63.10 of households in the state and in each county that receive SNAP benefits, for the three most
 63.11 recent calendar years available.

63.12 (h) "County net tax capacity" means the county's adjusted net tax capacity under section
 63.13 273.1325.

63.14 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
 63.15 and thereafter.

63.16 Sec. 20. Minnesota Statutes 2022, section 477A.013, subdivision 8, is amended to read:

63.17 Subd. 8. **City formula aid.** (a) For aids payable in ~~2018~~ 2024 and thereafter, the formula
 63.18 aid for a city is equal to the product of (1) the difference between its unmet need and its
 63.19 certified aid in the previous year ~~and before any aid adjustment under subdivision 13~~, and
 63.20 (2) the aid gap percentage.

63.21 (b) The applicable aid gap percentage must be calculated by the Department of Revenue
 63.22 so that the total of the aid under subdivision 9 equals the total amount available for aid under
 63.23 section 477A.03. The aid gap percentage must be the same for all cities subject to paragraph
 63.24 (a). Data used in calculating aids to cities under sections 477A.011 to 477A.013 shall be
 63.25 the most recently available data as of January 1 in the year in which the aid is calculated.

63.26 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
 63.27 and thereafter.

63.28 Sec. 21. Minnesota Statutes 2022, section 477A.013, subdivision 9, is amended to read:

63.29 Subd. 9. **City aid distribution.** (a) In calendar year ~~2018~~ 2024 and thereafter, if a city's
 63.30 certified aid ~~before any aid adjustment under subdivision 13~~ for the previous year is less
 63.31 than its current unmet need, the city shall receive an aid distribution equal to the sum of (1)
 63.32 its certified aid in the previous year ~~before any aid adjustment under subdivision 13~~, and

64.1 (2) the city formula aid under subdivision 8, ~~and (3) its aid adjustment under subdivision~~
 64.2 ~~13.~~

64.3 (b) ~~For aids payable in 2020 only, no city's aid amount before any adjustment under~~
 64.4 ~~subdivision 13 may be less than its pay 2019 certified aid amount, less any aid adjustment~~
 64.5 ~~under subdivision 13 for that year.~~ For aids payable in 2020 2024 and thereafter, if a city's
 64.6 certified aid ~~before any aid adjustment under subdivision 13~~ for the previous year is equal
 64.7 to or greater than its current unmet need, the total aid for a city is equal to the greater of (1)
 64.8 its unmet need ~~plus any aid adjustment under subdivision 13~~, or (2) the amount it was
 64.9 certified to receive in the previous year minus the ~~sum of (i) any adjustment under subdivision~~
 64.10 ~~13 that was paid in the previous year but has expired, and (ii) the lesser of (i) \$10 multiplied~~
 64.11 ~~by its population, or (ii) five percent of its net levy in the year prior to the aid distribution.~~
 64.12 No city may have a total aid amount less than \$0.

64.13 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
 64.14 and thereafter.

64.15 Sec. 22. Minnesota Statutes 2022, section 477A.03, subdivision 2a, is amended to read:

64.16 Subd. 2a. **Cities.** ~~For aids payable in 2016 and 2017, the total aid paid under section~~
 64.17 ~~477A.013, subdivision 9, is \$519,398,012. For aids payable in 2018 and 2019, the total aid~~
 64.18 ~~paid under section 477A.013, subdivision 9, is \$534,398,012. For aids payable in 2020, the~~
 64.19 ~~total aid paid under section 477A.013, subdivision 9, is \$560,398,012. For aids payable in~~
 64.20 ~~2021 and thereafter through 2023, the total aid payable under section 477A.013, subdivision~~
 64.21 ~~9, is \$564,398,012. For aids payable in 2024 and thereafter, the total aid payable under~~
 64.22 ~~section 477A.013, subdivision 9, is \$594,398,012.~~

64.23 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
 64.24 and thereafter.

64.25 Sec. 23. Minnesota Statutes 2022, section 477A.03, subdivision 2b, is amended to read:

64.26 Subd. 2b. **Counties.** (a) ~~For aids payable in 2018 and 2019, the total aid payable under~~
 64.27 ~~section 477A.0124, subdivision 3, is \$103,795,000, of which \$3,000,000 shall be allocated~~
 64.28 ~~as required under Laws 2014, chapter 150, article 4, section 6. For aids payable in 2020,~~
 64.29 ~~the total aid payable under section 477A.0124, subdivision 3, is \$116,795,000, of which~~
 64.30 ~~\$3,000,000 shall be allocated as required under Laws 2014, chapter 150, article 4, section~~
 64.31 ~~6. For aids payable in 2021 through 2024 2023, the total aid payable under section~~
 64.32 ~~477A.0124, subdivision 3, is \$118,795,000, of which \$3,000,000 shall be allocated as~~
 64.33 ~~required under Laws 2014, chapter 150, article 4, section 6. For aids payable in 2024, the~~

65.1 total aid payable under section 477A.0124, subdivision 3, is \$132,070,770, of which
 65.2 \$3,000,000 shall be allocated as required under Laws 2014, chapter 150, article 4, section
 65.3 6. For aids payable in 2025 and thereafter, the total aid payable under section 477A.0124,
 65.4 subdivision 3, is ~~\$115,795,000~~ \$129,070,770. On or before the first installment date provided
 65.5 in section 477A.015, paragraph (a), \$500,000 of this appropriation shall be transferred each
 65.6 year by the commissioner of revenue to the Board of Public Defense for the payment of
 65.7 services under section 611.27. Any transferred amounts not expended or encumbered in a
 65.8 fiscal year shall be certified by the Board of Public Defense to the commissioner of revenue
 65.9 on or before October 1₂ and shall be included in the next certification of county need aid.

65.10 (b) For aids payable in 2018 and 2019, the total aid under section 477A.0124, subdivision
 65.11 4, is \$130,873,444. ~~For aids payable in 2020, the total aid under section 477A.0124,~~
 65.12 ~~subdivision 4, is \$143,873,444. For aids payable in 2021 and thereafter through 2023, the~~
 65.13 total aid under section 477A.0124, subdivision 4, is \$145,873,444. For aids payable in 2024
 65.14 and thereafter, the total aid under section 477A.0124, subdivision 4, is \$162,597,674. The
 65.15 commissioner of revenue shall transfer to the Legislative Budget Office \$207,000 annually
 65.16 for the cost of preparation of local impact notes as required by section 3.987, and other local
 65.17 government activities. The commissioner of revenue shall transfer to the commissioner of
 65.18 education \$7,000 annually for the cost of preparation of local impact notes for school districts
 65.19 as required by section 3.987. The commissioner of revenue shall deduct the amounts
 65.20 transferred under this paragraph from the appropriation under this paragraph. The amounts
 65.21 transferred are appropriated to the Legislative Coordinating Commission and the
 65.22 commissioner of education respectively.

65.23 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
 65.24 and thereafter.

65.25 **Sec. 24. [477A.23] SOIL AND WATER CONSERVATION DISTRICT AID.**

65.26 Subdivision 1. **Definitions.** For purposes of this section, the following terms have the
 65.27 meanings given:

65.28 (1) "nonpublic land" means tract, lot, parcel, and piece or parcel of land as defined by
 65.29 section 272.03, subdivision 6, that is not owned by the federal government, the state, or a
 65.30 local government unit; and

65.31 (2) "soil and water conservation district" means a district under chapter 103C that is
 65.32 implementing the duties under that chapter as determined by the Board of Water and Soil
 65.33 Resources as of the date the board provides the certification to the commissioner of revenue
 65.34 required by subdivision 4.

66.1 Subd. 2. Purpose. The purpose of this section is to provide ongoing financial support
66.2 to soil and water conservation districts to aid in the execution of chapter 103C and other
66.3 duties and services prescribed by statute.

66.4 Subd. 3. Distribution. The Board of Water and Soil Resources must calculate the amount
66.5 of aid to be distributed to the certified soil and water conservation districts from the
66.6 appropriation in subdivision 7 as follows:

66.7 (1) 70 percent of the appropriation must be distributed equally among the districts; and

66.8 (2) 30 percent of the appropriation must be distributed proportionally among the districts
66.9 according to the amount of nonpublic land located in a district as compared to the amount
66.10 of nonpublic land in the state.

66.11 Subd. 4. Certification to commissioner. On or before June 1 each year, the Board of
66.12 Water and Soil Resources must certify to the commissioner of revenue the soil and water
66.13 conservation districts that will receive a payment under this section and the amount of each
66.14 payment.

66.15 Subd. 5. Use of proceeds. (a) Notwithstanding section 103C.401, subdivision 2, a soil
66.16 and water conservation district that receives a distribution under this section must use the
66.17 proceeds to implement chapter 103C and other duties and services prescribed by statute.

66.18 (b) The board of each soil and water conservation district must establish, by resolution,
66.19 annual guidelines for using payments received under this section. Current year guidelines
66.20 and guidelines from the year immediately prior must be posted on the district website.

66.21 (c) A soil and water conservation district that receives a payment under this section may
66.22 appropriate any portion of the payment to a governmental unit with which the district has
66.23 a cooperative agreement under section 103C.231. Any payment received under this section
66.24 and appropriated by the district must be used as required by this section.

66.25 Subd. 6. Payments. The commissioner of revenue must distribute soil and water
66.26 conservation district aid in the same manner and at the same times as aid payments provided
66.27 under section 477A.015.

66.28 Subd. 7. Appropriation. \$12,000,000 is annually appropriated from the general fund
66.29 to the commissioner of revenue to make the payments required under his section.

66.30 Subd. 8. Aid amount corrections. If, due to a clerical error, the amount certified by the
66.31 Board of Soil and Water Resources to the commissioner of revenue is less than the amount
66.32 to which the district is entitled under this section, the Board of Water and Soil Resources
66.33 shall recertify the correct amount to the commissioner of revenue and communicate the

67.1 error and the corrected amount to the affected soil and water conservation district as soon
 67.2 as practical after the error is discovered.

67.3 **EFFECTIVE DATE.** This section is effective beginning with aids payable in calendar
 67.4 year 2023 and thereafter.

67.5 Sec. 25. **[477A.31] MAHNOMEN PROPERTY TAX REIMBURSEMENT AID.**

67.6 Subdivision 1. **Aid appropriation.** (a) The commissioner of revenue shall make
 67.7 reimbursement aid payments to compensate for the loss of property tax revenue related to
 67.8 the trust conversion application of the Shooting Star Casino. The commissioner shall pay
 67.9 the county of Mahnomen, \$900,000; the city of Mahnomen, \$320,000; and Independent
 67.10 School District No. 432, Mahnomen, \$140,000.

67.11 (b) The payments shall be made annually on July 20.

67.12 Subd. 2. **Appropriation.** An amount sufficient to pay reimbursement aid under this
 67.13 section is annually appropriated from the general fund to the commissioner of revenue.

67.14 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
 67.15 and thereafter.

67.16 Sec. 26. Laws 2006, chapter 259, article 11, section 3, as amended by Laws 2008, chapter
 67.17 154, article 1, section 4, and Laws 2013, chapter 143, article 2, section 33, is amended to
 67.18 read:

67.19 Sec. 3. **MAHNOMEN COUNTY; COUNTY, CITY, SCHOOL DISTRICT,**
 67.20 **PROPERTY TAX REIMBURSEMENT.**

67.21 Subdivision 1. **Aid appropriation.** (a) \$1,200,000 is appropriated annually from the
 67.22 general fund to the commissioner of revenue to be used to make payments to compensate
 67.23 for the loss of property tax revenue related to the trust conversion application of the Shooting
 67.24 Star Casino. The commissioner shall pay the county of Mahnomen, \$900,000; the city of
 67.25 Mahnomen, \$160,000; and Independent School District No. 432, Mahnomen, \$140,000.
 67.26 The payments shall be made on July 20, of 2013 and each subsequent year.

67.27 (b) This section expires after aids payable year 2023.

67.28 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
 67.29 and thereafter.

68.1 **Sec. 27. PUBLIC SAFETY AID.**

68.2 **Subdivision 1. Definitions.** For purposes of this section, the following terms have the
68.3 meanings given:

68.4 (1) "City" means a statutory or home rule charter city that directly employs at least one
68.5 peace officer as defined by section 477C.01, subdivision 7, clauses (1) and (3) to (4).

68.6 (2) "City per capita aid amount" equals the amount appropriated to every city by
68.7 subdivision 7, divided by the total population of every city.

68.8 (3) "County per capita aid amount" equals the amount appropriated to counties and
68.9 Tribal governments by subdivision 7, divided by the sum of the total population of every
68.10 county plus the total Tribal population but excluding the total population of every city.

68.11 (4) "Population" means population estimates made or conducted by the United States
68.12 Bureau of the Census, the Metropolitan Council pursuant to section 473.24, or by the state
68.13 demographer pursuant to section 4A.02, paragraph (d), whichever is the most recent estimate
68.14 and available as of January 1, 2023.

68.15 (5) "Tribal governments" has the meaning given to "Minnesota Tribal governments" in
68.16 section 10.65, subdivision 2.

68.17 (6) "Tribal population" means population estimates made or conducted by the United
68.18 States Bureau of the Census of the federally recognized American Indian reservations and
68.19 off-reservation trust lands in Minnesota, whichever is the most recent estimate and available
68.20 as of January 1, 2023.

68.21 **Subd. 2. Distribution.** The commissioner of revenue will distribute payments under this
68.22 section as follows:

68.23 (1) A county's public safety aid amount equals:

68.24 (i) the county's population minus the total population of every city located in that county,
68.25 times;

68.26 (ii) the county per capita aid amount.

68.27 (2) A Tribal government's public safety aid amount equals:

68.28 (i) the Tribe's population, times;

68.29 (ii) the county per capita aid amount.

68.30 (3) A city's public safety aid amount equals:

68.31 (i) the city's population, times;

69.1 (ii) the city per capita aid amount.

69.2 Subd. 3. **Certifications to commissioner.** The commissioner of public safety must
69.3 certify to the commissioner of revenue, on or before July 1, 2023, each city that meets the
69.4 definition of city in subdivision 1 as of January 1, 2023.

69.5 Subd. 4. **Use of proceeds.** (a) Counties, Tribal governments, and cities that receive a
69.6 distribution under this section must use the proceeds to provide public safety. Use of proceeds
69.7 may include, but is not limited to, paying personnel and equipment costs.

69.8 (b) Counties must consult with their county sheriff in determining how to use the
69.9 proceeds.

69.10 (c) Counties, Tribal governments, and cities that receive a distribution under this section
69.11 may not apply the proceeds toward:

69.12 (1) their employer contribution to the public employees police and fire fund, if that
69.13 county, Tribal government, or city received police state aid under chapter 477C in the year
69.14 immediately prior to a distribution under this section; or

69.15 (2) any costs associated with alleged wrongdoing or misconduct.

69.16 Subd. 5. **Payments.** The commissioner shall certify the amount to be paid in 2023 to
69.17 each county, Tribal government, and city by August 1, 2023, and the full 2023 payment to
69.18 the counties, Tribal governments, and cities must be made by December 26, 2023.

69.19 Subd. 6. **Appropriation.** \$300,000,000 is appropriated from the general fund to the
69.20 commissioner of revenue to make payments required under this section as follows: (1)
69.21 \$90,000,000 to counties and Tribal governments; and (2) \$210,000,000 to cities.

69.22 **EFFECTIVE DATE.** This section is effective for aids payable in 2023.

69.23 Sec. 28. **TRIBAL NATION HOUSING AND HOMELESSNESS AID.**

69.24 (a) \$44,000,000 in fiscal year 2024 is appropriated from the general fund to the
69.25 commissioner of revenue for direct aid to Tribal Nations for homelessness prevention,
69.26 emergency shelter, and other needs related to housing instability and homelessness.

69.27 (b) The commissioner of revenue may pay aid under this section to the governing body
69.28 of the:

69.29 (1) Fond du Lac Band;

69.30 (2) Grand Portage Band;

69.31 (3) Mille Lacs Band;

70.1 (4) White Earth Band;

70.2 (5) Bois Forte Band;

70.3 (6) Leech Lake Band;

70.4 (7) Red Lake Nation;

70.5 (8) Upper Sioux Community;

70.6 (9) Lower Sioux Community;

70.7 (10) Shakopee Mdewakanton Sioux Community; and

70.8 (11) Prairie Island Mdewakanton Dakota Community.

70.9 (c) To receive aid under this section, a Tribal Nation must apply in writing to the
 70.10 commissioner of revenue on or before July 1, 2023. As part of the application, the Tribal
 70.11 Nation must agree to spend the aid money for homelessness prevention, emergency shelter,
 70.12 and other needs related to housing instability and homelessness.

70.13 (d) Each Tribal Nation must be paid an amount equal to the amount appropriated in
 70.14 paragraph (a) divided by the number of Tribal Nations that timely applied for aid. The
 70.15 commissioner of revenue shall certify the amount of aid payable to each Tribal Nation on
 70.16 or before August 1, 2023.

70.17 (e) The commissioner of revenue must distribute all aid payable under this section on
 70.18 December 26, 2023.

70.19 (f) On or before February 1, 2024, a recipient of aid under this section must provide a
 70.20 report to the commissioner of revenue in the form prescribed by the commissioner of revenue.
 70.21 The commissioner of revenue must compile and provide the reports to the chairs and ranking
 70.22 minority members of the legislative committees with jurisdiction over taxes.

70.23 (g) The appropriation under this section is onetime.

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

70.25 Sec. 29. **REPEALER.**

70.26 Minnesota Statutes 2022, sections 477A.011, subdivisions 30a, 38, 42, and 45; and
 70.27 477A.013, subdivision 13, are repealed.

70.28 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
 70.29 and thereafter.

ARTICLE 5

MISCELLANEOUS

71.1

71.2

71.3 Section 1. Minnesota Statutes 2022, section 270C.52, subdivision 2, is amended to read:

71.4 Subd. 2. **Payment agreements.** (a) When any portion of any tax payable to the
71.5 commissioner together with interest and penalty thereon, if any, has not been paid, the
71.6 commissioner may extend the time for payment for a further period. When the authority of
71.7 this section is invoked, the extension shall be evidenced by written agreement signed by
71.8 the taxpayer and the commissioner, stating the amount of the tax with penalty and interest,
71.9 if any, and providing for the payment of the amount in installments.

71.10 (b) The agreement may contain a confession of judgment for the amount and for any
71.11 unpaid portion thereof. If the agreement contains a confession of judgment, the confession
71.12 of judgment must provide that the commissioner may enter judgment against the taxpayer
71.13 in the district court of the county of residence as shown upon the taxpayer's tax return for
71.14 the unpaid portion of the amount specified in the extension agreement.

71.15 (c) The agreement shall provide that it can be terminated, after notice by the
71.16 commissioner, if information provided by the taxpayer prior to the agreement was inaccurate
71.17 or incomplete, collection of the tax covered by the agreement is in jeopardy, there is a
71.18 subsequent change in the taxpayer's financial condition, the taxpayer has failed to make a
71.19 payment due under the agreement, or the taxpayer has failed to pay any other tax or file a
71.20 tax return coming due after the agreement.

71.21 (d) The notice must be given at least 14 calendar days prior to termination, and shall
71.22 advise the taxpayer of the right to request a reconsideration from the commissioner of
71.23 whether termination is reasonable and appropriate under the circumstances. A request for
71.24 reconsideration does not stay collection action beyond the 14-day notice period. If the
71.25 commissioner has reason to believe that collection of the tax covered by the agreement is
71.26 in jeopardy, the commissioner may proceed under section 270C.36 and terminate the
71.27 agreement without regard to the 14-day period.

71.28 (e) The commissioner may accept other collateral the commissioner considers appropriate
71.29 to secure satisfaction of the tax liability. The principal sum specified in the agreement shall
71.30 bear interest at the rate specified in section 270C.40 on all unpaid portions thereof until the
71.31 same has been fully paid or the unpaid portion thereof has been entered as a judgment. The
71.32 judgment shall bear interest at the rate specified in section 270C.40.

71.33 (f) If it appears to the commissioner that the tax reported by the taxpayer is in excess of
71.34 the amount actually owing by the taxpayer, the extension agreement or the judgment entered

72.1 pursuant thereto shall be corrected. If after making the extension agreement or entering
 72.2 judgment with respect thereto, the commissioner determines that the tax as reported by the
 72.3 taxpayer is less than the amount actually due, the commissioner shall assess a further tax
 72.4 in accordance with the provisions of law applicable to the tax.

72.5 (g) The authority granted to the commissioner by this section is in addition to any other
 72.6 authority granted to the commissioner by law to extend the time of payment or the time for
 72.7 filing a return and shall not be construed in limitation thereof.

72.8 ~~(h) The commissioner shall charge a fee for entering into payment agreements. The fee~~
 72.9 ~~is set at \$50 and is charged for entering into a payment agreement, for entering into a new~~
 72.10 ~~payment agreement after the taxpayer has defaulted on a prior agreement, and for entering~~
 72.11 ~~into a new payment agreement as a result of renegotiation of the terms of an existing~~
 72.12 ~~agreement. The fee is paid to the commissioner before the payment agreement becomes~~
 72.13 ~~effective and does not reduce the amount of the liability.~~

72.14 **EFFECTIVE DATE; APPLICATION.** This section is effective the day following
 72.15 final enactment and applies to payment plans entered into 30 days after that date.

72.16 Sec. 2. **ADMINISTRATIVE APPROPRIATION.**

72.17 \$2,589,000 in fiscal year 2023, \$20,085,000 in fiscal year 2024, and \$4,548,000 in fiscal
 72.18 year 2025 are appropriated from the general fund to the commissioner of revenue to
 72.19 administer this act. The base funding is \$335,000 in fiscal year 2026 and \$192,000 in fiscal
 72.20 year 2027.

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

290.0132 INDIVIDUALS, ESTATES, AND TRUSTS; SUBTRACTIONS FROM FEDERAL TAXABLE INCOME OR FEDERAL ADJUSTED GROSS INCOME.

No active language found for: 290.0132.33

477A.011 DEFINITIONS.

Subd. 30a. **Percent of housing built between 1940 and 1970.** "Percent of housing built between 1940 and 1970" is equal to 100 times the most recent count by the United States Bureau of the Census of all housing units in the city built after 1939 but before 1970, divided by the total number of all housing units in the city. Housing units includes both occupied and vacant housing units as defined by the federal census.

Subd. 38. **Household size.** "Household size" means the average number of persons per household in the jurisdiction as most recently estimated and reported by the state demographer and Metropolitan Council as of July 15 of the aid calculation year. A revision to an estimate or enumeration is effective for these purposes only if it is certified to the commissioner on or before July 15 of the aid calculation year. Clerical errors in the certification or use of estimates and counts established as of July 15 in the aid calculation year are subject to correction within the time periods allowed under section 477A.014.

Subd. 42. **Jobs per capita in the city.** "Jobs per capita in the city" means (1) the average annual number of employees in the city based on the data from the Quarterly Census of Employment and Wages, as reported by the Department of Employment and Economic Development, for the most recent calendar year available November 1 of every odd-numbered year, divided by (2) the city's population for the same calendar year as the employment data. The commissioner of the Department of Employment and Economic Development shall certify to the city the average annual number of employees for each city by January 1 of every even-numbered year beginning with January 1, 2014. A city may challenge an estimate under this paragraph by filing its specific objection, including the names of employers that it feels may have misreported data, in writing with the commissioner by December 1 of every odd-numbered year. The commissioner shall make every reasonable effort to address the specific objection and adjust the data as necessary. The commissioner shall certify the estimates of the annual employment to the commissioner of revenue by January 1 of all even-numbered years, including any estimates still under objection.

Subd. 45. **Sparsity adjustment.** For a city with a population of 10,000 or more, the sparsity adjustment is 100 for any city with an average population density less than 150 per square mile, according to the most recent federal census. For a city with a population less than 10,000, the sparsity adjustment is 200 for any city with an average population density less than 30 per square mile, according to the most recent federal census. The sparsity adjustment is zero for all other cities.

477A.013 MUNICIPAL GOVERNMENT DISTRIBUTIONS.

Subd. 13. **Certified aid adjustments.** (a) A city that received an aid base increase under Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (e), shall have its total aid under subdivision 9 increased by an amount equal to \$150,000 for aids payable in 2014 through 2018.

(b) A city that received an aid base increase under Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (r), shall have its total aid under subdivision 9 increased by an amount equal to \$160,000 for aids payable in 2014 and thereafter.

(c) A city that received a temporary aid increase under Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (o), shall have its total aid under subdivision 9 increased by an amount equal to \$1,000,000 for aids payable in 2014 only.