

Taxes and Local Government Payments: COVID-19 Response

August 2020

Executive Summary

On March 13, 2020, Governor Walz issued Emergency Executive Order 20-01, which declared a peacetime emergency and coordinated Minnesota's strategy to protect Minnesotans from the infectious disease known as COVID-19.

[Minnesota Statutes, chapter 270C](#), provides certain authority to the commissioner of revenue to make adjustments in tax administration. During the months following the declaration of the peacetime emergency, the commissioner exercised this authority in various ways.

This publication describes actions taken by the legislature and by the commissioner of revenue in response to the COVID-19 pandemic. These actions addressed income, corporate, sales, special, and property taxes and payments to local governments related to the federal CARES Act. The information in this publication is current through **August 11, 2020**. More detailed information and information on COVID-related actions taken after **August 11, 2020**, can be found at the Minnesota Department of Revenue [website](#).¹

Individual Income and Corporate Franchise Taxes

The commissioner of revenue prospectively waived (or abated) penalties and interest for late payment of the individual income tax. Under this change, individual income taxpayers effectively had until July 15, 2020, to file and pay their 2019 taxes. This follows the federal extension to the same date.

The commissioner of revenue has this authority under [Minnesota Statutes, section 270C.34](#), which provides for the commissioner's abatement authority and specifically authorizes abatements in federal or state disaster/emergency areas. This authority does not, however, allow the commissioner to change the payment deadline, which would require legislative action.

The statutory background is that the filing deadline is prescribed by law under [Minnesota Statutes, section 289A.18](#), subdivision 1. The payment deadlines then use the filing deadline as the payment due date. (Filing extensions for mining companies and other businesses, however, don't change the payment deadline under the extension provisions ([section 289A.19](#)).) [Section](#)

¹ https://www.revenue.state.mn.us/our-response-covid-19_

[270C.34](#), however, allows abatement of penalty and interest. This latter authority was used by the commissioner for individuals; it could also be used for mining companies, corporations, etc.

Taxes that are required to be filed and paid at the entity level, such as the corporate franchise, partnership, or fiduciary taxes, did not receive a prospective abatement, nor did taxpayers required to make payments of estimated tax. Some entity-level taxes do receive automatic filing extensions, however, if they receive them at the federal level.

In addition, any taxpayer may at any time request an abatement from the Department of Revenue, regardless of whether the commissioner has prospectively abated their tax due to the COVID-19 emergency.

Sales and Special Taxes

Sales tax. The commissioner of revenue allowed a grace period for payment of sales taxes originally due March 20 and April 20, to be paid on May 20. This grace period only applied to businesses that were required to suspend or reduce service as a result of the governor's Executive Order 20-04. There was no change to June-accelerated tax payment for certain businesses.

Liquor tax. Through legislative action, the commissioner of revenue was allowed to refrain from posting the names of liquor businesses that were late in filing a required return or delinquent in paying certain taxes. The commissioner's discretionary authority under the act only applies to places of public accommodation closed by executive order due to the COVID-19 crisis (including partial closures still effective as of the writing of this publication). The authority is temporary, and only applies to taxes and returns due between February 1, 2020, and four months after the termination of the executive order closing places of public accommodation. See [Laws, 2020, chapter 74](#), article 1, section 20; Emergency Executive Order 20-74.

Gambling tax. The commissioner of revenue allowed a grace period for payment of lawful gambling taxes originally due on March 20, April 20, and May 20, to be paid on June 22.

Solid waste management tax. The legislature authorized the commissioner of revenue and the Pollution Control Agency (PCA) to suspend the requirement that less than 15 percent of mixed municipal solid waste received by recycling or composting facilities be disposed of rather than recycled or composted, provided that the reason for being unable to meet the requirement was related to operational changes implemented to address the COVID-19 pandemic, thus allowing those materials to retain their exemption from the solid waste management tax. See [Laws 2020, First Special Session chapter 4](#), section 1.

MinnesotaCare tax. The commissioner of revenue allowed a grace period for payment of estimated MinnesotaCare taxes, from May 15 to June 15.

Occupation tax. The commissioner of revenue allowed a 60-day grace period on payments due under the occupation tax by May 1, 2020.

Property Taxes

Through local government action, the governor's emergency declaration, and legislation, changes were made related to property tax payment deadlines and the property tax appeals process.

Local actions were taken in some counties to provide relief for first half property tax payments. The deadline for first half payments was not changed; however, a number of counties did abate penalties and interest for some late payments. While the commissioner of revenue has statutory authority to grant abatements of penalties and interest for late payments, this authority is generally viewed as the authority to grant abatements outside of the two-year window in which counties have the authority to grant abatements. Therefore, these abatements were granted at the county level, rather than statewide.

Because the governor declared an emergency related to COVID-19, local and county boards of appeal and equalization were able to meet virtually in order to comply with social distancing guidelines. Additionally, the legislature extended the deadline for which property tax petitions must be filed in district court or tax court from April 30, 2020, to May 30, 2020. This provision provided petitioners wishing to challenge their 2020 property taxes extra time to serve the petition on county officials if county offices were closed due to COVID-19. See [Laws 2020, chapter 71](#), article 2, section 18.

CARES Act

In March 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), and it was signed into law by the president. The CARES Act provided over \$2 trillion in nationwide economic relief to businesses, workers, families, and state and local governments. See Public Law No. 116-136.

Title V of the CARES Act provided grants to state, local, tribal, and territorial governments for spending related to COVID-19. Minnesota's share totaled just under \$2.2 billion; with Hennepin County receiving \$212 million, Ramsey County receiving \$96 million, and the state receiving the remaining \$1.87 billion. Of the state's \$1.87 billion distribution, 45 percent was designated for local governments, meaning \$841 million was distributed to local governments, other than Hennepin County and Ramsey County, which received direct distributions.

During the first special session, both the House of Representatives and Senate passed versions of S.F. 47, a bill outlining how the \$841 million was to be distributed to local governments. While the House amended the bill, adding articles, the distribution of the CARES Act funds remained the same in each body's version of the bill. After the House returned the amended bill to the Senate, the bill did not pass. Without legislative action, the governor had the authority to decide how to distribute the funds. On June 25, 2020, the governor approved plans to distribute the funds to local governments, in the manner outlined in S.F. 47.



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