

STATE OF MINNESOTA

NINETIETH SESSION — 2018

EIGHTY-SIXTH DAY

SAINT PAUL, MINNESOTA, WEDNESDAY, APRIL 25, 2018

The House of Representatives convened at 10:00 a.m. and was called to order by Kurt Daudt, Speaker of the House.

Prayer was offered by the Reverend Dan Erickson, Chisholm Baptist Church, Chisholm, Minnesota.

The members of the House gave the pledge of allegiance to the flag of the United States of America.

The roll was called and the following members were present:

Albright	Dehn, R.	Heintzeman	Lien	Neu	Sandstede
Allen	Dettmer	Hertaus	Loeffler	Newberger	Sauke
Anderson, P.	Drazkowski	Hilstrom	Lohmer	Nornes	Schomacker
Anderson, S.	Ecklund	Hoppe	Loon	O'Driscoll	Schultz
Anselmo	Erickson	Hornstein	Loonan	Olson	Scott
Backer	Fabian	Hortman	Lucero	Omar	Smith
Bahr, C.	Fenton	Howe	Lueck	O'Neill	Sundin
Baker	Fischer	Jessup	Mahoney	Pelowski	Swedzinski
Bennett	Flanagan	Johnson, B.	Mariani	Peppin	Theis
Bernardy	Franson	Johnson, C.	Marquart	Petersburg	Torkelson
Bliss	Freiberg	Jurgens	Masin	Peterson	Uglen
Bly	Garofalo	Kiel	Maye Quade	Pierson	Urdahl
Carlson, A.	Green	Knoblach	McDonald	Pinto	Vogel
Carlson, L.	Grossell	Koegel	Metsa	Poppe	Wagenius
Christensen	Gruenhagen	Koznick	Miller	Poston	Ward
Clark	Gunther	Kresha	Moran	Pryor	West
Considine	Haley	Kunesh-Podein	Munson	Pugh	Whelan
Daniels	Halverson	Layman	Murphy, E.	Quam	Wills
Davids	Hamilton	Lee	Murphy, M.	Rarick	Youakim
Davnie	Hansen	Lesch	Nash	Rosenthal	Zerwas
Dean, M.	Hausman	Liebling	Nelson	Runbeck	Spk. Daudt

A quorum was present.

Applebaum; Barr, R.; Becker-Finn; Franke; Johnson, S.; Lillie and Slocum were excused.

The Chief Clerk proceeded to read the Journal of the preceding day. There being no objection, further reading of the Journal was dispensed with and the Journal was approved as corrected by the Chief Clerk.

REPORTS OF CHIEF CLERK

S. F. No. 3306 and H. F. No. 3837, which had been referred to the Chief Clerk for comparison, were examined and found to be not identical.

O'Driscoll moved that S. F. No. 3306 be substituted for H. F. No. 3837 and that the House File be indefinitely postponed. The motion prevailed.

REPORTS OF STANDING COMMITTEES AND DIVISIONS

Knoblach from the Committee on Ways and Means to which was referred:

H. F. No. 2856, A bill for an act relating to public safety; modifying certain provisions relating to courts, public safety, corrections, and crime; increasing amount of surcharge credited to training account of Peace Officer Standards and Training (POST) Board; providing for a task force and working group; requesting reports; providing for penalties; appropriating money for public safety, courts, corrections, Guardian Ad Litem Board, Board of Public Defense, and Human Services; amending Minnesota Statutes 2016, sections 168B.16; 169.64, subdivision 4; 169.92, subdivision 4; 169A.24, subdivision 1; 169A.55, subdivision 4; 171.07, subdivision 1a; 171.16, subdivisions 2, 3; 171.18, subdivision 1; 171.24, by adding a subdivision; 242.192; 243.166, subdivisions 1a, 1b, 2, 4, 4a, 4b, 4c, 5, 6, 7, 7a, by adding a subdivision; 257.57, subdivisions 1, 2, by adding a subdivision; 257.75, subdivision 4; 299C.091, subdivision 5; 299C.093; 299C.17; 357.021, subdivision 7; 388.23, subdivision 1; 518.145, subdivision 2; 549.09, subdivision 1; 590.11, subdivisions 1, 2, 5, 7; 609.015, subdivision 1; 609.095; 609.2112, subdivision 1; 609.2113, subdivisions 1, 2, 3; 609.2114, subdivisions 1, 2; 609.2231, subdivisions 1, 2, 3a; 609.324, subdivisions 3, 4, by adding a subdivision; 609.341, subdivision 10, by adding subdivisions; 609.342, subdivisions 1, 2; 609.343, subdivisions 1, 2; 609.344, subdivisions 1, 2; 609.345, subdivisions 1, 2; 609.3451, subdivisions 1, 3; 609.3455, subdivisions 6, 8, by adding subdivisions; 609.52, subdivision 3; 609.74; 609.855, subdivision 2; 611.365, subdivisions 2, 3; 611.367; 611.368; 617.246, subdivisions 2, 3, 4, 7, by adding a subdivision; 617.247, subdivisions 3, 4, 9, by adding a subdivision; 626.8452, by adding a subdivision; 626A.08, subdivision 2; 626A.37, subdivision 4; 631.40, subdivision 1a; Minnesota Statutes 2017 Supplement, sections 171.30, subdivisions 1, 2a; 171.306, subdivisions 1, 2; 171.3215, subdivisions 2, 3; 260C.163, subdivisions 3, 10; 357.021, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 243; 299A; 299C; 631; repealing Minnesota Statutes 2016, sections 401.13; 609.349.

Reported the same back with the following amendments:

Page 3, line 17, after the period, insert "This is a onetime appropriation."

Page 4, line 27, after the period, insert "This is a onetime appropriation."

Page 17, line 29, after "reversed" insert ", or a new trial was ordered."

Page 19, line 5, after "sentence" insert "unless the other sentence arose from the circumstances described in paragraph (a), clause (4), item (ii)"

Page 19, after line 28, insert:

"Sec. 15. **[611.065] LIMITATIONS ON RECORDING OR BROADCASTING CRIMINAL PROCEEDINGS.**

Except as otherwise provided in this section, no person may record or broadcast any criminal matter, including a trial, hearing, motion, or argument, absent the express consent of the defendant and the victim. This prohibition applies to the use of television, radio, audio, photographic, or other recording equipment. This prohibition does not apply to the use of electronic, photographic, or other recording equipment approved by the court for purposes of making the court record, including closed-circuit interactive television."

Page 20, line 2, delete the new language

Page 22, delete section 21

Renumber the sections in sequence

Correct the title numbers accordingly

With the recommendation that when so amended the bill be placed on the General Register.

The report was adopted.

Knoblach from the Committee on Ways and Means to which was referred:

H. F. No. 4167, A bill for an act relating to legacy; appropriating money from legacy funds; modifying requirements for certain recipients of legacy funds; modifying provisions for Capitol art displays; providing for women's suffrage commemoration; amending Minnesota Statutes 2016, sections 15B.32, as amended; 97A.056, subdivisions 3, 13; 129D.17, subdivision 2, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 15B.

Reported the same back with the following amendments:

Page 36, line 10, delete "any exhibit of works of art" and insert "a program of art exhibits to encourage public visits to the Capitol and"

Page 36, line 11, delete "the" and insert "an" and delete "may" and insert "that is part of the program can"

Page 36, line 12, after the period, insert "When considering recommendations made under section 15B.36, the commission must approve or reject recommended exhibits as a whole and may not approve or reject individual pieces within a recommended exhibit. The approved program must address the proposed schedule, how it addresses adopted themes for art in the Capitol, and the type or types of artwork."

Page 36, line 15, after "legacy" insert "finance"

Page 36, line 26, delete everything after the period

Page 36, delete line 27, and insert "The speaker of the house, president of the senate, and chief justice of the Minnesota Supreme Court may request the"

Page 37, after line 17, insert:

"(d) A preference shall be given for recommended art exhibits for artists currently living in Minnesota or living in Minnesota at the time portrayed. The selection process should ensure that a wide range of artists have a chance to be considered and that, over time, the art reflects the contributions of artists of various demographic backgrounds, including age, disability, gender, and racial and ethnic identity."

Page 38, line 5, delete the second "commissioner" and insert "commission"

Page 42, delete section 7 and insert:

"Sec. 7. **ARTS AND CULTURAL HERITAGE FUND APPROPRIATION.**

Subdivision 1. **Minnesota Humanities Center.** (a) These amounts are appropriated to the Board of Directors of the Minnesota Humanities Center for grants to the named organizations for the purposes specified in this subdivision. The Minnesota Humanities Center may use up to five percent of this appropriation for costs that are directly related to and necessary to the administration of grants in this subdivision.

(b) Grant agreements entered into by the Minnesota Humanities Center and recipients of appropriations under this subdivision must ensure that money appropriated in this subdivision is used to supplement and not substitute for traditional sources of funding.

(c) All appropriations in this subdivision are onetime and available until June 20, 2020.

(d) \$500,000 in fiscal year 2019 is appropriated from the arts and cultural heritage fund to support the work of the Women's Suffrage 100th Anniversary Commemoration Commission, including grants for educational and civic events.

Subd. 2. **Department of Administration.** (a) These amounts are appropriated to the commissioner of administration for grants to the named organizations for the purposes specified in this subdivision. The commissioner of administration may use a portion of this appropriation for costs that are directly related to and necessary to the administration of grants in this subdivision.

(b) Grant agreements entered into by the commissioner and recipients of appropriations under this subdivision must ensure that money appropriated in this subdivision is used to supplement and not substitute for traditional sources of funding.

(c) All appropriations in this subdivision are onetime.

(d) \$300,000 in fiscal year 2019 is appropriated from the arts and cultural heritage fund for a grant to the Lake Superior Center Authority to develop, prepare, and construct an exhibit on river systems to help educate Minnesotans on how to protect, enhance, and restore water quality in Minnesota rivers.

(e) \$150,000 in fiscal year 2019 is appropriated from the arts and cultural heritage fund for a grant to the Minnesota China Friendship Garden Society to plan and design portions of the Chinese garden project in Phalen Park in St. Paul.

(f) \$60,000 in fiscal year 2019 is appropriated from the arts and cultural heritage fund for staffing the Capitol Art Exhibit Advisory Committee as directed under Minnesota Statutes, section 15B.36. The commissioner may enter into an interagency agreement with the Minnesota State Arts Board to help perform duties related to soliciting art and art proposals, art curation, and promotion of recommended and approved exhibits in the Capitol building. This appropriation is available until December 31, 2019.

(g) \$50,000 in fiscal year 2019 is appropriated from the arts and cultural heritage fund for a grant to the Association of Minnesota Public Educational Radio Stations for statewide programming to promote the Veterans' Voices program to educate and engage communities regarding veterans' contributions, knowledge, skills, and experiences with an emphasis on Korean War veterans.

Subd. 3. **Minnesota Historical Society.** (a) These amounts are appropriated to the governing board of the Minnesota Historical Society for grants to the named organizations for the purposes specified in this subdivision. The Minnesota Historical Society may use a portion of this appropriation for costs that are directly related to and necessary to the administration of grants in this subdivision.

(b) Grant agreements entered into by the Minnesota Historical Society and recipients of appropriations under this subdivision must ensure that money appropriated in this subdivision is used to supplement and not substitute for traditional sources of funding.

(c) All appropriations in this subdivision are onetime.

(d) \$150,000 in fiscal year 2019 is appropriated from the arts and cultural heritage fund for a grant to the Preston Historical Society for the Preston grain elevator restoration and recreation project.

(e) \$100,000 in fiscal year 2019 is appropriated from the arts and cultural heritage fund for a grant to the Greater Litchfield Opera House Association to repair and update the electrical capabilities and interior walls in the Litchfield Opera House.

(f) \$10,000 in fiscal year 2019 is appropriated from the arts and cultural heritage fund for a grant to the city of Grove City for the Grove City Mill restoration."

Page 43, delete section 8

Renumber the sections in sequence

With the recommendation that when so amended the bill be placed on the General Register.

The report was adopted.

Dauids from the Committee on Taxes to which was referred:

H. F. No. 4385, A bill for an act relating to taxation; making modifications to individual income, corporate franchise, property, sales and use, estate, and tobacco taxes, and other tax provisions; modifying the working family credit; providing for a personal and dependent care credit; providing for certain conformity and nonconformity to federal provisions; modifying the property tax refund; extending the small business investment credit; preventing tax evasion; modifying the research and development credit; modifying the apportionment sales factor; clarifying the dividend received deduction; changing the qualified data center exemption; increasing the tax on certain nonadmitted insurance providers; modifying tobacco sales license provisions; specifying the application of tobacco taxes to vapor products; modifying tobacco stamp provisions; modifying homestead classification provisions; changing qualification and application provisions for the senior property tax deferral program; reinstating the inflator for the state general levy; eliminating the increase in the estate tax exclusion amount; reinstating the annual indexing for the cigarette tax; reinstating a higher rate for premium cigars; providing for monetary and criminal penalties; appropriating money; amending Minnesota Statutes 2016, sections 16D.08, subdivision 2; 116J.8737, subdivisions 5, 12; 270C.03, subdivision 1; 270C.33, subdivision 6; 270C.722, subdivision 1; 270C.728, by adding a

subdivision; 273.124, subdivisions 13c, 14; 273.1245, subdivision 1; 273.1315, subdivision 2; 289A.60, by adding a subdivision; 290.01, subdivision 29a, by adding a subdivision; 290.0131, subdivisions 1, 3, 12, 13, by adding subdivisions; 290.0132, subdivisions 1, 7, 20, by adding subdivisions; 290.0133, subdivision 6, by adding a subdivision; 290.05, subdivision 3; 290.06, subdivisions 2c, 2d; 290.067, subdivision 2a; 290.0671, subdivision 7; 290.0672, subdivision 2; 290.0681, subdivisions 3, 4; 290.0802, subdivision 2; 290.091, subdivision 3; 290.0921, subdivision 2; 290.0922, subdivision 1; 290.095, subdivision 2; 290.191, subdivision 5; 290.21, subdivision 4, by adding a subdivision; 290.92, subdivision 1; 290A.03, subdivision 12; 290A.04, subdivision 4; 290B.03, subdivision 1; 290B.04, subdivision 1; 297A.68, subdivisions 25, 42; 297B.03; 297F.01, subdivisions 9a, 10, 14, 17, 19, 20, 21, by adding subdivisions; 297F.03, subdivisions 1, 2, 3, 5, 6, 7, by adding a subdivision; 297F.04, subdivisions 1, 2; 297F.05, by adding subdivisions; 297F.06, by adding a subdivision; 297F.08, subdivision 8a; 297F.09, subdivisions 2, 7, 10; 297F.12, subdivision 3; 297F.13, subdivisions 2, 4, by adding a subdivision; 297F.15, subdivision 9; 297F.19, by adding a subdivision; 297F.20, subdivisions 5, 6, 7, 9, by adding subdivisions; 297F.21, subdivision 1; 297I.05, subdivision 7; 461.12, subdivision 8; 469.316, subdivision 1; Minnesota Statutes 2017 Supplement, sections 270A.03, subdivision 5; 273.124, subdivisions 13, 13d; 275.025, subdivision 1; 289A.02, subdivision 7; 289A.10, subdivision 1; 289A.12, subdivision 14; 289A.35; 290.01, subdivisions 19, 31; 290.0131, subdivision 10; 290.0132, subdivision 26; 290.0133, subdivision 12; 290.067, subdivision 2b; 290.0671, subdivision 1; 290.0672, subdivision 1; 290.068, subdivision 2; 290.0681, subdivisions 1, 2; 290.0684, subdivisions 1, 2; 290.091, subdivision 2; 290.17, subdivision 2; 290A.03, subdivisions 3, 15; 291.005, subdivision 1; 291.016, subdivision 3; 297F.01, subdivision 13a; 297F.05, subdivisions 3, 3a, 4a; 462D.06, subdivisions 1, 2; proposing coding for new law in Minnesota Statutes, chapters 270C; 290; 297F; repealing Minnesota Statutes 2016, sections 289A.50, subdivision 10; 290.0131, subdivisions 7, 11; 290.0133, subdivisions 13, 14; 290.10, subdivision 2; 297F.185.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"ARTICLE 1 FEDERAL TAX CONFORMITY

Section 1. Minnesota Statutes 2017 Supplement, section 270A.03, subdivision 5, is amended to read:

Subd. 5. **Debt.** (a) "Debt" means a legal obligation of a natural person to pay a fixed and certain amount of money, which equals or exceeds \$25 and which is due and payable to a claimant agency. The term includes criminal fines imposed under section 609.10 or 609.125, fines imposed for petty misdemeanors as defined in section 609.02, subdivision 4a, and restitution. A debt may arise under a contractual or statutory obligation, a court order, or other legal obligation, but need not have been reduced to judgment.

A debt includes any legal obligation of a current recipient of assistance which is based on overpayment of an assistance grant where that payment is based on a client waiver or an administrative or judicial finding of an intentional program violation; or where the debt is owed to a program wherein the debtor is not a client at the time notification is provided to initiate recovery under this chapter and the debtor is not a current recipient of food support, transitional child care, or transitional medical assistance.

(b) A debt does not include any legal obligation to pay a claimant agency for medical care, including hospitalization if the income of the debtor at the time when the medical care was rendered does not exceed the following amount:

- (1) for an unmarried debtor, an income of ~~\$12,560~~ \$13,180 or less;
- (2) for a debtor with one dependent, an income of ~~\$16,080~~ \$16,878 or less;

- (3) for a debtor with two dependents, an income of ~~\$19,020~~ \$19,959 or less;
- (4) for a debtor with three dependents, an income of ~~\$21,580~~ \$22,643 or less;
- (5) for a debtor with four dependents, an income of ~~\$22,760~~ \$23,887 or less; and
- (6) for a debtor with five or more dependents, an income of ~~\$23,730~~ \$24,900 or less.

For purposes of this paragraph, "debtor" means the individual whose income, together with the income of the individual's spouse, other than a separated spouse, brings the individual within the income provisions of this paragraph. For purposes of this paragraph, a spouse, other than a separated spouse, shall be considered a dependent.

(c) The commissioner shall adjust the income amounts in paragraph (b) by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~2014~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2016, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2014, to the 12 months ending on August 31, 2015, and in each subsequent year, from the 12 months ending on August 31, 2014, to the 12 months ending on August 31 of the year preceding the taxable year.~~ "2016." The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14. The income amount as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

(d) Debt also includes an agreement to pay a MinnesotaCare premium, regardless of the dollar amount of the premium authorized under section 256L.15, subdivision 1a.

EFFECTIVE DATE. This section is effective for taxable year beginning after December 31, 2017.

Sec. 2. Minnesota Statutes 2017 Supplement, section 289A.02, subdivision 7, is amended to read:

Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ March 31, 2018.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 3. Minnesota Statutes 2016, section 289A.08, subdivision 1, is amended to read:

Subdivision 1. **Generally; individuals.** (a) A taxpayer must file a return for each taxable year the taxpayer is required to file a return under section 6012 of the Internal Revenue Code or meets the requirements under paragraph (d) to file a return, except that:

(1) an individual who is not a Minnesota resident for any part of the year is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources as determined under sections 290.081, paragraph (a), and 290.17, is less than the filing requirements for a single individual who is a full year resident of Minnesota; ~~and~~

(2) an individual who is a Minnesota resident is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources as determined under section 290.17, less the subtractions allowed under section 290.0132, subdivisions 12 and 15, is less than the filing requirements for a single individual who is a full-year resident of Minnesota.

(b) The decedent's final income tax return, and other income tax returns for prior years where the decedent had gross income in excess of the minimum amount at which an individual is required to file and did not file, must be filed by the decedent's personal representative, if any. If there is no personal representative, the return or returns must be filed by the transferees, as defined in section 270C.58, subdivision 3, who receive property of the decedent.

(c) The term "gross income," as it is used in this section, has the same meaning given it in section 290.01, subdivision 20.

(d) The commissioner of revenue shall annually determine the gross income levels at which individuals are required to file a return for each taxable year based on the amounts that may be deducted under section 290.0803.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 4. Minnesota Statutes 2016, section 289A.08, subdivision 7, is amended to read:

Subd. 7. **Composite income tax returns for nonresident partners, shareholders, and beneficiaries.** (a) The commissioner may allow a partnership with nonresident partners to file a composite return and to pay the tax on behalf of nonresident partners who have no other Minnesota source income. This composite return must include the names, addresses, Social Security numbers, income allocation, and tax liability for the nonresident partners electing to be covered by the composite return.

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

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

(d) The electing partner must not have any Minnesota source income other than the income from the partnership and other electing partnerships. If it is determined that the electing partner has other Minnesota source income, the inclusion of the income and tax liability for that partner under this provision will not constitute a return to satisfy the requirements of subdivision 1. The tax paid for the individual as part of the composite return is allowed as a payment of the tax by the individual on the date on which the composite return payment was made. If the electing nonresident partner has no other Minnesota source income, filing of the composite return is a return for purposes of subdivision 1.

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

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

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

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

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

(j) For the purposes of this subdivision, "income" means the partner's share of federal adjusted gross income from the partnership modified by the additions provided in section 290.0131, subdivisions 8 to ~~11~~ 10, 15, and 17, and the subtractions provided in: (1) section 290.0132, subdivision 9, to the extent the amount is assignable or allocable to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed under section 290.0132, subdivision 9, is only allowed on the composite tax computation to the extent the electing partner would have been allowed the subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 5. Minnesota Statutes 2017 Supplement, section 289A.12, subdivision 14, is amended to read:

Subd. 14. **Reporting exempt interest and exempt-interest dividends.** (a) A regulated investment company paying \$10 or more in exempt-interest dividends to an individual who is a resident of Minnesota, or any person receiving \$10 or more of exempt interest or exempt-interest dividends and paying as nominee to an individual who is a resident of Minnesota, must make a return indicating the amount of the exempt interest or exempt-interest dividends, the name, address, and Social Security number of the recipient, and any other information that the commissioner specifies. The return must be provided to the recipient by February 15 of the year following the year of the payment. The return provided to the recipient must include a clear statement, in the form prescribed by the commissioner, that the exempt interest or exempt-interest dividends must be included in the computation of Minnesota taxable income. By June 1 of each year, the payer must file a copy of the return with the commissioner.

(b) For purposes of this subdivision, the following definitions apply.

(1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest dividends that are not required to be added to federal ~~taxable~~ adjusted gross income under section 290.0131, subdivision 2, paragraph (b).

(2) "Regulated investment company" means regulated investment company as defined in section 851(a) of the Internal Revenue Code or a fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code.

(3) "Exempt interest" means income on obligations of any state other than Minnesota, or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota, and exempt from federal income taxes under the Internal Revenue Code or any other federal statute.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 6. Minnesota Statutes 2017 Supplement, section 289A.35, is amended to read:

289A.35 ASSESSMENTS ON RETURNS.

(a) The commissioner may audit and adjust the taxpayer's computation of federal adjusted gross income, federal taxable income, items of federal tax preferences, or federal credit amounts to make them conform with the provisions of chapter 290 or section 298.01. If a return has been filed, the commissioner shall enter the liability reported on the return and may make any audit or investigation that is considered necessary.

(b) Upon petition by a taxpayer, and when the commissioner determines that it is in the best interest of the state, the commissioner may allow S corporations and partnerships to receive orders of assessment issued under section 270C.33, subdivision 4, on behalf of their owners, and to pay liabilities shown on such orders. In such cases, the owners' liability must be calculated using the method provided in section 289A.08, subdivision 7, paragraph (b).

(c) A taxpayer may petition the commissioner for the use of the method described in paragraph (b) after the taxpayer is notified that an audit has been initiated and before an order of assessment has been issued.

(d) A determination of the commissioner under paragraph (b) to grant or deny the petition of a taxpayer cannot be appealed to the Tax Court or any other court.

(e) The commissioner may audit and adjust the taxpayer's computation of tax under chapter 291. In the case of a return filed pursuant to section 289A.10, the commissioner shall notify the estate no later than nine months after the filing date, as provided by section 289A.38, subdivision 2, whether the return is under examination or the return has been processed as filed.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 7. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to read:

Subd. 14a. **Surviving spouse.** The term "surviving spouse" means an individual who is a surviving spouse under section 2(a) of the Internal Revenue Code for the taxable year.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 8. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 19, is amended to read:

Subd. 19. **Net income.** (a) For a corporation taxable under section 290.02, an estate, or a trust, the term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating the federal effective dates of changes to the Internal Revenue Code and any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in sections 290.0131 to 290.0136.

(b) For an individual, the term "net income" means federal adjusted gross income with the modifications provided in sections 290.0131, 290.0132, 290.0135, and 290.0136.

(c) In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment company taxable income as defined in section 852(b)(2) of the Internal Revenue Code, except that:

(1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal Revenue Code does not apply;

(2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code; and

(3) the deduction for dividends paid must also be applied in the amount of any undistributed capital gains which the regulated investment company elects to have treated as provided in section 852(b)(3)(D) of the Internal Revenue Code.

(d) The net income of a real estate investment trust as defined and limited by section 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

(e) The net income of a designated settlement fund as defined in section 468B(d) of the Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal Revenue Code.

(f) For a taxpayer with a valid election under section 965(h) of the Internal Revenue Code, including any successor in interest, net income for the taxable year includes the ratable amount of deferred foreign income on which the taxpayer makes a federal tax payment in that year.

(f) The Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ March 31, 2018, shall be in effect for taxable years beginning after December 31, 1996.

(g) Except as otherwise provided, references to the Internal Revenue Code in this subdivision and sections 290.0131 to 290.0136 mean the code in effect for purposes of determining net income for the applicable year.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time as the changes were effective for federal purposes and the changes amending the new paragraph (a) and adding paragraph (b) are effective for taxable years beginning after December 31, 2017.

Sec. 9. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to read:

Subd. 21a. **Adjusted gross income.** The terms "adjusted gross income" and "federal adjusted gross income" mean adjusted gross income, as defined in section 62 of the Internal Revenue Code, as amended through the date named in subdivision 19, incorporating the federal effective date of changes to the Internal Revenue Code and any elections made by the taxpayer under the Internal Revenue Code in determining federal adjusted gross income for federal income tax purposes.

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

Sec. 10. Minnesota Statutes 2016, section 290.01, subdivision 22, is amended to read:

Subd. 22. **Taxable net income.** For tax years beginning after December 31, ~~1986~~ 2017, the term "taxable net income" means:

(1) for resident individuals ~~the same as~~, net income less the deductions allowed under section 290.0803;

(2) for individuals who were ~~not~~ residents of Minnesota for less than the entire year, ~~the same as~~ net income less the deductions allowed under section 290.0803, except that the tax is imposed only on the Minnesota apportioned share of that income as determined pursuant to section 290.06, subdivision 2c, paragraph (e);

(3) for all other taxpayers, the part of net income that is allocable to Minnesota by assignment or apportionment under one or more of sections 290.17, 290.191, 290.20, and 290.36, except that for nonresident individuals net income is reduced by the amount of the standard deduction allowable under section 290.0803, subdivision 2, before allocation of net income to Minnesota.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 11. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 31, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ March 31, 2018. Internal Revenue Code also includes any uncodified provision in federal law that relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as amended through March 18, 2010.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to the same taxable years as the changes incorporated by federal changes are effective for federal purposes, including any provisions that are retroactive to taxable years beginning after December 31, 2016.

Sec. 12. Minnesota Statutes 2016, section 290.0131, subdivision 1, is amended to read:

Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "addition" means an amount that must be added to federal ~~taxable adjusted gross income, or for estates and trusts, federal taxable income,~~ in computing net income for the taxable year to which the amounts relate.

(b) The additions in this section apply to individuals, estates, and trusts.

(c) Unless specifically indicated or unless the context clearly indicates otherwise, only amounts that were deducted or excluded in computing federal ~~taxable adjusted gross income, or for estates and trusts, federal taxable income,~~ are an addition under this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 13. Minnesota Statutes 2016, section 290.0131, subdivision 3, is amended to read:

Subd. 3. **Income, sales and use, motor vehicle sales, or excise taxes paid.** ~~(a) For trusts and estates,~~ the amount of income, sales and use, motor vehicle sales, or excise taxes paid or accrued within the taxable year under this chapter and the amount of taxes based on net income, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any province or territory of Canada is an addition to the extent deducted under section 63(d) of the Internal Revenue Code.

~~(b) The addition under paragraph (a) may not be more than the amount by which the state itemized deduction exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code. For the purpose of this subdivision, income, sales and use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed under subdivision 12.~~

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 14. Minnesota Statutes 2017 Supplement, section 290.0131, subdivision 10, is amended to read:

Subd. 10. **Section 179 expensing.** Effective for property placed in service in taxable years beginning before January 1, 2018, 80 percent of the amount by which the deduction allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code, as amended through December 31, 2003, is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 15. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision to read:

Subd. 15. **Foreign-derived intangible income.** The amount of foreign-derived intangible income deducted under section 250 of the Internal Revenue Code for the taxable year is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 16. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision to read:

Subd. 16. **529 plan distributions for K-12 expenses.** The lesser of the following amounts is an addition:

(1) the total distributions for the taxable year from a qualified plan under section 529 of the Internal Revenue Code, owned by the taxpayer, that are expended for qualified higher education expenses under section 529(c)(7) of the Internal Revenue Code (expenses for tuition for elementary or secondary public, private, or religious school); or

(2) the total amount required to be reported to the taxpayer by any trustee of a qualified tuition plan under section 529 of the Internal Revenue Code as earnings on Internal Revenue Service Form 1099Q for the taxable year.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 17. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision to read:

Subd. 17. **Qualified business income addition.** For a trust or estate, the amount deducted under section 199A of the Internal Revenue Code in computing the federal taxable income of the trust or estate is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 18. Minnesota Statutes 2016, section 290.0132, subdivision 1, is amended to read:

Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "subtraction" means an amount that ~~shall~~ is allowed to be subtracted from federal ~~taxable~~ adjusted gross income, or for estates and trusts, federal taxable income, in computing net income for the taxable year to which the amounts relate.

(b) The subtractions in this section apply to individuals, estates, and trusts.

(c) Unless specifically indicated or unless the context clearly indicates otherwise, no amount deducted, subtracted, or otherwise excluded in computing federal ~~taxable~~ adjusted gross income, or for estates and trusts, federal taxable income, is a subtraction under this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 19. Minnesota Statutes 2016, section 290.0132, subdivision 7, is amended to read:

Subd. 7. **Charitable contributions for taxpayers who do not itemize.** ~~To the extent not deducted or not deductible under section 408(d)(8)(E) of the Internal Revenue Code in determining federal taxable income by~~ For an individual who does not itemize deductions ~~for federal income tax purposes under section 290.0803~~ for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over \$500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code 290.0803, subdivision 5, is a subtraction. The subtraction under this subdivision must not include a distribution that is excluded from federal adjusted gross income and that is not deductible under section 408(d)(8)(E) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 20. Minnesota Statutes 2017 Supplement, section 290.0132, subdivision 21, is amended to read:

Subd. 21. **Military service pension; retirement pay.** To the extent included in federal ~~taxable~~ adjusted gross income, compensation received from a pension or other retirement pay from the federal government for service in the military, as computed under United States Code, title 10, sections 1401 to 1414, 1447 to 1455, and 12733, is a subtraction. The subtraction is limited to individuals who do not claim the credit under section 290.0677.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 21. Minnesota Statutes 2017 Supplement, section 290.0132, subdivision 26, is amended to read:

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

(b) For married taxpayers filing a joint return and surviving spouses, the maximum subtraction equals ~~\$4,500~~ \$4,590. The maximum subtraction is reduced by 20 percent of provisional income over ~~\$77,000~~ \$78,530. In no case is the subtraction less than zero.

(c) For single or head-of-household taxpayers, the maximum subtraction equals ~~\$3,500~~ \$3,570. The maximum subtraction is reduced by 20 percent of provisional income over ~~\$60,200~~ \$61,400. In no case is the subtraction less than zero.

(d) For married taxpayers filing separate returns, the maximum subtraction equals ~~\$2,250~~ one-half the maximum subtraction for joint returns under paragraph (b). The maximum subtraction is reduced by 20 percent of provisional income over ~~\$38,500~~ one-half the maximum subtraction for joint returns under paragraph (b). In no case is the subtraction less than zero.

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

(f) The commissioner shall adjust the maximum subtraction and threshold amounts in paragraphs (b) to (d) by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) of the Internal Revenue Code the word "~~2016~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2018, the commissioner shall then determine the percentage change from the 12 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding the taxable year.~~ "2016." The determination of the commissioner pursuant to this subdivision must not be considered a rule and is not subject to the Administrative Procedure Act contained in chapter 14, including section 14.386. The maximum subtraction and threshold amounts as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 22. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision to read:

Subd. 27. **Global intangible low-taxed income.** The taxpayer's global intangible low-taxed income included under section 951A of the Internal Revenue Code for the taxable year is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 23. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision to read:

Subd. 28. **Deferred foreign income of nonresidents.** For a nonresident individual the amount of deferred foreign income recognized because of section 965 of the Internal Revenue Code is a subtraction.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016, and before January 1, 2019.

Sec. 24. Minnesota Statutes 2016, section 290.0133, subdivision 6, is amended to read:

Subd. 6. **Special deductions.** (a) The amount of any special deductions under sections 241 to 247 of the Internal Revenue Code and ~~965~~ the amount of foreign derived intangible income deducted under section 250 of the Internal Revenue Code is an addition.

(b) The addition under this subdivision is reduced by the amount of the deduction under section 245A of the Internal Revenue Code that represents amounts included in federal taxable income in a prior taxable year under section 965 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 25. Minnesota Statutes 2017 Supplement, section 290.0133, subdivision 12, is amended to read:

Subd. 12. **Section 179 expensing.** Effective for property placed in service in taxable years beginning before January 1, 2018, 80 percent of the amount by which the deduction allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code, as amended through December 31, 2003, is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 26. Minnesota Statutes 2016, section 290.0134, is amended by adding a subdivision to read:

Subd. 17. **Global intangible low-taxed income.** The taxpayer's global intangible low-taxed income included under section 951A of the Internal Revenue Code for the taxable year is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 27. Minnesota Statutes 2016, section 290.0136, is amended to read:

290.0136 CERTAIN PREFERRED STOCK LOSSES.

A taxpayer must compute net income by treating losses from the sale or transfer of certain preferred stock, which the taxpayer treated as ordinary losses pursuant to Division A, title III, section 301 of Public Law 110-343, as capital losses. The amount of net income under section 290.01, subdivision 19; taxable net income under section 290.01, subdivision 22; taxable income under section 290.01, subdivision 29; the numerator and denominator in section 290.06, subdivision 2c, paragraph (e); individual alternative minimum taxable income under section 290.091, subdivision 2; ~~corporate alternative minimum taxable income under section 290.0921, subdivision 3;~~ and net operating losses under section 290.095 must be computed for each taxable year as if those losses had been treated by the taxpayer as capital losses under the Internal Revenue Code, including the limitations under section 1211 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 28. Minnesota Statutes 2016, section 290.05, subdivision 3, is amended to read:

Subd. 3. **Taxes imposed on exempt entities.** (a) An organization exempt from taxation under subdivision 2 shall, nevertheless, be subject to tax under this chapter to the extent provided in the following provisions of the Internal Revenue Code:

- (1) section 527 (dealing with political organizations);
- (2) section 528 (dealing with certain homeowners associations);
- (3) sections 511 to 515 (dealing with unrelated business income);
- (4) section 521 (dealing with farmers' cooperatives); and

(5) section 6033(e)(2) (dealing with lobbying expense); but notwithstanding this subdivision, shall be considered an organization exempt from income tax for the purposes of any law which refers to organizations exempt from income taxes.

(b) The tax shall be imposed on the taxable income of political organizations or homeowner associations or the unrelated business taxable income, as defined in section 512 of the Internal Revenue Code, of organizations defined in section 511 of the Internal Revenue Code, provided that the tax is not imposed on:

(1) advertising revenues from a newspaper published by an organization described in section 501(c)(4) of the Internal Revenue Code; or

(2) revenues from lawful gambling authorized under chapter 349 that are expended for purposes that qualify for the deduction for charitable contributions under section 170 of the Internal Revenue Code, disregarding the limitation under section 170(b)(2), but only to the extent the contributions are not deductible in computing federal taxable income.

The tax shall be at the corporate rates. The tax shall only be imposed on income and deductions assignable to this state under sections 290.17 to 290.20. To the extent deducted in computing federal taxable income, the deductions contained in section 290.21 shall not be allowed in computing Minnesota taxable net income.

(c) The tax shall be imposed on organizations subject to federal tax under section 6033(e)(2) of the Internal Revenue Code, in an amount equal to the corporate tax rate multiplied by the amount of lobbying expenses taxed under section 6033(e)(2) which are attributable to lobbying the Minnesota state government.

(d) In calculating unrelated business taxable income under section 512 of the Internal Revenue Code, the amount of any net operating loss deduction claimed under section 172 of the Internal Revenue Code is an addition. Taxpayers making an addition under this paragraph may deduct a net operating loss for the taxable year in the same manner as a corporation under section 290.095, in a form and manner prescribed by the commissioner, and may calculate the loss without the application of the limitation provided for under section 512(a)(6) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 29. Minnesota Statutes 2016, section 290.06, subdivision 1, is amended to read:

Subdivision 1. **Computation, corporations.** (a) The franchise tax imposed upon corporations shall be computed by applying to their taxable income the rate of ~~9.8~~ 9.06 percent.

(b) Notwithstanding paragraph (a), the rate for taxable years beginning after December 31, 2017, and before January 1, 2020, is 9.64 percent.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 30. Minnesota Statutes 2016, section 290.06, subdivision 2c, is amended to read:

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

- (1) On the first ~~\$35,480~~ \$37,850, 5.35 percent;
- (2) On all over ~~\$35,480~~ \$37,850, but not over ~~\$140,960, 7.05~~ \$150,380, 6.75 percent;
- (3) On all over ~~\$140,960~~ \$150,380, but not over ~~\$250,000~~ \$266,700, 7.85 percent;
- (4) On all over ~~\$250,000~~ \$266,700, 9.85 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts.

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

- (1) On the first ~~\$24,270~~ \$25,890, 5.35 percent;
- (2) On all over ~~\$24,270~~ \$25,890, but not over ~~\$79,730, 7.05~~ \$85,060, 6.75 percent;
- (3) On all over ~~\$79,730~~ \$85,060, but not over ~~\$150,000~~ \$160,020, 7.85 percent;
- (4) On all over ~~\$150,000~~ \$160,020, 9.85 percent.

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

- (1) On the first ~~\$29,880~~ \$31,880, 5.35 percent;
- (2) On all over ~~\$29,880~~ \$31,880, but not over ~~\$120,070, 7.05~~ \$128,090, 6.75 percent;
- (3) On all over ~~\$120,070~~ \$128,090, but not over ~~\$200,000~~ \$213,360, 7.85 percent;
- (4) On all over ~~\$200,000~~ \$213,360, 9.85 percent.

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

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

(1) the numerator is the individual's Minnesota source federal adjusted gross income ~~as defined in section 62 of the Internal Revenue Code~~ and increased by the additions required under section 290.0131, subdivisions 2 and 6 to ~~10~~, and reduced by the Minnesota assignable portion of the subtraction for United States government interest under section 290.0132, subdivision 2, and the subtractions under section 290.0132, subdivisions 9, 10, 14, 15, 17, ~~and 18, 27, and 28~~, after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income ~~as defined in section 62 of the Internal Revenue Code~~, increased by the amounts specified in section 290.0131, subdivisions 2 and 6 to ~~10~~, and reduced by the amounts specified in section 290.0132, subdivisions 2, 9, 10, 14, 15, 17, ~~and 18, 27, and 28~~.

(f) For taxable years beginning after December 31, 2017, and before January 1, 2019, a rate of 6.95 percent applies instead of the 6.75 percent rate in paragraphs (a) to (c) and for taxable years beginning after December 31, 2018, and before January 1, 2020, a rate of 6.9 percent applies.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 31. Minnesota Statutes 2016, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after December 31, 2013, the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). ~~For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, 2012, and before January 1, 2014.~~ The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~2012~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2014, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the year preceding the taxable year.~~ "2016." The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

No later than December 15 of each year, the commissioner shall announce the specific percentage that will be used to adjust the tax rate brackets.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 32. Minnesota Statutes 2017 Supplement, section 290.067, subdivision 1, is amended to read:

Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the dependent care credit for which the taxpayer is eligible pursuant to the provisions of section 21 of the Internal Revenue Code except that in determining whether the child qualified as a dependent, income received as a Minnesota family investment program grant or allowance to or on behalf of the child must not be taken into account in determining whether the child received more than half of the child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of the Internal Revenue Code do not apply.

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

(c) If a married couple:

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

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

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

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

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

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

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

(e) In the case of a nonresident, part-year resident, or a person who has earned income not subject to tax under this chapter including earned income excluded pursuant to section 290.0132, subdivision 10, the credit determined under section 21 of the Internal Revenue Code must be allocated based on the ratio by which the earned income of the claimant and the claimant's spouse from Minnesota sources bears to the total earned income of the claimant and the claimant's spouse.

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

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

(h) For taxpayers with federal adjusted gross income in excess of ~~\$50,000~~ \$50,990, the credit is equal to the lesser of the credit otherwise calculated under this subdivision, or the amount equal to \$600 minus five percent of federal adjusted gross income in excess of ~~\$50,000~~ \$50,990 for taxpayers with one qualified individual, or \$1,200 minus five percent of federal adjusted gross income in excess of ~~\$50,000~~ \$50,990 for taxpayers with two or more qualified individuals, but in no case is the credit less than zero.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 33. Minnesota Statutes 2016, section 290.067, subdivision 2a, is amended to read:

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

- (1) federal adjusted gross income ~~as defined in section 62 of the Internal Revenue Code~~; and
- (2) the sum of the following amounts to the extent not included in clause (1):
 - (i) all nontaxable income;
 - (ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;
 - (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;
 - (iv) cash public assistance and relief;
 - (v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, Supplemental Security Income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;
 - (vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;
 - (vii) workers' compensation;
 - (viii) nontaxable strike benefits;
 - (ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;
 - (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;

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

(xii) nontaxable scholarship or fellowship grants;

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

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

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

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

(xvi) alimony received to the extent not included in the recipient's income.

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

(b) "Income" does not include:

(1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

(2) amounts of any pension or annuity that were exclusively funded by the claimant or spouse if the funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(3) surplus food or other relief in kind supplied by a governmental agency;

(4) relief granted under chapter 290A;

(5) child support payments received under a temporary or final decree of dissolution or legal separation; and

(6) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 34. Minnesota Statutes 2017 Supplement, section 290.067, subdivision 2b, is amended to read:

Subd. 2b. **Inflation adjustment.** The commissioner shall adjust the dollar amount of the income threshold at which the maximum credit begins to be reduced under subdivision 1 by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~2016~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2018, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding~~

~~the taxable year.~~ "2016." The determination of the commissioner pursuant to this subdivision must not be considered a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. The threshold amount as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 35. Minnesota Statutes 2017 Supplement, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota is allowed a credit against the tax imposed by this chapter equal to a percentage of earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code, except that a taxpayer with no qualifying children who has attained the age of 21, but not attained age 65 before the close of the taxable year and is otherwise eligible for a credit under section 32 of the Internal Revenue Code may also receive a credit.

(b) For individuals with no qualifying children, the credit equals 2.10 percent of the first ~~\$6,180~~ \$6,480 of earned income. The credit is reduced by 2.01 percent of earned income or adjusted gross income, whichever is greater, in excess of ~~\$8,130~~ \$8,530, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals 9.35 percent of the first ~~\$11,120~~ \$11,670 of earned income. The credit is reduced by 6.02 percent of earned income or adjusted gross income, whichever is greater, in excess of ~~\$21,190~~ \$22,340, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals 11 percent of the first ~~\$18,240~~ \$19,130 of earned income. The credit is reduced by 10.82 percent of earned income or adjusted gross income, whichever is greater, in excess of ~~\$25,130~~ \$26,360, but in no case is the credit less than zero.

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

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

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

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

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

(g) For tax years beginning after December 31, ~~2013~~ 2018, the ~~\$8,130~~ \$8,530 in paragraph (b), the ~~\$21,190~~ \$22,340 in paragraph (c), and the ~~\$25,130~~ \$26,360 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by ~~\$5,000~~ \$5,700 for married taxpayers filing joint returns. For tax years beginning after December 31, ~~2013~~ 2018, the commissioner shall annually adjust the ~~\$5,000~~ \$5,700 by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B), the word "2008" "2017" shall be substituted for the word "1992." ~~For 2014, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2008, to the 12 months ending on~~

~~August 31, 2013, and in each subsequent year, from the 12 months ending on August 31, 2008, to the 12 months ending on August 31 of the year preceding the taxable year. "2016."~~ The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 36. Minnesota Statutes 2016, section 290.0671, subdivision 7, is amended to read:

Subd. 7. **Inflation adjustment.** The earned income amounts used to calculate the credit and the income thresholds at which the maximum credit begins to be reduced in subdivision 1 must be adjusted for inflation. The commissioner shall adjust by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~2013~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2015, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2013, to the 12 months ending on August 31, 2014, and in each subsequent year, from the 12 months ending on August 31, 2013, to the 12 months ending on August 31 of the year preceding the taxable year. "2016."~~ The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 37. Minnesota Statutes 2017 Supplement, section 290.0672, subdivision 1, is amended to read:

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

(b) "Long-term care insurance" means a policy that:

(1) qualifies for a deduction under section 213 of the Internal Revenue Code, disregarding the adjusted gross income test; or meets the requirements given in section 62A.46; or provides similar coverage issued under the laws of another jurisdiction; and

(2) has a lifetime long-term care benefit limit of not less than \$100,000; and

(3) has been offered in compliance with the inflation protection requirements of section 62S.23.

(c) "Qualified beneficiary" means the taxpayer or the taxpayer's spouse.

(d) "Premiums deducted in determining ~~federal~~ taxable net income" means the lesser of (1) long-term care insurance premiums that qualify as deductions under section 213 of the Internal Revenue Code; and (2) the total amount deductible for medical ~~care~~ expenses under section ~~213 of the Internal Revenue Code~~ 290.0803.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 38. Minnesota Statutes 2016, section 290.0672, subdivision 2, is amended to read:

Subd. 2. **Credit.** A taxpayer is allowed a credit against the tax imposed by this chapter for long-term care insurance policy premiums paid during the tax year. The credit for each policy equals 25 percent of premiums paid to the extent not deducted in determining ~~federal~~ taxable net income. A taxpayer may claim a credit for only one policy for each qualified beneficiary. A maximum of \$100 applies to each qualified beneficiary. The maximum total credit allowed per year is \$200 for married couples filing joint returns and \$100 for all other filers. For a nonresident or part-year resident, the credit determined under this section must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 39. Minnesota Statutes 2017 Supplement, section 290.0681, subdivision 1, is amended to read:

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

(b) "Account" means the historic credit administration account in the special revenue fund.

(c) "Office" means the State Historic Preservation Office of the Department of Administration.

(d) "Project" means rehabilitation of a certified historic structure, as defined in section 47(c)(3)(A) of the Internal Revenue Code, that is located in Minnesota and is allowed a federal credit.

(e) "Federal credit" means the credit allowed under section ~~47(a)(2)~~ 47(a) of the Internal Revenue Code, except that the amount allowed is deemed to be allocated in the taxable year that the project is placed in service.

(f) "Placed in service" has the meaning used in section 47 of the Internal Revenue Code.

(g) "Qualified rehabilitation expenditures" has the meaning given in section 47 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for applications for allocation certificates submitted after December 31, 2017.

Sec. 40. Minnesota Statutes 2017 Supplement, section 290.0681, subdivision 2, is amended to read:

Subd. 2. **Credit or grant allowed; certified historic structure.** (a) A credit is allowed against the tax imposed under this chapter equal to not more than 100 percent of the credit allowed under section ~~47(a)(2)~~ 47(a) of the Internal Revenue Code for a project. The credit is payable in an amount equal to one-fifth of the total credit amount allowed in the five taxable years beginning with the year the project is placed in service. To qualify for the credit:

(1) the project must receive Part 3 certification and be placed in service during the taxable year; and

(2) the taxpayer must be allowed the federal credit and be issued a credit certificate for the taxable year as provided in subdivision 4.

(b) The commissioner of administration may pay a grant in lieu of the credit. The grant equals 90 percent of the credit that would be allowed for the project. The grant is payable in an amount equal to one-fifth of 90 percent of the credit that would be allowed for the project in the five taxable years beginning with the year the project is placed in service.

(c) In lieu of the credit under paragraph (a), an insurance company may claim a credit against the insurance premiums tax imposed under chapter 297I.

EFFECTIVE DATE. This section is effective for applications for allocation certificates submitted after December 31, 2017.

Sec. 41. Minnesota Statutes 2016, section 290.0681, subdivision 3, is amended to read:

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

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

(1) verify eligibility for the credit or grant;

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective for applications for allocation certificates submitted after December 31, 2017.

Sec. 42. Minnesota Statutes 2016, section 290.0681, subdivision 4, is amended to read:

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

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

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

(b) The recipient of a credit certificate may assign the certificate to another taxpayer before the first one-fifth payment is claimed, which is then allowed the credit under this section or section 297I.20, subdivision 3. An assignment is not valid unless the assignee notifies the commissioner within 30 days of the date that the assignment is made. The commissioner shall prescribe the forms necessary for notifying the commissioner of the assignment of a credit certificate and for claiming a credit by assignment.

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

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

EFFECTIVE DATE. This section is effective for applications for allocation certificates submitted after December 31, 2017.

Sec. 43. Minnesota Statutes 2017 Supplement, section 290.0684, subdivision 1, is amended to read:

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

(b) "Contribution" means the amount contributed to one or more qualified accounts except that the amount:

(1) is reduced by any withdrawals or distributions, other than transfers or rollovers to another qualified account, from a qualified account during the taxable year; and

(2) excludes the amount of any transfers or rollovers from a qualified account made during the taxable year.

(c) ~~"Federal adjusted gross income" has the meaning given under section 62(a) of the Internal Revenue Code.~~

~~(d)~~ "Qualified account" means an account qualifying under section ~~529~~ 529(e)(3) of the Internal Revenue Code.

~~(e)~~ (d) "Qualified higher education expenses" has the meaning given in section 529 of the Internal Revenue Code, except section 529(c)(7) of the Internal Revenue Code does not apply to the definition of qualified higher education expenses.

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

Sec. 44. Minnesota Statutes 2017 Supplement, section 290.0684, subdivision 2, is amended to read:

Subd. 2. **Credit allowed.** (a) An individual who is a resident of Minnesota is allowed a credit against the tax imposed by this chapter. The credit is not allowed to an individual who is eligible to be claimed as a dependent, as defined in sections 151 and 152 of the Internal Revenue Code. The credit may not exceed the liability for tax under this chapter.

(b) The amount of the credit allowed equals 50 percent of contributions for the taxable year. The maximum credit is \$500, subject to the phaseout in paragraphs (c) and (d). In no case is the credit less than zero.

(c) For individual filers, the maximum credit is reduced by two percent of adjusted gross income in excess of ~~\$75,000~~ \$76,490.

(d) For married couples filing a joint return, the maximum credit is phased out as follows:

(1) for married couples with adjusted gross income in excess of ~~\$75,000~~ \$76,490, but not more than ~~\$100,000~~ \$101,990, the maximum credit is reduced by one percent of adjusted gross income in excess of ~~\$75,000~~ \$76,490;

(2) for married couples with adjusted gross income in excess of ~~\$100,000~~ \$101,990, but not more than ~~\$135,000~~ \$137,680, the maximum credit is \$250; and

(3) for married couples with adjusted gross income in excess of ~~\$135,000~~ \$137,680, the maximum credit is \$250, reduced by one percent of adjusted gross income in excess of ~~\$135,000~~ \$137,680.

(e) The income thresholds in paragraphs (c) and (d) used to calculate the maximum credit must be adjusted for inflation. The commissioner shall adjust the income thresholds by the percentage determined under the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~2016~~" "2017" is substituted for the word "~~1992~~." ~~For 2018, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding the taxable year.~~ "2016." The income thresholds as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount. The determination of the commissioner under this subdivision is not subject to chapter 14, including section 14.386.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 45. Minnesota Statutes 2016, section 290.0802, subdivision 2, is amended to read:

Subd. 2. **Subtraction.** (a) A qualified individual is allowed a subtraction from federal ~~taxable~~ adjusted gross income of the individual's subtraction base amount. The excess of the subtraction base amount over the taxable net income computed without regard to the subtraction for the elderly or disabled under section 290.0132, subdivision 5, may be used to reduce the amount of a lump sum distribution subject to tax under section 290.032.

(b)(1) The initial subtraction base amount equals

(i) \$12,000 for a married taxpayer filing a joint return if a spouse is a qualified individual,

(ii) \$9,600 for a single taxpayer, and

(iii) \$6,000 for a married taxpayer filing a separate federal return.

(2) The qualified individual's initial subtraction base amount, then, must be reduced by the sum of nontaxable retirement and disability benefits and one-half of the amount of adjusted gross income in excess of the following thresholds:

(i) \$18,000 for a married taxpayer filing a joint return if both spouses are qualified individuals,

(ii) \$14,500 for a single taxpayer or for a married couple filing a joint return if only one spouse is a qualified individual, and

(iii) \$9,000 for a married taxpayer filing a separate federal return.

(3) In the case of a qualified individual who is under the age of 65, the maximum amount of the subtraction base may not exceed the taxpayer's disability income.

(4) The resulting amount is the subtraction base amount.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 46. **[290.0803] INDIVIDUALS; DEDUCTIONS AND EXEMPTIONS ALLOWED.**

Subdivision 1. **Deduction allowed.** Individuals are allowed to deduct the sum of the following amounts in computing taxable net income for the taxable year:

(1) the standard or itemized deductions, as provided under subdivision 2 or 3; and

(2) the exemption allowance computed under subdivision 9.

Subd. 2. **Standard deduction.** (a) An individual may elect to claim a standard deduction in lieu of the itemized deductions allowed under subdivision 3 for the taxable year equal to the following amount:

(1) for a married joint filer or a surviving spouse, \$14,000;

(2) for a head of household filer, \$10,300; or

(3) for any other filer, \$7,000; plus

(4) the additional amount for the taxpayer under paragraph (b).

(b) The additional amount equals the sum of the following amounts:

(1) \$1,300 if the taxpayer has attained age 65 before the close of the taxable year or \$1,600 for such a taxpayer who is not married or a surviving spouse;

(2) \$1,300 for the spouse of the taxpayer if the spouse has attained the age of 65 before the close of the taxable year and qualifies under subdivision 9, clause (2);

(3) \$1,300 if the taxpayer is blind at the close of the taxable year or \$1,600 for such a taxpayer who is not married or a surviving spouse; and

(4) \$1,300 for the spouse of the taxpayer if the spouse is blind as of the close of the taxable year and qualifies under subdivision 9, clause (2).

(c) For an individual who is a dependent, as defined in section 152 of the Internal Revenue Code, of another taxpayer for a taxable year beginning in the calendar year in which the individual's taxable year begins, the standard deduction for that individual is limited to the greater of:

(1) \$500; or

(2) the sum of \$250 and that individual's earned income, as defined in section 32(c) of the Internal Revenue Code.

(d) The standard deduction is zero for (1) a married individual filing a separate return if either spouse itemizes deductions, and (2) an individual making a return for a period of less than twelve months on account of changes in the annual accounting period.

Subd. 3. **Itemized deductions.** (a) An individual who is a resident is allowed itemized deductions for the taxable year equal to the sum of the following amounts:

(1) taxes paid, as provided in subdivision 4;

(2) charitable contributions, as provided in subdivision 5;

(3) interest, as provided in subdivision 6;

(4) medical expenses, as provided in subdivision 7;

(5) miscellaneous deductions, as provided in subdivision 8; and

(6) losses allowable under section 165(a) of the Internal Revenue Code, other than losses allowable under that section in computing adjusted gross income, and except that the provisions of section 165(h)(5) of the Internal Revenue Code apply regardless of the taxable year; reduced by

(7) the amount of the disallowed itemized deductions computed under paragraph (b).

(b) The amount of disallowed itemized deductions equals the lesser of:

(1) three percent of the excess of the taxpayer's adjusted gross income, over the applicable amount; or

(2) 80 percent of the amount of the itemized deductions, excluding:

(i) medical expense deduction under subdivision 7;

(ii) any interest deduction under subdivision 6, for investment interest as defined in section 163(d) of the Internal Revenue Code; and

(iii) losses allowable under section 165(c)(2) or (3), or (d), of the Internal Revenue Code, and allowed under paragraph (a), clause (6).

(c) "Applicable amount" means \$190,050, or \$95,025 for a married individual filing a separate return.

Subd. 4. **Taxes paid.** (a) The taxes paid deduction equals the sum of the following amounts for the taxable year:

(1) state and local real and personal property taxes in an amount not to exceed \$30,000;

(2) foreign income, war profits, and excess profits taxes to the extent not reduced by the federal foreign tax credit; and

(3) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit.

(b) For purposes of this subdivision, the following terms have the meanings given them:

(1) "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit;

(2) "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code; and

(3) "foreign, income, war profits, and excess profits taxes" and "state and local real and personal property taxes" have the meanings given in section 164 of the Internal Revenue Code.

Subd. 5. **Charitable contributions.** The charitable contribution equals the amount of the charitable contribution deduction allowable to the taxpayer under section 170 of the Internal Revenue Code, except that the following rules apply:

(1) the provisions of section 170(b)(1)(G) apply regardless of the taxable year; and

(2) for taxable years beginning after December 31, 2017, determination of carryover amounts must be made by applying the rules under section 170 of the Internal Revenue Code based on the charitable contribution deductions claimed and allowable under this section.

Subd. 6. **Interest deduction.** The interest deduction equals the amount allowed to the taxpayer as interest paid or accrued during the taxable year under section 163(d) of the Internal Revenue Code with the following exceptions:

(1) qualified residence interest excludes home equity interest; and

(2) acquisition indebtedness must not exceed \$750,000 (\$375,000 for a married separate return) for indebtedness incurred on or after December 16, 2017.

The definitions of terms under section 163 of the Internal Revenue Code apply for purposes of this subdivision.

Subd. 7. **Medical expenses.** The medical expense deduction equals the deduction allowed for the taxable year under section 213 of the Internal Revenue Code.

Subd. 8. **Miscellaneous deduction.** The miscellaneous deduction equals the sum of the following amounts for the taxable year, but excluding any amounts allowed to be deducted in computing adjusted gross income:

(1) impairment-related work expenses allowed under section 67(d) of the Internal Revenue Code;

(2) the deduction for estate tax under section 691(c) of the Internal Revenue Code;

(3) any deduction allowable in connection with personal property used in a short sale as described under section 67(b)(8);

(4) the deduction under section 1341 of the Internal Revenue Code;

(5) the deduction under section 72(b)(3) of the Internal Revenue Code;

(6) the deduction under section 171 of the Internal Revenue Code; and

(7) the deduction under section 216 of the Internal Revenue Code.

Subd. 9. **Exemption allowance.** (a) The exemption allowance is computed as follows:

(1) the exemption amount for the taxpayer; plus

(2) an additional exemption amount for the spouse of the taxpayer:

(i) for a joint return; or

(ii) if a joint return is not made by the taxpayer and spouse, and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer; plus

(3) an exemption amount for each individual who is a dependent, as defined in section 152 of the Internal Revenue Code, of the taxpayer for the taxable year; minus

(4) the disallowed exemption amount under paragraph (d), but the remainder may not be less than zero.

(b) The exemption amount equals \$4,150.

(c) The disallowed personal exemption amount equals the number of personal exemptions allowed under paragraph (a) multiplied by (i) the exemption amount under paragraph (b) and (ii) the applicable percentage.

(d) For a married individual filing a separate return, "applicable percentage" means two percentage points for each \$1,250, or fraction of that amount, by which the taxpayer's federal adjusted gross income for the taxable year exceeds the threshold amount. For all other filers, applicable percentage means two percentage points for each \$2,500, or fraction of that amount, by which the taxpayer's federal adjusted gross income for the taxable year exceeds the threshold amount. The applicable percentage must not exceed 100 percent.

(e) "Threshold amount" means:

(1) \$285,050 for a joint return or a surviving spouse;

(2) \$237,550 for a head of a household;

(3) \$190,050 for an individual who is not married and who is not a surviving spouse or head of a household; and

(4) \$142,500 for a married individual filing a separate return.

Subd. 10. **Indexing.** (a) For taxable years beginning after December 31, 2018, the commissioner must annually adjust the dollar amounts in subdivisions 2, 3, and 9, except the amounts in paragraph (d) of subdivision 9, for inflation as provided in paragraph (b).

(b) Each dollar amount is increased by an amount equal to:

(1) that dollar amount, multiplied by

(2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 2017" for "calendar year 2016" in subparagraph (B) of section 1(f)(3).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 47. Minnesota Statutes 2017 Supplement, section 290.091, subdivision 2, is amended to read:

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

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

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

(i) the charitable contribution deduction under section 170 of the Internal Revenue Code; and

(ii) the medical expense deduction;

(iii) the casualty, theft, and disaster loss deduction; and

(iv) the impairment-related work expenses of a disabled person;

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

(4) to the extent not included in federal alternative minimum taxable income, the amount of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue Code determined without regard to subparagraph (E);

(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.0131, subdivision 2; and

(6) the amount of addition required by section 290.0131, subdivisions 9 to ~~14~~ 10;

(7) the deduction allowed under section 199A of the Internal Revenue Code;

less the sum of the amounts determined under the following:

(i) interest income as defined in section 290.0132, subdivision 2;

(ii) an overpayment of state income tax as provided by section 290.0132, subdivision 3, to the extent included in federal alternative minimum taxable income;

(iii) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income;

(iv) amounts subtracted from federal ~~taxable~~ adjusted gross income as provided by section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, and 26 ~~to 28~~; and

(v) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c).

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code, except that alternative minimum taxable income must be increased by the amount of the addition under section 290.0131, subdivision 17.

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

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 48. Minnesota Statutes 2016, section 290.091, subdivision 3, is amended to read:

Subd. 3. **Exemption amount.** (a) For purposes of computing the alternative minimum tax, the exemption amount is, ~~for taxable years beginning after December 31, 2005, \$60,000~~ \$75,760 for married couples filing joint returns, ~~\$30,000~~ \$37,880 for married individuals filing separate returns, estates, and trusts, and ~~\$45,000~~ \$56,820 for unmarried individuals.

(b) The exemption amount determined under this subdivision is subject to the phase out under section 55(d)(3) of the Internal Revenue Code, except that alternative minimum taxable income as determined under this section must be substituted in the computation of the phase out.

(c) For taxable years beginning after December 31, ~~2006~~ 2018, the exemption amount under paragraph (a) must be adjusted for inflation. The commissioner shall adjust the exemption amount by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2005" "2017" shall be substituted for the word "1992." ~~For 2007, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2005, to the 12 months ending on August 31, 2006, and in each subsequent year, from the 12 months ending on August 31, 2005, to the 12 months ending on August 31 of the year preceding the taxable year.~~ "2016." The exemption amount as adjusted must be rounded to the nearest \$10. If the amount ends in \$5, it must be rounded up to the nearest \$10 amount. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 49. Minnesota Statutes 2016, section 290.0921, subdivision 8, is amended to read:

Subd. 8. **Carryover credit.** (a) A corporation is allowed a credit against qualified regular tax for qualified alternative minimum tax previously paid. The credit is allowable only ~~if the corporation has no tax liability under this section for the taxable year and~~ if the corporation has an alternative minimum tax credit carryover from a previous year. The credit allowable in a taxable year equals the lesser of

(1) ~~the excess of the qualified regular tax for the taxable year over the amount computed under subdivision 1, clause (1), for the taxable year;~~ or

(2) the carryover credit to the taxable year.

(b) For purposes of this subdivision, the following terms have the meanings given.

(1) "Qualified alternative minimum tax" equals the amount determined under subdivision 1 for ~~the~~ a taxable year beginning before December 31, 2017.

(2) "Qualified regular tax" means the tax imposed under section 290.06, subdivision 1.

(c) The qualified alternative minimum tax for a taxable year is an alternative minimum tax credit carryover to each of the taxable years succeeding the taxable year. The entire amount of the credit must be carried to the earliest taxable year to which the amount may be carried. Any unused portion of the credit must be carried to the following taxable year. No credit may be carried to a taxable year in which alternative minimum tax was paid.

(d) An acquiring corporation may carry over this credit from a transferor or distributor corporation in a corporate acquisition. The provisions of section 381 of the Internal Revenue Code apply in determining the amount of the carryover, if any.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 50. Minnesota Statutes 2016, section 290.0922, subdivision 1, is amended to read:

Subdivision 1. **Imposition.** (a) In addition to the tax imposed by this chapter without regard to this section, the franchise tax imposed on a corporation required to file under section 289A.08, subdivision 3, other than a corporation treated as an "S" corporation under section 290.9725 for the taxable year includes a tax equal to the following amounts:

If the sum of the corporation's Minnesota property, payrolls, and sales or receipts is:		the tax equals:
less than	\$ 930,000 <u>990,000</u>	\$0
\$ 930,000 <u>990,000</u>	to \$ 1,869,999 <u>1,989,999</u>	\$ 190 <u>200</u>
\$ 1,870,000 <u>1,990,000</u>	to \$ 9,339,999 <u>9,959,999</u>	\$ 560 <u>600</u>
\$ 9,340,000 <u>9,960,000</u>	to \$ 18,679,999 <u>19,929,999</u>	\$ 1,870 <u>1,990</u>
\$ 18,680,000 <u>19,930,000</u>	to \$ 37,359,999 <u>39,859,999</u>	\$ 3,740 <u>3,990</u>
\$ 37,360,000 <u>39,860,000</u>	or more	\$ 9,340 <u>9,960</u>

(b) A tax is imposed for each taxable year on a corporation required to file a return under section 289A.12, subdivision 3, that is treated as an "S" corporation under section 290.9725 and on a partnership required to file a return under section 289A.12, subdivision 3, other than a partnership that derives over 80 percent of its income from farming. The tax imposed under this paragraph is due on or before the due date of the return for the taxpayer due under section 289A.18, subdivision 1. The commissioner shall prescribe the return to be used for payment of this tax. The tax under this paragraph is equal to the following amounts:

If the sum of the S corporation's or partnership's Minnesota property, payrolls, and sales or receipts is:		the tax equals:
less than	\$ 930,000 <u>990,000</u>	\$0
\$ 930,000 <u>990,000</u>	to \$ 1,869,999 <u>1,989,999</u>	\$ 190 <u>200</u>
\$ 1,870,000 <u>1,990,000</u>	to \$ 9,339,999 <u>9,959,999</u>	\$ 560 <u>600</u>
\$ 9,340,000 <u>9,960,000</u>	to \$ 18,679,999 <u>19,929,999</u>	\$ 1,870 <u>1,990</u>
\$ 18,680,000 <u>19,930,000</u>	to \$ 37,359,999 <u>39,859,999</u>	\$ 3,740 <u>3,990</u>
\$ 37,360,000 <u>39,860,000</u>	or more	\$ 9,340 <u>9,960</u>

(c) The commissioner shall adjust the dollar amounts of both the tax and the property, payrolls, and sales or receipts thresholds in paragraphs (a) and (b) by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~2012~~" "2017" must be substituted for the word "~~1992~~." ~~For 2014, the commissioner shall determine the percentage change from the 12 months ending on August 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the year preceding the taxable year.~~ "2016." The determination of the commissioner pursuant to this subdivision is not a "rule" subject to the Administrative Procedure Act contained in chapter 14. The tax amounts as adjusted must be rounded to the nearest \$10 amount and the threshold amounts must be adjusted to the nearest \$10,000 amount. For tax amounts that end in \$5, the amount is rounded up to the nearest \$10 amount and for the threshold amounts that end in \$5,000, the amount is rounded up to the nearest \$10,000.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 51. Minnesota Statutes 2016, section 290.095, subdivision 4, is amended to read:

Subd. 4. **Computation and modifications.** The following modifications shall be made in computing a net operating loss in any taxable year and also in computing the taxable net income for any taxable year before a net operating loss deduction shall be allowed:

(a) No deduction shall be allowed for or with respect to losses connected with income producing activities if the income therefrom would not be required to be either assignable to this state or included in computing the taxpayer's taxable net income.

(b) A net operating loss deduction shall not be allowed.

(c) The amount deductible on account of losses from sales or exchanges of capital assets shall not exceed the amount includable on account of gains from sales or exchanges of capital assets.

(d) Renegotiation of profits for a prior taxable year under the renegotiation laws of the United States of America, including renegotiation of the profits with a subcontractor, shall not enter into the computation.

(e) Federal income and excess profits taxes shall not be allowed as a deduction.

(f) The 80-percent limitation under section 172(a)(2) of the Internal Revenue Code does not apply to the computations for corporate taxpayers under this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 52. Minnesota Statutes 2017 Supplement, section 290.17, subdivision 2, is amended to read:

Subd. 2. **Income not derived from conduct of a trade or business.** The income of a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or business must be assigned in accordance with paragraphs (a) to (f):

(a)(1) Subject to paragraphs (a)(2) and (a)(3), income from wages as defined in section 3401(a) ~~and, (f), and (i)~~ of the Internal Revenue Code is assigned to this state if, and to the extent that, the work of the employee is performed within it; all other income from such sources is treated as income from sources without this state.

Severance pay shall be considered income from labor or personal or professional services.

(2) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner:

(i) the amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota. For purposes of this paragraph, off-season training activities, unless conducted at the team's facilities as part of a team imposed program, are not included in the total number of duty days. Bonuses earned as a result of play during the regular season or for participation in championship, play-off, or all-star games must be allocated under the formula. Signing bonuses are not subject to allocation under the formula if they are not conditional on playing any games for the team, are payable separately from any other compensation, and are nonrefundable; and

(ii) the amount of income to be assigned to Minnesota for an individual who is a nonresident, and who is an athlete or entertainer not listed in item (i), for that person's athletic or entertainment performance in Minnesota shall be determined by assigning to this state all income from performances or athletic contests in this state.

(3) For purposes of this section, amounts received by a nonresident as "retirement income" as defined in section (b)(1) of the State Income Taxation of Pension Income Act, Public Law 104-95, are not considered income derived from carrying on a trade or business or from wages or other compensation for work an employee performed in Minnesota, and are not taxable under this chapter.

(b) Income or gains from tangible property located in this state that is not employed in the business of the recipient of the income or gains must be assigned to this state.

(c) Income or gains from intangible personal property not employed in the business of the recipient of the income or gains must be assigned to this state if the recipient of the income or gains is a resident of this state or is a resident trust or estate.

Gain on the sale of a partnership interest is allocable to this state in the ratio of the original cost of partnership tangible property in this state to the original cost of partnership tangible property everywhere, determined at the time of the sale. If more than 50 percent of the value of the partnership's assets consists of intangibles, gain or loss from the sale of the partnership interest is allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding the tax period of the partnership during which the partnership interest was sold.

Gain on the sale of an interest in a single member limited liability company that is disregarded for federal income tax purposes is allocable to this state as if the single member limited liability company did not exist and the assets of the limited liability company are personally owned by the sole member.

Gain on the sale of goodwill or income from a covenant not to compete that is connected with a business operating all or partially in Minnesota is allocated to this state to the extent that the income from the business in the year preceding the year of sale was allocable to Minnesota under subdivision 3.

When an employer pays an employee for a covenant not to compete, the income allocated to this state is in the ratio of the employee's service in Minnesota in the calendar year preceding leaving the employment of the employer over the total services performed by the employee for the employer in that year.

(d) Income from winnings on a bet made by an individual while in Minnesota is assigned to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

(e) All items of gross income not covered in paragraphs (a) to (d) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

(f) For the purposes of this section, working as an employee shall not be considered to be conducting a trade or business.

EFFECTIVE DATE. This section is effective for wages paid after December 31, 2017.

Sec. 53. Minnesota Statutes 2016, section 290.21, is amended by adding a subdivision to read:

Subd. 9. Deferred foreign income. The income of domestic corporations that is included in net income under section 965 of the Internal Revenue Code is dividend income.

EFFECTIVE DATE. This section is effective retroactively for each taxpayer's last taxable year beginning before January 1, 2018.

Sec. 54. Minnesota Statutes 2016, section 290.34, is amended by adding a subdivision to read:

Subd. 5. Insurance companies; interest expense limitation. To be consistent with the federal treatment of the interest expense limitation under section 163(j) of the Internal Revenue Code for an affiliated group that includes an insurance company taxable under chapter 297I and exempt from taxation under section 290.05, subdivision 1, clause (c), the rules under this subdivision apply. In that case, the interest expense limitation under section 163(j) must be computed for the corporation subject to tax under this chapter using the adjusted taxable income of the insurance companies that are part of the affiliated group and taxed under chapter 297I.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 55. Minnesota Statutes 2016, section 290.92, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (1) **Wages.** For purposes of this section, the term "wages" means the same as that term is defined in section 3401(a) ~~and~~, (f), and (i) of the Internal Revenue Code.

(2) **Payroll period.** For purposes of this section the term "payroll period" means a period for which a payment of wages is ordinarily made to the employee by the employee's employer, and the term "miscellaneous payroll period" means a payroll period other than a daily, weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual payroll period.

(3) **Employee.** For purposes of this section the term "employee" means any resident individual performing services for an employer, either within or without, or both within and without the state of Minnesota, and every nonresident individual performing services within the state of Minnesota, the performance of which services constitute, establish, and determine the relationship between the parties as that of employer and employee. As used in the preceding sentence, the term "employee" includes an officer of a corporation, and an officer, employee, or elected official of the United States, a state, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing.

(4) **Employer.** For purposes of this section the term "employer" means any person, including individuals, fiduciaries, estates, trusts, partnerships, limited liability companies, and corporations transacting business in or deriving any income from sources within the state of Minnesota for whom an individual performs or performed any service, of whatever nature, as the employee of such person, except that if the person for whom the individual performs or performed the services does not have control of the payment of the wages for such services, the term "employer," except for purposes of paragraph (1), means the person having control of the payment of such wages. As used in the preceding sentence, the term "employer" includes any corporation, individual, estate, trust, or organization which is exempt from taxation under section 290.05 and further includes, but is not limited to, officers of corporations who have control, either individually or jointly with another or others, of the payment of the wages.

(5) **Number of withholding exemptions claimed.** For purposes of this section, the term "number of withholding exemptions claimed" means the number of withholding exemptions claimed in a withholding exemption certificate in effect under subdivision 5, except that if no such certificate is in effect, the number of withholding exemptions claimed shall be considered to be zero.

EFFECTIVE DATE. This section is effective for wages paid after July 1, 2018.

Sec. 56. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 3, is amended to read:

Subd. 3. **Income.** (a) "Income" means the sum of the following:

- (1) federal adjusted gross income as defined in the Internal Revenue Code; and
- (2) the sum of the following amounts to the extent not included in clause (1):
 - (i) all nontaxable income;
 - (ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;
 - (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;
 - (iv) cash public assistance and relief;
 - (v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, Supplemental Security Income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;
 - (vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;
 - (vii) workers' compensation;
 - (viii) nontaxable strike benefits;
 - (ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;
 - (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;
 - (xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for the claimant and spouse;

(xii) to the extent not included in federal adjusted gross income, distributions received by the claimant or spouse from a traditional or Roth style retirement account or plan;

(xiii) nontaxable scholarship or fellowship grants;

(xiv) ~~the amount of deduction allowed under section 199 of the Internal Revenue Code~~ alimony received to the extent not included in the recipient's income;

(xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;

(xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue Code; and

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

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

(b) "Income" does not include:

(1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

(2) amounts of any pension or annuity which was exclusively funded by the claimant or spouse and which funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(3) to the extent included in federal adjusted gross income, amounts contributed by the claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed the retirement base amount reduced by the amount of contributions excluded from federal adjusted gross income, but not less than zero;

(4) surplus food or other relief in kind supplied by a governmental agency;

(5) relief granted under this chapter;

(6) child support payments received under a temporary or final decree of dissolution or legal separation; or

(7) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16.

(c) The sum of the following amounts may be subtracted from income:

(1) for the claimant's first dependent, the exemption amount multiplied by 1.4;

(2) for the claimant's second dependent, the exemption amount multiplied by 1.3;

(3) for the claimant's third dependent, the exemption amount multiplied by 1.2;

(4) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

(5) for the claimant's fifth dependent, the exemption amount; and

(6) if the claimant or claimant's spouse was disabled or attained the age of 65 on or before December 31 of the year for which the taxes were levied or rent paid, the exemption amount.

(d) For purposes of this subdivision, the following terms have the meanings given them:

(1) "exemption amount" means the exemption amount under section ~~151(d) of the Internal Revenue Code~~ 290.0803, subdivision 9, for the taxable year for which the income is reported;

(2) "retirement base amount" means the deductible amount for the taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for inflation as provided in section 219(b)(5)(C) of the Internal Revenue Code, without regard to whether the claimant or spouse claimed a deduction; and

(3) "traditional or Roth style retirement account or plan" means retirement plans under sections 401, 403, 408, 408A, and 457 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for property tax refunds based on property taxes payable after December 31, 2018, and rent paid after December 31, 2017.

Sec. 57. Minnesota Statutes 2016, section 290A.03, subdivision 12, is amended to read:

Subd. 12. **Gross rent.** (a) "Gross rent" means rental paid for the right of occupancy, at arm's length, of a homestead, exclusive of charges for any medical services furnished by the landlord as a part of the rental agreement, whether expressly set out in the rental agreement or not.

(b) The gross rent of a resident of a nursing home or intermediate care facility is ~~\$350~~ \$490 per month. The gross rent of a resident of an adult foster care home is ~~\$550~~ \$760 per month. Beginning for rent paid in ~~2002~~ 2019, the commissioner shall annually adjust for inflation the gross rent amounts stated in this paragraph. The adjustment must be made in accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this paragraph the percentage increase shall be determined from the year ending on June 30, ~~2004~~ 2017, to the year ending on June 30 of the year in which the rent is paid. The commissioner shall round the gross rents to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up to the next \$10 amount. The determination of the commissioner under this paragraph is not a rule under the Administrative Procedure Act.

(c) If the landlord and tenant have not dealt with each other at arm's length and the commissioner determines that the gross rent charged was excessive, the commissioner may adjust the gross rent to a reasonable amount for purposes of this chapter.

(d) Any amount paid by a claimant residing in property assessed pursuant to section 273.124, subdivision 3, 4, 5, or 6 for occupancy in that property shall be excluded from gross rent for purposes of this chapter. However, property taxes imputed to the homestead of the claimant or the dwelling unit occupied by the claimant that qualifies for homestead treatment pursuant to section 273.124, subdivision 3, 4, 5, or 6 shall be included within the term "property taxes payable" as defined in subdivision 13, notwithstanding the fact that ownership is not in the name of the claimant.

EFFECTIVE DATE. This section is effective for refunds based on rent paid after December 31, 2017, and property taxes payable after December 31, 2018.

Sec. 58. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 15, is amended to read:

Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ March 31, 2018.

EFFECTIVE DATE. This section is effective for property tax refunds based on property taxes payable after December 31, 2018, and rent paid after December 31, 2017.

Sec. 59. Minnesota Statutes 2016, section 290A.04, subdivision 4, is amended to read:

Subd. 4. **Inflation adjustment.** (a) Beginning for property tax refunds payable in calendar year 2002, the commissioner shall annually adjust the dollar amounts of the income thresholds and the maximum refunds under subdivisions 2 and 2a for inflation. The commissioner shall make the inflation adjustments ~~in accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this subdivision~~ using the Consumer Price Index for All Urban Consumers. The percentage increase shall be determined as provided in this subdivision.

(b) In adjusting the dollar amounts of the income thresholds and the maximum refunds under subdivision 2 for inflation, the percentage increase shall be determined from the year ending on June 30, 2013, to the year ending on June 30 of the year preceding that in which the refund is payable.

(c) In adjusting the dollar amounts of the income thresholds and the maximum refunds under subdivision 2a for inflation, the percentage increase shall be determined from the year ending on June 30, 2013, to the year ending on June 30 of the year preceding that in which the refund is payable.

(d) The commissioner shall use the appropriate percentage increase to annually adjust the income thresholds and maximum refunds under subdivisions 2 and 2a for inflation without regard to whether or not the income tax brackets are adjusted for inflation in that year. The commissioner shall round the thresholds and the maximum amounts, as adjusted to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up to the next \$10 amount.

(e) The commissioner shall annually announce the adjusted refund schedule at the same time provided under section 290.06. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

EFFECTIVE DATE. This section is effective for refunds based on rent paid after December 31, 2018, and property taxes payable after December 31, 2019.

Sec. 60. Minnesota Statutes 2017 Supplement, section 291.005, subdivision 1, is amended to read:

Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(2) "Federal gross estate" means the gross estate of a decedent as required to be valued and otherwise determined for federal estate tax purposes under the Internal Revenue Code, increased by the value of any property in which the decedent had a qualifying income interest for life and for which an election was made under section 291.03, subdivision 1d, for Minnesota estate tax purposes, but was not made for federal estate tax purposes.

(3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ March 31, 2018.

(4) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included in the estate which has its situs outside Minnesota, and (b) including any property omitted from the federal gross estate which is includable in the estate, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

(5) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(6) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

(7) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota. The provisions of section 290.01, subdivision 7, paragraphs (c) and (d), apply to determinations of domicile under this chapter.

(8) "Situs of property" means, with respect to:

(i) real property, the state or country in which it is located;

(ii) tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death or for a gift of tangible personal property within three years of death, the state or country in which it was normally kept or located when the gift was executed;

(iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue Code, owned by a nonresident decedent and that is normally kept or located in this state because it is on loan to an organization, qualifying as exempt from taxation under section 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

(iv) intangible personal property, the state or country in which the decedent was domiciled at death or for a gift of intangible personal property within three years of death, the state or country in which the decedent was domiciled when the gift was executed.

For a nonresident decedent with an ownership interest in a pass-through entity with assets that include real or tangible personal property, situs of the real or tangible personal property, including qualified works of art, is determined as if the pass-through entity does not exist and the real or tangible personal property is personally owned by the decedent. If the pass-through entity is owned by a person or persons in addition to the decedent, ownership of the property is attributed to the decedent in proportion to the decedent's capital ownership share of the pass-through entity.

(9) "Pass-through entity" includes the following:

(i) an entity electing S corporation status under section 1362 of the Internal Revenue Code;

(ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

(iii) a single-member limited liability company or similar entity, regardless of whether it is taxed as an association or is disregarded for federal income tax purposes under Code of Federal Regulations, title 26, section 301.7701-3; or

(iv) a trust to the extent the property is includible in the decedent's federal gross estate; but excludes

(v) an entity whose ownership interest securities are traded on an exchange regulated by the Securities and Exchange Commission as a national securities exchange under section 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2017.

Sec. 61. Minnesota Statutes 2016, section 297A.68, subdivision 25, is amended to read:

Subd. 25. Sale of property used in a trade or business. (a) The sale of tangible personal property primarily used in a trade or business is exempt if the sale is not made in the normal course of business of selling that kind of property and if one of the following conditions is satisfied:

(1) the sale occurs in a transaction subject to or described in section 118, 331, 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, or 1033 of the Internal Revenue Code, as amended through December 16, 2016;

(2) the sale is between members of a controlled group as defined in section 1563(a) of the Internal Revenue Code;

(3) the sale is a sale of farm machinery;

(4) the sale is a farm auction sale;

(5) the sale is a sale of substantially all of the assets of a trade or business; or

(6) the total amount of gross receipts from the sale of trade or business property made during the calendar month of the sale and the preceding 11 calendar months does not exceed \$1,000.

The use, storage, distribution, or consumption of tangible personal property acquired as a result of a sale exempt under this subdivision is also exempt.

(b) For purposes of this subdivision, the following terms have the meanings given.

(1) A "farm auction" is a public auction conducted by a licensed auctioneer if substantially all of the property sold consists of property used in the trade or business of farming and property not used primarily in a trade or business.

(2) "Trade or business" includes the assets of a separate division, branch, or identifiable segment of a trade or business if, before the sale, the income and expenses attributable to the separate division, branch, or identifiable segment could be separately ascertained from the books of account or record (the lease or rental of an identifiable segment does not qualify for the exemption).

(3) A "sale of substantially all of the assets of a trade or business" must occur as a single transaction or a series of related transactions within the 12-month period beginning on the date of the first sale of assets intended to qualify for the exemption provided in paragraph (a), clause (5).

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after December 31, 2017.

Sec. 62. Minnesota Statutes 2016, section 297B.03, is amended to read:

297B.03 EXEMPTIONS.

There is specifically exempted from the provisions of this chapter and from computation of the amount of tax imposed by it the following:

(1) purchase or use, including use under a lease purchase agreement or installment sales contract made pursuant to section 465.71, of any motor vehicle by the United States and its agencies and instrumentalities and by any person described in and subject to the conditions provided in section 297A.67, subdivision 11;

(2) purchase or use of any motor vehicle by any person who was a resident of another state or country at the time of the purchase and who subsequently becomes a resident of Minnesota, provided the purchase occurred more than 60 days prior to the date such person began residing in the state of Minnesota and the motor vehicle was registered in the person's name in the other state or country;

(3) purchase or use of any motor vehicle by any person making a valid election to be taxed under the provisions of section 297A.90;

(4) purchase or use of any motor vehicle previously registered in the state of Minnesota when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code, as amended through December 16, 2016;

(5) purchase or use of any vehicle owned by a resident of another state and leased to a Minnesota-based private or for-hire carrier for regular use in the transportation of persons or property in interstate commerce provided the vehicle is titled in the state of the owner or secured party, and that state does not impose a sales tax or sales tax on motor vehicles used in interstate commerce;

(6) purchase or use of a motor vehicle by a private nonprofit or public educational institution for use as an instructional aid in automotive training programs operated by the institution. "Automotive training programs" includes motor vehicle body and mechanical repair courses but does not include driver education programs;

(7) purchase of a motor vehicle by an ambulance service licensed under section 144E.10 when that vehicle is equipped and specifically intended for emergency response or for providing ambulance service;

(8) purchase of a motor vehicle by or for a public library, as defined in section 134.001, subdivision 2, as a bookmobile or library delivery vehicle;

(9) purchase of a ready-mixed concrete truck;

(10) purchase or use of a motor vehicle by a town for use exclusively for road maintenance, including snowplows and dump trucks, but not including automobiles, vans, or pickup trucks;

(11) purchase or use of a motor vehicle by a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes, except a public school, university, or library, but only if the vehicle is:

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

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

(12) purchase of a motor vehicle for use by a transit provider exclusively to provide transit service is exempt if the transit provider is either (i) receiving financial assistance or reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29, 473.388, or 473.405;

(13) purchase or use of a motor vehicle by a qualified business, as defined in section 469.310, located in a job opportunity building zone, if the motor vehicle is principally garaged in the job opportunity building zone and is primarily used as part of or in direct support of the person's operations carried on in the job opportunity building zone. The exemption under this clause applies to sales, if the purchase was made and delivery received during the duration of the job opportunity building zone. The exemption under this clause also applies to any local sales and use tax;

(14) purchase of a leased vehicle by the lessee who was a participant in a lease-to-own program from a charitable organization that is:

(i) described in section 501(c)(3) of the Internal Revenue Code; and

(ii) licensed as a motor vehicle lessor under section 168.27, subdivision 4; and

(15) purchase of a motor vehicle used exclusively as a mobile medical unit for the provision of medical or dental services by a federally qualified health center, as defined under title 19 of the Social Security Act, as amended by Section 4161 of the Omnibus Budget Reconciliation Act of 1990.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after December 31, 2017.

Sec. 63. Minnesota Statutes 2017 Supplement, section 462D.06, subdivision 1, is amended to read:

Subdivision 1. **Subtraction.** (a) As provided in section 290.0132, subdivision 25, an account holder is allowed a subtraction from ~~the federal taxable~~ adjusted gross income equal to interest or dividends earned on the first-time home buyer savings account during the taxable year.

(b) The subtraction under paragraph (a) is allowed each year for the taxable years including and following the taxable year in which the account was established. No person other than the account holder is allowed a subtraction under this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 64. Minnesota Statutes 2017 Supplement, section 462D.06, subdivision 2, is amended to read:

Subd. 2. **Addition.** (a) As provided in section 290.0131, subdivision 14, an account holder must add to federal ~~taxable~~ adjusted gross income the following amounts:

(1) the amount in excess of the total contributions for all taxable years that is withdrawn and used for other than eligible costs, or for a transfer permitted under section 462D.04, subdivision 2; and

(2) the amount remaining in the first-time home buyer savings account at the close of the tenth taxable year that exceeds the total contributions to the account for all taxable years.

(b) For an account that received a transfer under section 462D.04, subdivision 2, the ten-year period under paragraph (a), clause (2), ends at the close of the earliest taxable year that applies to either account under that clause.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 65. Minnesota Statutes 2016, section 469.316, subdivision 1, is amended to read:

Subdivision 1. **Application.** An individual, estate, or trust operating a trade or business in a job opportunity building zone, and an individual, estate, or trust making a qualifying investment in a qualified business operating in a job opportunity building zone qualifies for the exemptions from taxes imposed under chapter 290, as provided in this section. The exemptions provided under this section apply only to the extent that the income otherwise would be taxable under chapter 290. Subtractions under this section from federal adjusted gross income, federal taxable income, alternative minimum taxable income, or any other base subject to tax are limited to the amount that otherwise would be included in the tax base absent the exemption under this section. This section applies only to taxable years beginning during the duration of the job opportunity building zone.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 66. Minnesota Statutes 2016, section 469.317, is amended to read:

469.317 CORPORATE FRANCHISE TAX EXEMPTION.

(a) A qualified business is exempt from taxation under section 290.02, ~~the alternative minimum tax under section 290.0921,~~ and the minimum fee under section 290.0922, on the portion of its income attributable to operations within the zone. ~~This exemption is determined as follows:~~

~~(1)~~ (b) For purposes of the tax imposed under section 290.02, the exemption is determined by multiplying its taxable net income by its zone percentage and by its relocation payroll percentage and subtracting the result in determining taxable income;

~~(2) for purposes of the alternative minimum tax under section 290.0921, by multiplying its alternative minimum taxable income by its zone percentage and by its relocation payroll percentage and reducing alternative minimum taxable income by this amount; and~~

~~(3)~~ (c) For purposes of the minimum fee under section 290.0922, the exemption is determined by excluding property and payroll in the zone from the computations of the fee or by exempting the entity under section 290.0922, subdivision 2, clause (7).

~~(4)~~ (d) No subtraction is allowed under this section in excess of 20 percent of the sum of the corporation's job opportunity building zone payroll and the adjusted basis of the property at the time that the property is first used in the job opportunity building zone by the corporation.

~~(5)~~ (e) This section applies only to taxable years beginning during the duration of the job opportunity building zone.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 67. **ESTIMATED TAXES; EXCEPTIONS.**

No addition to tax, penalties, or interest may be made under Minnesota Statutes, section 289A.25 or 289A.26, for any period before September 15, 2018, with respect to an underpayment of estimated tax, to the extent that the underpayment was created or increased by the inclusion of deferred foreign income in federal taxable income under section 965 of the Internal Revenue Code under this article.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 68. **REPEALER.**

Minnesota Statutes 2016, sections 290.01, subdivision 29a; 290.0131, subdivisions 7, 11, 12, and 13; 290.0132, subdivisions 8, 19, and 20; 290.0133, subdivisions 13 and 14; 290.0921, subdivisions 1, 2, 3a, 4, and 6; and 290.10, subdivision 2, are repealed.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

ARTICLE 2
INDIVIDUAL INCOME, CORPORATE FRANCHISE,
AND ESTATE TAXES

Section 1. Minnesota Statutes 2016, section 116J.8737, subdivision 5, is amended to read:

Subd. 5. **Credit allowed.** (a)(1) A qualified investor or qualified fund is eligible for a credit equal to 25 percent of the qualified investment in a qualified small business. Investments made by a pass-through entity qualify for a credit only if the entity is a qualified fund. The commissioner must not allocate more than ~~\$15,000,000~~ \$10,000,000 in credits to qualified investors or qualified funds for taxable years beginning after December 31, ~~2013~~ 2017, and before January 1, ~~2017~~, ~~and must not allocate more than \$10,000,000 in credits to qualified investors or qualified funds for taxable years beginning after December 31, 2016, and before January 1, 2018~~ 2019; and

(2) ~~for taxable years beginning after December 31, 2014, and before January 1, 2018~~, 50 percent must be allocated to credits for qualifying investments in qualified greater Minnesota businesses and minority- or women-owned qualified small businesses in Minnesota. Any portion of a taxable year's credits that is reserved for qualifying investments in greater Minnesota businesses and minority- or women-owned qualified small businesses in Minnesota that is not allocated by September 30 of the taxable year is available for allocation to other credit applications beginning on October 1. Any portion of a taxable year's credits that is not allocated by the commissioner does not cancel and may be carried forward to subsequent taxable years until all credits have been allocated.

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

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

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

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

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

(d) Applications for tax credits for 2010 must be made available on the department's Web site by September 1, 2010, and the department must begin accepting applications by September 1, 2010. Applications for subsequent years must be made available by November 1 of the preceding year.

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

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

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

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 2. Minnesota Statutes 2016, section 116J.8737, subdivision 12, is amended to read:

Subd. 12. **Sunset.** This section expires for taxable years beginning after December 31, ~~2017~~ 2018, except that reporting requirements under subdivision 6 and revocation of credits under subdivision 7 remain in effect through ~~2019~~ 2020 for qualified investors and qualified funds, and through ~~2021~~ 2022 for qualified small businesses, reporting requirements under subdivision 9 remain in effect through ~~2022~~ 2023, and the appropriation in subdivision 11 remains in effect through ~~2021~~ 2022.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 3. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 4a, is amended to read:

Subd. 4a. **Financial institution.** (a) "Financial institution" means:

(1) any corporation or other business entity registered (i) under state law as a bank holding company; (ii) under the federal Bank Holding Company Act of 1956, as amended; or (iii) as a savings and loan holding company under the federal National Housing Act, as amended;

(2) a national bank organized and existing as a national bank association pursuant to the provisions of United States Code, title 12, chapter 2;

(3) a savings association or federal savings bank as defined in United States Code, title 12, section 1813(b)(1);

(4) any bank or thrift institution incorporated or organized under the laws of any state;

(5) any corporation organized under United States Code, title 12, sections 611 to 631;

(6) any agency or branch of a foreign depository as defined under United States Code, title 12, section 3101;

(7) any corporation or other business entity that is more than 50 percent owned, directly or indirectly, by any person or business entity described in clauses (1) to (6), other than an insurance company taxable under chapter 297I;

(8) a corporation or other business entity that derives more than 50 percent of its total gross income for financial accounting purposes from finance leases. For the purposes of this clause, "gross income" means the average from the current tax year and immediately preceding two years and excludes gross income from incidental or occasional transactions. For purposes of this clause, "finance lease" means any lease transaction that is the functional equivalent of an extension of credit and that transfers substantially all the benefits and risks incident to the ownership of property, including any direct financing lease or leverage lease that meets the criteria of Financial Accounting Standards Board Statement No. 13, accounting for leases, or any other lease that is accounted for as financing by a lessor under generally accepted accounting principles; or

(9) any other person or business entity, other than an insurance company ~~taxable under chapter 297I~~, that derives more than 50 percent of its gross income from activities that an entity described in clauses (2) to (6) or (8) is authorized to transact. For the purposes of this clause, gross income does not include income from nonrecurring, extraordinary items.

(b) The commissioner is authorized to exclude any person from the application of paragraph (a), clause (9), if the person proves by clear and convincing evidence that the person's income-producing activity is not in substantial competition with any person described in paragraph (a), clauses (2) to (6) or (8).

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 4. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to read:

Subd. 5c. Disqualified captive insurance company. (a) "Disqualified captive insurance company" means a company that:

(1)(i) is licensed as a captive insurance company under the laws of any state or foreign country; or

(ii) derives 80 percent or more of its total premiums for the taxable year from entities that are members of the unitary business, as that term is used in section 290.17; and

(2)(i) receives less than 50 percent of its gross receipts for the taxable year from premiums; or

(ii) pays less than 0.25 percent of its total premiums for the taxable year in tax under chapter 297I or a comparable tax of another state or country.

(b) For purposes of this subdivision, "premiums" means amounts paid for arrangements that constitute insurance for federal income tax purposes, but excludes return premiums, premiums for reinsurance assumed from other insurance companies, and any other premiums that are or would be exempt from taxation under section 297I.05 as a result of their type or character, if the insurance was for business in Minnesota.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 5. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision to read:

Subd. 29. Disallowed section 280E expenses; medical cannabis manufacturers. The amount of expenses of a medical cannabis manufacturer, as defined under section 152.22, subdivision 7, related to the business of medical cannabis under sections 152.21 to 152.37, and not allowed for federal income tax purposes under section 280E of the Internal Revenue Code is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 6. Minnesota Statutes 2016, section 290.0133, is amended by adding a subdivision to read:

Subd. 15. Prepared food donation. The amount of charitable contributions under section 170 of the Internal Revenue Code used to claim the credit under section 290.06, subdivision 39, is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 7. Minnesota Statutes 2016, section 290.0134, is amended by adding a subdivision to read:

Subd. 18. Disallowed section 280E expenses; medical cannabis manufacturers. The amount of expenses of a medical cannabis manufacturer, as defined under section 152.22, subdivision 7, related to the business of medical cannabis under sections 152.21 to 152.37, and not allowed for federal income tax purposes under section 280E of the Internal Revenue Code is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 8. Minnesota Statutes 2017 Supplement, section 290.05, subdivision 1, is amended to read:

Subdivision 1. **Exempt entities.** The following corporations, individuals, estates, trusts, and organizations shall be exempted from taxation under this chapter, provided that every such person or corporation claiming exemption under this chapter, in whole or in part, must establish to the satisfaction of the commissioner the taxable status of any income or activity:

(a) corporations, individuals, estates, and trusts engaged in the business of mining or producing iron ore and mining, producing, or refining other ores, metals, and minerals, the mining, production, or refining of which is subject to the occupation tax imposed by section 298.01; but if any such corporation, individual, estate, or trust engages in any other business or activity or has income from any property not used in such business it shall be subject to this tax computed on the net income from such property or such other business or activity. Royalty shall not be considered as income from the business of mining or producing iron ore within the meaning of this section;

(b) the United States of America, the state of Minnesota or any political subdivision of either agencies or instrumentalities, whether engaged in the discharge of governmental or proprietary functions; and

(c) any insurance company, ~~as defined in section 290.17, subdivision 4, paragraph (j), but including any insurance company licensed and domiciled in another state that grants, on a reciprocal basis, exemption from retaliatory taxes other than a disqualified captive insurance company.~~

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 9. Minnesota Statutes 2016, section 290.06, is amended by adding a subdivision to read:

Subd. 39. Prepared food donation credit. (a) A qualifying taxpayer is allowed a credit against the tax imposed by this chapter equal to 20 percent of the taxpayer's eligible charitable food donation. The credit may not exceed the taxpayer's liability for tax and may not be carried forward to any other taxable year.

(b) For purposes of this subdivision, the following terms have the meanings given:

(1) "eligible charitable food donation" means a contribution of prepared food allowable as a charitable deduction for the taxable year under section 170(a) of the Internal Revenue Code, subject to the limitations of section 170(b) of the Internal Revenue Code, and determined without regard to whether or not the taxpayer itemizes deductions;

(2) "prepared food" means food that meets all quality and labeling standards imposed by federal, state, and local laws and regulations even though the food may not be readily marketable due to appearance, age, freshness, grade, size, surplus, or other conditions, and includes:

(i) food that is cooked or heated by the qualifying taxpayer;

(ii) two or more ingredients mixed together to be eaten as a single item; and

(iii) any ingredients supplied for ingestion or chewing by humans that are consumed for their taste or nutritional value; and

(3) "qualifying taxpayer" means an individual or entity that makes a charitable food donation in Minnesota and is engaged in a trade or business that includes regularly selling prepared food.

(c) A food donation for which a credit is claimed under this section may not be deducted as a charitable contribution deduction under section 290.0803.

(d) Credits allowed to a partnership, a limited liability company taxed as a partnership, an S corporation, or multiple owners of property are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or owner based on their share of the entity's income for the taxable year.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 10. Minnesota Statutes 2016, section 290.0685, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An eligible individual is allowed a credit against the tax imposed by this chapter equal to \$2,000 for each ~~birth for which a certificate of birth resulting in stillbirth has been issued under section 144.2151~~ stillbirth. The credit under this section is allowed only in the taxable year in which the stillbirth occurred ~~and if the child would have been a dependent of the taxpayer as defined in section 152 of the Internal Revenue Code.~~

(b) For a ~~nonresident or~~ part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2015.

Sec. 11. Minnesota Statutes 2016, section 290.0685, is amended by adding a subdivision to read:

Subd. 1a. **Definitions.** (a) For purposes of this section, the following terms have the meanings given, unless the context clearly indicates otherwise.

(b) "Certificate of birth resulting in stillbirth" means the printed certificate of birth resulting in stillbirth issued under section 144.2151 or for a stillbirth occurring in another state or country a similar certificate issued under that state's or country's law.

(c) "Eligible individual" means an individual who is:

(1)(i) a resident; or

(ii) the nonresident spouse of a resident who is a member of armed forces of the United States or the United Nations; and

(2)(i) the individual who gave birth resulting in stillbirth and is listed as a parent on the certificate of birth resulting in stillbirth;

(ii) if no individual meets the requirements of clause (i) for a stillbirth that occurs in this state, then the first parent listed on the certificate of birth resulting in stillbirth; or

(iii) the individual who gave birth resulting in stillbirth for a birth outside of this state for which no certificate of birth resulting in stillbirth was issued.

(d) "Stillbirth" means a birth for which a fetal death report would be required under section 144.222, subdivision 1, if the birth occurred in this state.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2015.

Sec. 12. Minnesota Statutes 2017 Supplement, section 290.0686, subdivision 1, is amended to read:

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

(b) "Master's degree program" means a graduate-level program at an accredited university leading to a master of arts or science degree in either a core content area directly related to a qualified teacher's licensure field or special education. Except for a special education program authorized under paragraph (e), the master's degree program may not include pedagogy or a pedagogy component. To be eligible under this credit, a licensed elementary school teacher must pursue and complete a master's degree program in either a core content area in which the teacher provides direct classroom instruction or a special education program.

(c) "Qualified teacher" means a person who:

(1) holds a teaching license issued by the licensing division in the Department of Education on behalf of the Professional Educator Licensing and Standards Board both when the teacher begins the master's degree program and when the teacher completes the master's degree program;

(2) began a master's degree program after June 30, 2017; and

(3) completes the master's degree program during the taxable year.

(d) "Core content area" means the academic subject of reading, English or language arts, mathematics, science, foreign languages, civics and government, economics, arts, history, or geography.

(e) "Special education" means a program of study directly related to licensure in developmental disabilities, early childhood special education, emotional or behavioral disorders, autism spectrum disorders, or learning disabilities.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 13. **[290.0687] TAX CREDIT; RAILROAD CROSSING IMPROVEMENTS.**

Subdivision 1. **Credit allowed.** An individual or entity operating a railroad is allowed a credit against the liability for tax equal to 50 percent of the expenditures during the taxable year on qualified costs.

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

(b) "Crossing" means a grade crossing as defined in section 219.16.

(c) "Liability for tax" means the sum of the tax imposed under sections 290.06, subdivision 1 or 2c; and 290.091 for the taxable year, reduced by the sum of the nonrefundable credits allowed under this chapter.

(d) "Qualified costs" means amounts expended to improve a priority crossing that:

(1) increase the safety of the crossing by installing, facilitating the installation of, or improving the quality of active traffic signals or controls or by assisting in implementing grade separation for the crossing;

(2) would qualify for depreciation deductions under section 167(a) of the Internal Revenue Code without regard to whether the improvements are property of the taxpayer; and

(3) are not required by law to be made by the railroad.

(e) "Railroad" means a rail carrier as defined in United States Code, title 49, section 20102, as amended.

(f) "Priority crossing" means a crossing that is designated by the commissioner of transportation under subdivision 5.

Subd. 3. Carryover. The credit for a taxable year must not exceed the taxpayer's liability for tax. If the credit for a taxable year exceeds the liability for tax, the excess is a carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit that may be added under this subdivision must not exceed the liability for tax less the credit for the taxable year.

Subd. 4. Partnerships and S corporations. For a railroad operated as a partnership, a limited liability company taxed as a partnership, or an S corporation, the credit under this section is passed through to each partner, member, or shareholder in proportion to their share of the entity's net income for the taxable year.

Subd. 5. Designation of priority crossings. (a) By October 1, 2018, the commissioner of transportation shall designate a list of at least 15 priority crossings that qualify for the tax credit under this section and publish the list on the Web site of the Department of Transportation. The list establishes priority crossings, expenditures for which qualify for the tax credit under this section. The commissioner may revise the list of priority crossings as the commissioner determines appropriate, based on changing conditions and circumstances.

(b) In establishing a list of priority crossings, the commissioner of transportation shall use a methodology for evaluating the priority for and cost-effectiveness of expenditures for improving public safety following or similar to the methods used in preparing the study required by Laws 2014, chapter 312, article 10, section 10, with any modifications or improvements the commissioner determines appropriate.

(c) Actions of the commissioner of transportation in establishing a list of priority crossings under this subdivision are not an administrative rule subject to the Administrative Procedure Act in chapter 14, including section 14.386.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017, and applies to expenditures made after October 1, 2018.

Sec. 14. Minnesota Statutes 2017 Supplement, section 290.091, subdivision 2, is amended to read:

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

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

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

(i) the charitable contribution deduction under section 170 of the Internal Revenue Code;

(ii) the medical expense deduction;

(iii) the casualty, theft, and disaster loss deduction; and

(iv) the impairment-related work expenses of a disabled person;

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

(4) to the extent not included in federal alternative minimum taxable income, the amount of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue Code determined without regard to subparagraph (E);

(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.0131, subdivision 2; and

(6) the amount of addition required by section 290.0131, subdivisions 9 to 11;

less the sum of the amounts determined under the following:

(i) interest income as defined in section 290.0132, subdivision 2;

(ii) an overpayment of state income tax as provided by section 290.0132, subdivision 3, to the extent included in federal alternative minimum taxable income;

(iii) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income;

(iv) amounts subtracted from federal taxable income as provided by section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, ~~and 26~~, and 29; and

(v) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c).

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code.

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

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 15. Minnesota Statutes 2017 Supplement, section 290.17, subdivision 4, is amended to read:

Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly within this state or partly within and partly without this state is part of a unitary business, the entire income of the unitary business is subject to apportionment pursuant to section 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary business is considered to be derived from any particular source and none may be allocated to a particular place except as provided by the applicable apportionment formula. The provisions of this subdivision do not apply to business income subject to subdivision 5, income of an insurance company, or income of an investment company determined under section 290.36.

(b) The term "unitary business" means business activities or operations which result in a flow of value between them. The term may be applied within a single legal entity or between multiple entities and without regard to whether each entity is a sole proprietorship, a corporation, a partnership or a trust.

(c) Unity is presumed whenever there is unity of ownership, operation, and use, evidenced by centralized management or executive force, centralized purchasing, advertising, accounting, or other controlled interaction, but the absence of these centralized activities will not necessarily evidence a nonunitary business. Unity is also presumed when business activities or operations are of mutual benefit, dependent upon or contributory to one another, either individually or as a group.

(d) Where a business operation conducted in Minnesota is owned by a business entity that carries on business activity outside the state different in kind from that conducted within this state, and the other business is conducted entirely outside the state, it is presumed that the two business operations are unitary in nature, interrelated, connected, and interdependent unless it can be shown to the contrary.

(e) Unity of ownership does not exist when two or more corporations are involved unless more than 50 percent of the voting stock of each corporation is directly or indirectly owned by a common owner or by common owners, either corporate or noncorporate, or by one or more of the member corporations of the group. For this purpose, the term "voting stock" shall include membership interests of mutual insurance holding companies formed under section 66A.40.

(f) The net income and apportionment factors under section 290.191 or 290.20 of foreign corporations and other foreign entities, but excluding a disqualified captive insurance company, which are part of a unitary business shall not be included in the net income or the apportionment factors of the unitary business; except that the income and apportionment factors of a foreign entity, other than an entity treated as a C corporation for federal income tax purposes, that are included in the federal taxable income, as defined in section 63 of the Internal Revenue Code as amended through the date named in section 290.01, subdivision 19, of a domestic corporation, domestic entity, or individual must be included in determining net income and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20. A foreign corporation or other foreign entity which is not included on a combined report and which is required to file a return under this chapter shall file on a separate return basis.

(g) For purposes of determining the net income of a unitary business and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20, there must be included only the income and apportionment factors of domestic corporations or other domestic entities that are determined to be part of the unitary business pursuant to this subdivision, notwithstanding that foreign corporations or other foreign entities might be included in the unitary business; except that the income and apportionment factors of a foreign entity, other than an entity treated as a C corporation for federal income tax purposes, that is included in the federal taxable income, as defined in section 63 of the Internal Revenue Code as amended through the date named in section 290.01, subdivision 19, of a domestic corporation, domestic entity, or individual must be included in determining net income and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20.

(h) Each corporation or other entity, except a sole proprietorship, that is part of a unitary business must file combined reports as the commissioner determines. On the reports, all intercompany transactions between entities included pursuant to paragraph (g) must be eliminated and the entire net income of the unitary business determined in accordance with this subdivision is apportioned among the entities by using each entity's Minnesota factors for apportionment purposes in the numerators of the apportionment formula and the total factors for apportionment purposes of all entities included pursuant to paragraph (g) in the denominators of the apportionment formula. Except as otherwise provided by paragraph (f), all sales of the unitary business made within this state pursuant to section 290.191 or 290.20 must be included on the combined report of a corporation or other entity that is a member of the unitary business and is subject to the jurisdiction of this state to impose tax under this chapter.

(i) If a corporation has been divested from a unitary business and is included in a combined report for a fractional part of the common accounting period of the combined report:

(1) its income includable in the combined report is its income incurred for that part of the year determined by proration or separate accounting; and

(2) its sales, property, and payroll included in the apportionment formula must be prorated or accounted for separately.

(j) For purposes of this subdivision, "insurance company" means an insurance company, as defined in section 290.01, subdivision 5b, that is:

~~(1) licensed to engage in the business of insurance in Minnesota pursuant to chapter 60A; or~~

~~(2) domiciled and licensed to engage in the business of insurance in another state or country that imposes retaliatory taxes, fines, deposits, penalties, licenses, or fees and that does not grant, on a reciprocal basis, exemption from such retaliatory taxes to insurance companies or their agents domiciled in Minnesota.~~

~~(k) For purposes of this subdivision, "retaliatory taxes" means taxes imposed on insurance companies organized in another state or country that result from the fact that an insurance company organized in the taxing jurisdiction and doing business in the other jurisdiction is subject to taxes, fines, deposits, penalties, licenses, or fees in an amount exceeding that imposed by the taxing jurisdiction upon an insurance company organized in the other state or country and doing business to the same extent in the taxing jurisdiction not a disqualified captive insurance company.~~

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2016.

Sec. 16. Minnesota Statutes 2016, section 291.03, subdivision 8, is amended to read:

Subd. 8. **Definitions.** (a) For purposes of this section, the following terms have the meanings given in this subdivision.

(b) "Family member" means a family member as defined in section 2032A(e)(2) of the Internal Revenue Code, or a trust whose present beneficiaries are all family members as defined in section 2032A(e)(2) of the Internal Revenue Code.

(c) "Qualified heir" means a family member who acquired qualified property upon the death of the decedent and satisfies the requirement under subdivision 9, clause ~~(7)~~ (8), or subdivision 10, clause (5), for the property.

(d) "Qualified property" means qualified small business property under subdivision 9 and qualified farm property under subdivision 10.

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

Sec. 17. Minnesota Statutes 2017 Supplement, section 291.03, subdivision 9, is amended to read:

Subd. 9. **Qualified small business property.** Property satisfying all of the following requirements is qualified small business property:

(1) The value of the property was included in the federal adjusted taxable estate.

(2) The property consists of the assets of a trade or business or shares of stock or other ownership interests in a corporation or other entity engaged in a trade or business. Shares of stock in a corporation or an ownership interest in another type of entity do not qualify under this subdivision if the shares or ownership interests are traded on a public stock exchange at any time during the three-year period ending on the decedent's date of death. For purposes of this subdivision, an ownership interest includes the interest the decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code.

(3) During the taxable year that ended before the decedent's death, the trade or business must not have been a passive activity within the meaning of section 469(c) of the Internal Revenue Code, and the decedent or the decedent's spouse must have materially participated in the trade or business within the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided by United States Treasury Department regulation that substitutes material participation in prior taxable years for material participation in the taxable year that ended before the decedent's death.

(4) The gross annual sales of the trade or business were \$10,000,000 or less for the last taxable year that ended before the date of the death of the decedent.

(5) The property does not include:

(i) cash;

(ii) cash equivalents;

(iii) publicly traded securities; or

(iv) any assets not used in the operation of the trade or business.

(6) For property consisting of shares of stock or other ownership interests in an entity, the value of items described in clause (5) must be excluded in the valuation of the decedent's interest in the entity.

(7) The decedent or the decedent's spouse continuously owned the property, or an undivided or joint interest in the property, including property the decedent or the decedent's spouse is deemed to own under sections 2036, 2037, ~~and 2038, 2040, or 2044~~ of the Internal Revenue Code, or under subdivision 1d, for the three-year period ending on the date of death of the decedent. In the case of a sole proprietor, if the property replaced similar property within the three-year period, the replacement property will be treated as having been owned for the three-year period ending on the date of death of the decedent. For the purposes of the three-year holding period under this clause, any ownership by the decedent's spouse, whether the spouse predeceases or survives the decedent, is attributed to the decedent.

(8) For three years following the date of death of the decedent, the trade or business is not a passive activity within the meaning of section 469(c) of the Internal Revenue Code, and a family member materially participates in the operation of the trade or business within the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided by United States Treasury Department regulation that substitutes material participation in prior taxable years for material participation in the three years following the date of death of the decedent.

(9) The estate and the qualified heir elect to treat the property as qualified small business property and agree, in the form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2017.

Sec. 18. Minnesota Statutes 2016, section 291.03, subdivision 10, is amended to read:

Subd. 10. **Qualified farm property.** Property satisfying all of the following requirements is qualified farm property:

(1) The value of the property was included in the federal adjusted taxable estate.

(2) The property consists of agricultural land and is owned by a person or entity that is either not subject to or is in compliance with section 500.24.

(3) For property taxes payable in the taxable year of the decedent's death, the property is classified as class 2a property under section 273.13, subdivision 23, and is classified as agricultural homestead, agricultural relative homestead, or special agricultural homestead under section 273.124.

(4) The decedent or the decedent's spouse continuously owned the property, or an undivided or joint interest in the property, including property the decedent or the decedent's spouse is deemed to own under sections 2036, 2037, ~~and 2038, 2040, or 2044~~ of the Internal Revenue Code, or under subdivision 1d, for the three-year period ending on the date of death of the decedent either by ownership of the agricultural land or pursuant to holding an interest in an entity that is not subject to or is in compliance with section 500.24. For the purposes of the three-year holding period under this clause, any ownership by the decedent's spouse, whether the spouse predeceases or survives the decedent, is attributed to the decedent.

(5) The property is classified for property tax purposes as class 2a property under section 273.13, subdivision 23, for three years following the date of death of the decedent.

(6) The estate and the qualified heir elect to treat the property as qualified farm property and agree, in a form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2017.

Sec. 19. Minnesota Statutes 2017 Supplement, section 291.03, subdivision 11, is amended to read:

Subd. 11. **Recapture tax.** (a) If, within three years after the decedent's death and before the death of the qualified heir, the qualified heir disposes of any interest in the qualified property, other than by a disposition to a family member, or a family member ceases to satisfy the requirement under subdivision 9, clause ~~(7)~~ (8); or 10, clause (5), an additional estate tax is imposed on the property. In the case of a sole proprietor, if the qualified heir replaces qualified small business property excluded under subdivision 9 with similar property, then the qualified heir will not be treated as having disposed of an interest in the qualified property.

(b) The amount of the additional tax equals the amount of the exclusion claimed by the estate under subdivision 8, paragraph (d), multiplied by 16 percent.

(c) The additional tax under this subdivision is due on the day which is six months after the date of the disposition or cessation in paragraph (a).

(d) The tax under this subdivision does not apply to the acquisition of title or possession of the qualified property by a federal, state, or local government unit, or any other entity with the power of eminent domain for a public purpose, as defined in section 117.025, subdivision 11, within the three-year holding period.

(e) This subdivision shall not apply as a result of any of the following:

(1) a portion of qualified farm property consisting of less than one-fifth of the acreage of the property is reclassified as class 2b property under section 273.13, subdivision 23, and the qualified heir has not substantially altered the reclassified property during the three-year holding period; or

(2) a portion of qualified farm property classified as 2a property at the death of the decedent pursuant to section 273.13, subdivision 23, paragraph (a), consisting of a residence, garage, and immediately surrounding one acre of land is reclassified as 4bb property during the three-year holding period, and the qualified heir has not substantially altered the property.

(f) This paragraph applies only to estates of decedents dying after December 31, 2011, and before January 1, 2017, for which no tax liability was reported on the final estate tax return. For purposes of estates qualifying under this paragraph, the amount of the exclusion claimed by the estate for purposes of calculating the tax under paragraph (b) is deemed to be the minimum amount of the exclusion necessary to reduce the amount of estate tax to zero, without regard to the amount of the exclusion actually claimed on the final estate tax return. The provisions of this paragraph expire effective January 1, 2021.

EFFECTIVE DATE. The provisions of this section are effective retroactively for estates of decedents dying after December 31, 2011, and amended returns and claims for refund of recapture tax may be filed without regard to any applicable statute of limitation.

ARTICLE 3 SALES AND USE TAXES

Section 1. Minnesota Statutes 2016, section 295.50, subdivision 4, is amended to read:

Subd. 4. **Health care provider.** (a) "Health care provider" means:

(1) a person whose health care occupation is regulated or required to be regulated by the state of Minnesota furnishing any or all of the following goods or services directly to a patient or consumer: medical, surgical, optical, visual, dental, hearing, nursing services, drugs, laboratory, diagnostic or therapeutic services;

(2) a person who provides goods and services not listed in clause (1) that qualify for reimbursement under the medical assistance program provided under chapter 256B;

(3) a staff model health plan company;

(4) an ambulance service required to be licensed; ~~or~~

(5) a person who sells or repairs hearing aids and related equipment or prescription eyewear; or

(6) a massage therapist.

(b) Health care provider does not include:

(1) hospitals; medical supplies distributors, except as specified under paragraph (a), clause (5); nursing homes licensed under chapter 144A or licensed in any other jurisdiction; wholesale drug distributors; pharmacies; surgical centers; bus and taxicab transportation, or any other providers of transportation services other than ambulance services required to be licensed; supervised living facilities for persons with developmental disabilities, licensed under Minnesota Rules, parts 4665.0100 to 4665.9900; housing with services establishments required to be registered under chapter 144D; board and lodging establishments providing only custodial services that are licensed under chapter 157 and registered under section 157.17 to provide supportive services or health supervision services; adult foster homes as defined in Minnesota Rules, part 9555.5105; day training and habilitation services for adults with developmental disabilities as defined in section 252.41, subdivision 3; boarding care homes, as defined in Minnesota Rules, part 4655.0100; and adult day care centers as defined in Minnesota Rules, part 9555.9600;

(2) home health agencies as defined in Minnesota Rules, part 9505.0175, subpart 15; a person providing personal care services and supervision of personal care services as defined in Minnesota Rules, part 9505.0335; a person providing home care nursing services as defined in Minnesota Rules, part 9505.0360; and home care providers required to be licensed under chapter 144A;

(3) a person who employs health care providers solely for the purpose of providing patient services to its employees;

(4) an educational institution that employs health care providers solely for the purpose of providing patient services to its students if the institution does not receive fee for service payments or payments for extended coverage; and

(5) a person who receives all payments for patient services from health care providers, surgical centers, or hospitals for goods and services that are taxable to the paying health care providers, surgical centers, or hospitals, as provided under section 295.53, subdivision 1, clause (3) or (4), or from a source of funds that is exempt from tax under this chapter.

EFFECTIVE DATE. This section is effective for gross revenues received after June 30, 2018.

Sec. 2. Minnesota Statutes 2016, section 295.50, is amended by adding a subdivision to read:

Subd. 8a. **Massage therapist.** "Massage therapist" means a person providing massage therapy services who registers with the commissioner to pay the tax imposed under section 295.52 prior to the calendar quarter in which the massage therapy services are provided.

EFFECTIVE DATE. This section is effective for gross revenues received after June 30, 2018.

Sec. 3. Minnesota Statutes 2016, section 295.50, is amended by adding a subdivision to read:

Subd. 8b. **Massage therapy services.** (a) "Massage therapy services" or "massage therapy" means a health care service provided by a massage therapist that involves systematic and structured touch and palpation and pressure and movement of the muscles, tendons, ligaments, and fascia, in order to reduce muscle tension, relieve soft tissue pain, improve circulation, increase flexibility, increase activity of the parasympathetic branch of the autonomic nervous system, or promote general wellness.

(b) Massage therapy services or massage therapy excludes services described in paragraph (a) that are provided by a licensed health care facility or professional or upon written referral from a licensed health care facility or professional for treatment of illness, injury, or disease.

EFFECTIVE DATE. This section is effective for gross revenues received after June 30, 2018.

Sec. 4. Minnesota Statutes 2016, section 295.50, subdivision 9b, is amended to read:

Subd. 9b. **Patient services.** (a) "Patient services" means inpatient and outpatient services and other goods and services provided by hospitals, surgical centers, or health care providers. They include the following health care goods and services provided to a patient or consumer:

- (1) bed and board;
- (2) nursing services and other related services;
- (3) use of hospitals, surgical centers, or health care provider facilities;
- (4) medical social services;
- (5) drugs, biologicals, supplies, appliances, and equipment;
- (6) other diagnostic or therapeutic items or services;
- (7) medical or surgical services;
- (8) items and services furnished to ambulatory patients not requiring emergency care; ~~and~~
- (9) emergency services; and
- (10) massage therapy services.

(b) "Patient services" does not include:

- (1) services provided to nursing homes licensed under chapter 144A;
- (2) examinations for purposes of utilization reviews, insurance claims or eligibility, litigation, and employment, including reviews of medical records for those purposes;
- (3) services provided to and by community residential mental health facilities licensed under Minnesota Rules, parts 9520.0500 to 9520.0670, and to and by residential treatment programs for children with severe emotional disturbance licensed or certified under chapter 245A;
- (4) services provided to and by community support programs and family community support programs approved under Minnesota Rules, parts 9535.1700 to 9535.1760, or certified as mental health rehabilitative services under chapter 256B;
- (5) services provided to and by community mental health centers as defined in section 245.62, subdivision 2;
- (6) services provided to and by assisted living programs and congregate housing programs;
- (7) hospice care services;
- (8) home and community-based waived services under sections 256B.0915, 256B.49, and 256B.501;
- (9) targeted case management services under sections 256B.0621; 256B.0625, subdivisions 20, 20a, 33, and 44; and 256B.094; and

(10) services provided to the following: supervised living facilities for persons with developmental disabilities licensed under Minnesota Rules, parts 4665.0100 to 4665.9900; housing with services establishments required to be registered under chapter 144D; board and lodging establishments providing only custodial services that are licensed under chapter 157 and registered under section 157.17 to provide supportive services or health supervision services; adult foster homes as defined in Minnesota Rules, part 9555.5105; day training and habilitation services for adults with developmental disabilities as defined in section 252.41, subdivision 3; boarding care homes as defined in Minnesota Rules, part 4655.0100; adult day care services as defined in section 245A.02, subdivision 2a; and home health agencies as defined in Minnesota Rules, part 9505.0175, subpart 15, or licensed under chapter 144A.

EFFECTIVE DATE. This section is effective for gross revenues received after June 30, 2018.

Sec. 5. Minnesota Statutes 2017 Supplement, section 297A.61, subdivision 3, is amended to read:

Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited to, each of the transactions listed in this subdivision. In applying the provisions of this chapter, the terms "tangible personal property" and "retail sale" include the taxable services listed in paragraph (g), clause (6), items (i) to (vi) and (viii), and the provision of these taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable. Services performed by a partnership or association for another partnership or association are not taxable if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of the preceding sentence, "affiliated group of corporations" means those entities that would be classified as members of an affiliated group as defined under United States Code, title 26, section 1504, disregarding the exclusions in section 1504(b).

(b) Sale and purchase include:

(1) any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, for a consideration in money or by exchange or barter; and

(2) the leasing of or the granting of a license to use or consume, for a consideration in money or by exchange or barter, tangible personal property, other than a manufactured home used for residential purposes for a continuous period of 30 days or more.

(c) Sale and purchase include the production, fabrication, printing, or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing, or processing.

(d) Sale and purchase include the preparing for a consideration of food. Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited to, the following:

(1) prepared food sold by the retailer;

(2) soft drinks;

(3) candy; and

(4) dietary supplements.

(e) A sale and a purchase includes the furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state.

(f) A sale and a purchase includes the transfer for a consideration of prewritten computer software whether delivered electronically, by load and leave, or otherwise.

(g) A sale and a purchase includes the furnishing for a consideration of the following services:

(1) the privilege of admission to places of amusement, recreational areas, or athletic events, and the making available of amusement devices, tanning facilities, reducing salons, steam baths, health clubs, and spas or athletic facilities;

(2) lodging and related services by a hotel, rooming house, resort, campground, motel, or trailer camp, including furnishing the guest of the facility with access to telecommunication services, and the granting of any similar license to use real property in a specific facility, other than the renting or leasing of it for a continuous period of 30 days or more under an enforceable written agreement that may not be terminated without prior notice and including accommodations intermediary services provided in connection with other services provided under this clause;

(3) nonresidential parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(4) the granting of membership in a club, association, or other organization if:

(i) the club, association, or other organization makes available for the use of its members sports and athletic facilities, without regard to whether a separate charge is assessed for use of the facilities; and

(ii) use of the sports and athletic facility is not made available to the general public on the same basis as it is made available to members.

Granting of membership means both onetime initiation fees and periodic membership dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and squash courts; basketball and volleyball facilities; running tracks; exercise equipment; swimming pools; and other similar athletic or sports facilities;

(5) delivery of aggregate materials by a third party, excluding delivery of aggregate material used in road construction; and delivery of concrete block by a third party if the delivery would be subject to the sales tax if provided by the seller of the concrete block. For purposes of this clause, "road construction" means construction of:

(i) public roads;

(ii) cartways; and

(iii) private roads in townships located outside of the seven-county metropolitan area up to the point of the emergency response location sign; and

(6) services as provided in this clause:

(i) laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply, cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not include services provided by coin operated facilities operated by the customer;

(ii) motor vehicle washing, waxing, and cleaning services, including services provided by coin operated facilities operated by the customer, and rustproofing, undercoating, and towing of motor vehicles;

(iii) building and residential cleaning, maintenance, and disinfecting services and pest control and exterminating services;

(iv) detective, security, burglar, fire alarm, and armored car services; but not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit organization or any organization at the direction of a county for monitoring and electronic surveillance of persons placed on in-home detention pursuant to court order or under the direction of the Minnesota Department of Corrections;

(v) pet grooming services;

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor plant care; tree, bush, shrub, and stump removal, except when performed as part of a land clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for public utility lines. Services performed under a construction contract for the installation of shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

~~(vii) massages, except when provided by a licensed health care facility or professional or upon written referral from a licensed health care facility or professional for treatment of illness, injury, or disease; and~~

(viii) the furnishing of lodging, board, and care services for animals in kennels and other similar arrangements, but excluding veterinary and horse boarding services.

(h) A sale and a purchase includes the furnishing for a consideration of tangible personal property or taxable services by the United States or any of its agencies or instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political subdivisions.

(i) A sale and a purchase includes the furnishing for a consideration of telecommunications services, ancillary services associated with telecommunication services, and pay television services. Telecommunication services include, but are not limited to, the following services, as defined in section 297A.669: air-to-ground radiotelephone service, mobile telecommunication service, postpaid calling service, prepaid calling service, prepaid wireless calling service, and private communication services. The services in this paragraph are taxed to the extent allowed under federal law.

(j) A sale and a purchase includes the furnishing for a consideration of installation if the installation charges would be subject to the sales tax if the installation were provided by the seller of the item being installed.

(k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer to a customer when (1) the vehicle is rented by the customer for a consideration, or (2) the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section 59B.02, subdivision 11.

(l) A sale and a purchase includes furnishing for a consideration of specified digital products or other digital products or granting the right for a consideration to use specified digital products or other digital products on a temporary or permanent basis and regardless of whether the purchaser is required to make continued payments for such right. Wherever the term "tangible personal property" is used in this chapter, other than in subdivisions 10 and 38, the provisions also apply to specified digital products, or other digital products, unless specifically provided otherwise or the context indicates otherwise.

(m) The sale of the privilege of admission under section 297A.61, subdivision 3, paragraph (g), clause (1), to a place of amusement, recreational area, or athletic event includes all charges included in the privilege of admission's sales price, without deduction for amenities that may be provided, unless the amenities are separately stated and the purchaser of the privilege of admission is entitled to add or decline the amenities, and the amenities are not otherwise taxable.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 6. Minnesota Statutes 2017 Supplement, section 297A.67, subdivision 34, is amended to read:

Subd. 34. **Precious metal bullion and bullion coin.** (a) Precious metal bullion is exempt. For purposes of this subdivision;

(1) "precious metal bullion" means bars or rounds that consist of 99.9 percent or more by weight of either gold, silver, platinum, or palladium and are marked with weight, purity, and content; and

(2) "bullion coin" means a coin as described in section 80G.01, subdivision 2.

(b) The exemption under this subdivision does not apply to sales and purchases of jewelry, works of art, or scrap metal.

(c) The intent of this subdivision is to eliminate the difference in tax treatment between the sale of precious metal bullion and bullion coin and the sale of stock, bullion ETFs, bonds, and other investment instruments.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 7. Minnesota Statutes 2016, section 297A.67, is amended by adding a subdivision to read:

Subd. 37. **Massage therapy.** Massage therapy services subject to tax under section 295.52 or provided upon referral from a professional or licensed health care facility for treatment of illness, injury, or disease are exempt.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 8. Minnesota Statutes 2016, section 297A.67, is amended by adding a subdivision to read:

Subd. 38. **Certain herbicides.** Purchases of herbicides authorized for use pursuant to an invasive aquatic plant management permit as defined under section 103G.615 are exempt if purchased by a lakeshore property owner, an association of lakeshore property owners organized under chapter 317A, or by a contractor hired by a lakeshore owner or association to provide invasive aquatic plant management under the permit. For purposes of this subdivision, "herbicides" means all herbicides that meet the following requirements:

(1) are labeled for use in water;

(2) are registered for use in this state by the Minnesota Department of Agriculture under section 18B.26; and

(3) are listed as one of the herbicides proposed for use on the invasive aquatic plant management permit.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 9. Minnesota Statutes 2016, section 297A.67, is amended by adding a subdivision to read:

Subd. 39. Ticket purchasing rights to collegiate events. The sale of the privilege of admission under section 297A.61, subdivision 3, paragraph (g), clause (1), does not include consideration paid for the right to purchase a ticket to a collegiate athletic event in a preferred area, and the sale of the right to purchase a ticket is exempt provided that:

(1) the consideration paid for the right to purchase in the preferred area is used entirely to support student scholarship costs;

(2) the consideration paid for the right to purchase in the preferred area is separately stated from the admission price; and

(3) the admission price is equal to or greater than the highest priced general admission ticket for the closest seat not in the preferred area.

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

Sec. 10. Minnesota Statutes 2016, section 297A.68, subdivision 29, is amended to read:

Subd. 29. Prizes. (a) Tangible personal property that will be given as prizes to players in games of skill or chance is exempt if:

(1) the games are conducted at events such as community festivals, fairs, and carnivals and if the events last less than six days; or

(2) the property is awarded as prizes in connection with lawful gambling as defined in section 349.12.

(b) This exemption does not apply to property awarded as prizes in connection with ~~lawful gambling as defined in section 349.12~~ or the State Lottery.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 11. Minnesota Statutes 2016, section 297A.70, subdivision 7, is amended to read:

Subd. 7. Hospitals, outpatient surgical centers, and critical access dental providers. (a) Sales, except for those listed in paragraph (d), to a hospital are exempt, if the items purchased are used in providing hospital services. For purposes of this subdivision, "hospital" means a hospital organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction, and "hospital services" are services authorized or required to be performed by a "hospital" under chapter 144.

(b) Sales, except for those listed in paragraph (d), to an outpatient surgical center are exempt, if the items purchased are used in providing outpatient surgical services. For purposes of this subdivision, "outpatient surgical center" means an outpatient surgical center organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction. For the purposes of this subdivision, "outpatient surgical services" means: (1) services authorized or required to be performed by an outpatient surgical center under chapter 144; and (2) urgent care. For purposes of this subdivision, "urgent care" means health services furnished to a person whose medical condition is sufficiently acute to require treatment unavailable through, or inappropriate to be provided by, a clinic or physician's office, but not so acute as to require treatment in a hospital emergency room.

(c) Sales, except for those listed in paragraph (d), to a critical access dental provider are exempt, if the items purchased are used in providing critical access dental care services. For the purposes of this subdivision, "critical access dental provider" means a dentist or dental clinic that qualifies under section 256B.76, subdivision 4, paragraph (b), and, in the previous calendar year, had no more than 15 percent of its patients covered by private dental insurance.

(d) This exemption does not apply to the following products and services:

(1) purchases made by a clinic, physician's office, or any other medical facility not operating as a hospital, outpatient surgical center, qualifying medical facility, or critical access dental provider, even though the clinic, office, or facility may be owned and operated by a hospital, outpatient surgical center, qualifying medical facility, or critical access dental provider;

(2) sales under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, and soft drinks;

(3) building and construction materials used in constructing buildings or facilities that will not be used principally by the hospital, outpatient surgical center, qualifying medical facility, or critical access dental provider;

(4) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a hospital, outpatient surgical center, qualifying medical facility, or critical access dental provider; or

(5) the leasing of a motor vehicle as defined in section 297B.01, subdivision 11.

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

(f) An entity that contains both a hospital and a nonprofit unit may claim this exemption on purchases made for both the hospital and nonprofit unit provided that:

(1) the nonprofit unit would have qualified for exemption under subdivision 4; and

(2) the items purchased would have qualified for the exemption.

(g) Sales, except for those listed in paragraph (d), to a qualifying medical facility are exempt, if the items are purchased or used in providing medical services. For purposes of this subdivision, "qualifying medical facility" means a medical facility as defined in section 469.1812, subdivision 2a, that has been granted an abatement of the state general tax under section 469.1817.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 12. Minnesota Statutes 2017 Supplement, section 297A.70, subdivision 20, is amended to read:

Subd. 20. **Ice arenas and rinks.** Sales to organizations that exist primarily for the purpose of operating ice arenas or rinks that are (1) part of either the Duluth Heritage Sports Center or the David M. Thaler Sports Center; and (2) are used for youth and high school programs, are exempt if the organization is a private, nonprofit corporation exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 13. Minnesota Statutes 2016, section 297A.70, is amended by adding a subdivision to read:

Subd. 21. **Lawful gambling equipment.** The lease or purchase of gambling equipment, as defined in section 349.12, subdivision 18, by an organization licensed to conduct lawful gambling under chapter 349 is exempt.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 14. Minnesota Statutes 2016, section 297A.70, is amended by adding a subdivision to read:

Subd. 22. **Nonprofit conservation clubs.** Sales to nonprofit conservation clubs are exempt. For purposes of this subdivision, a "nonprofit conservation club" means an organization exempt under section 501(c)(3) of the Internal Revenue Code that provides instruction, training, and facilities for shooting handguns or rifles.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 15. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

Subd. 51. **Public safety facilities.** Materials and supplies used in and equipment incorporated into construction or remodeling of the following public safety facilities are exempt:

(1) the construction of a new fire station, which includes firefighting and public safety training facilities, in the city of Inver Grove Heights;

(2) the construction of a new fire station or the remodeling and expansion of an existing fire station in the city of Virginia;

(3) the construction of a new fire station on the campus of the Minnetonka City Hall; and

(4) the remodeling and expansion of an existing police and fire station in Minnetonka to accommodate its use as a police station.

EFFECTIVE DATE. This section is effective for sales and purchases made after the day following final enactment and before January 1, 2021.

Sec. 16. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

Subd. 52. **Second Harvest Heartland.** Materials and supplies used or consumed in and equipment incorporated into construction and rehabilitation of the Second Harvest Heartland regional charitable food warehouse, distribution, and office facility in Hennepin County are exempt. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

EFFECTIVE DATE. This section is effective for sales and purchases made after January 1, 2018, and before January 1, 2022.

Sec. 17. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

Subd. 53. **Nonprofit snowmobile clubs.** Building materials and supplies used by a nonprofit snowmobile club to construct, reconstruct, or maintain or improve state or grant-in-aid snowmobile trails are exempt. A nonprofit snowmobile club is eligible for the exemption under this subdivision if it received, in the current year or in the previous three-year period, a state grant-in-aid grant administered by the Department of Natural Resources by applying for the grant with a local unit of government sponsor.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 18. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

Subd. 54. **Medical facility in underserved area.** Materials and supplies used or consumed in, and equipment incorporated into, the construction or improvement of real property that has been granted an abatement of the state general tax under section 469.1817 are exempt.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 19. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

Subd. 55. **Properties destroyed by fire.** Building materials and supplies used in, and equipment incorporated into, the construction or replacement of real property affected by, and capital equipment to replace equipment destroyed in, the fire on March 11, 2018, in the city of Mazeppa are exempt. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75. For purposes of this subdivision, "capital equipment" includes durable equipment used in a restaurant for food storage, preparation, and serving.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after March 11, 2018, and before January 1, 2021.

Sec. 20. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

Subd. 56. **Former Duluth Central High School.** Materials and supplies used in and equipment incorporated into a private redevelopment project on the site of the former Duluth Central High School are exempt, provided the resulting development is subject to property taxes. The tax must be imposed and collected as if the rate under section 297A.62 applied and then refunded in the manner provided in section 297A.75. The commissioner must not pay more than \$5,000,000 in refunds for purchases exempt under this section. Refunds must be processed and issued in the order that complete and accurate applications are received by the commissioner.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after June 30, 2018, and before January 1, 2020.

Sec. 21. Minnesota Statutes 2017 Supplement, section 297A.75, subdivision 1, is amended to read:

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

- (1) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;
- (2) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;

- (3) building materials for correctional facilities under section 297A.71, subdivision 3;
- (4) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;
- (5) elevators and building materials exempt under section 297A.71, subdivision 12;
- (6) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;
- (7) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;
- (8) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37;
- (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph (a), clause (10);
- (10) materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivision 40;
- (11) materials, supplies, and equipment for construction, improvement, or expansion of:
 - ~~(i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 42;~~
 - ~~(ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision 45;~~
 - ~~(iii) a research and development facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 46; and~~
 - ~~(iv) an industrial measurement manufacturing and controls facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 47;~~
- (12) enterprise information technology equipment and computer software for use in a qualified data center exempt under section 297A.68, subdivision 42;
- (13) materials, supplies, and equipment for qualifying capital projects under section 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);
- (14) items purchased for use in providing critical access dental services exempt under section 297A.70, subdivision 7, paragraph (c);
- (15) items and services purchased under a business subsidy agreement for use or consumption primarily in greater Minnesota exempt under section 297A.68, subdivision 44;
- (16) building materials, equipment, and supplies for constructing or replacing real property exempt under section 297A.71, ~~subdivision~~ subdivisions 49 and 55; and
- (17) building materials, equipment, and supplies for constructing or replacing real property exempt under section 297A.71, subdivision 50, paragraph (b);:

(18) materials, equipment, and supplies for a regional charitable food warehouse, distribution, and office facility exempt under section 297A.71, subdivision 52; and

(19) materials and supplies used in and equipment incorporated into a private redevelopment project exempt under section 297A.71, subdivision 56.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 22. Minnesota Statutes 2017 Supplement, section 297A.75, subdivision 2, is amended to read:

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

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

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

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

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

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

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

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

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

(9) for subdivision 1, ~~clause (16),~~ clauses (16) to (19), the applicant must be the owner or developer of the building or project; ~~and.~~

~~(10) for subdivision 1, clause (17), the applicant must be the owner or developer of the building or project.~~

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 23. Minnesota Statutes 2017 Supplement, section 297A.75, subdivision 3, is amended to read:

Subd. 3. **Application.** (a) The application must include sufficient information to permit the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor, or builder, under subdivision 1, clauses (3) to (13) or (15) to ~~(17)~~ (19), the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items unless otherwise specifically provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

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

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2018.

Sec. 24. Minnesota Statutes 2017 Supplement, section 297E.02, subdivision 3, is amended to read:

Subd. 3. **Collection; disposition.** (a) Taxes imposed by this section are due and payable to the commissioner when the gambling tax return is required to be filed. Distributors must file their monthly sales figures with the commissioner on a form prescribed by the commissioner. Returns covering the taxes imposed under this section must be filed with the commissioner on or before the 20th day of the month following the close of the previous calendar month. The commissioner shall prescribe the content, format, and manner of returns or other documents pursuant to section 270C.30. The proceeds, along with the revenue received from all license fees and other fees under sections 349.11 to 349.191, 349.211, and 349.213, must be paid to the commissioner of management and budget for deposit in the general fund.

(b) ~~The sales tax imposed by chapter 297A on the sale of pull-tabs and tipboards by the distributor is imposed on the retail sales price.~~ The retail sale of pull-tabs or tipboards by the organization is exempt from taxes imposed by chapter 297A and is exempt from all local taxes and license fees except a fee authorized under section 349.16, subdivision 8.

(c) One-half of one percent of the revenue deposited in the general fund under paragraph (a), is appropriated to the commissioner of human services for the compulsive gambling treatment program established under section 245.98. One-half of one percent of the revenue deposited in the general fund under paragraph (a), is appropriated to the commissioner of human services for a grant to the state affiliate recognized by the National Council on Problem Gambling to increase public awareness of problem gambling, education and training for individuals and organizations providing effective treatment services to problem gamblers and their families, and research relating to problem gambling. Money appropriated by this paragraph must supplement and must not replace existing state funding for these programs.

EFFECTIVE DATE. This section is effective July 1, 2018.

Sec. 25. Laws 2017, First Special Session chapter 1, article 3, section 32, the effective date, is amended to read:

EFFECTIVE DATE. Paragraph (a) is effective retroactively for sales and purchases made after September 30, 2016, and before January 1, ~~2019~~ 2022. Paragraph (b) is effective for sales and purchases made after September 30, 2016, and before July 1, 2017.

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

Sec. 26. **MUNICIPALLY OWNED WATER TREATMENT FACILITY; CITY OF ELKO NEW MARKET.**

Subdivision 1. **Exemption.** Materials and supplies used in and equipment incorporated into a water treatment facility owned and operated by the city of Elko New Market are exempt from taxation under Minnesota Statutes, chapter 297A, regardless of whether purchased by the city or a contractor, subcontractor, or builder. All purchases for this facility must be made after June 1, 2014, and before June 1, 2016.

Subd. 2. **Refund.** The tax on purchases exempt under subdivision 1 must be imposed and collected as if the rate under Minnesota Statutes, section 297A.62, applied, and then refunded in the manner provided in Minnesota Statutes, section 297A.75. The applicant must be the city of Elko New Market. If sales tax has been paid on sales and purchases exempt under this section prior to the effective date of this section, the city of Elko New Market may apply directly to the commissioner of revenue for a refund. The application must be in the form and manner required by the commissioner and provide sufficient information so the commissioner can verify the amount paid. If the tax was paid by a contractor, subcontractor, or builder, the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items. Interest must be paid on the refund at the rate in Minnesota Statutes, section 270C.405, from 90 days after the refund claim is filed with the commissioner.

Subd. 3. **Appropriation.** The amount required to make the refunds under this section is appropriated to the commissioner of revenue.

EFFECTIVE DATE. This section is effective retroactively for purchases made after June 1, 2014, and before June 1, 2016.

Sec. 27. **SALES TAX RATE ADJUSTMENT IF TAX IS IMPOSED ON REMOTE SELLERS.**

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

(b) "Day the state begins enforcing a duty to collect and remit sales tax on retailers without a physical presence in this state, and marketplace providers under Minnesota Statutes, section 297A.66, subdivision 4," means the earliest of:

(i) the first day of a calendar quarter at least 60 days after a decision is made by the United States Supreme Court modifying its decision in Quill Corp. v. North Dakota, 504 U.S. 298 (1992) so that a state may require retailers without a physical presence in the state to collect and remit sales tax; or

(ii) the first day of a calendar quarter at least 60 days after a federal law is enacted authorizing a state to impose a requirement to collect and remit sales tax on retailers without a physical presence in the state.

Subd. 2. **Rate adjustment.** (a) The commissioner of revenue must make an adjustment to the sales tax rates in Minnesota Statutes, section 297A.62, subdivisions 1 and 1a, effective for the first day of the calendar quarter beginning 15 months after the day the state begins enforcing a duty to collect and remit sales tax on retailers without a physical presence in this state, and marketplace providers under Minnesota Statutes, section 297A.66, subdivision 4. The adjustment must be equal to the reduction necessary to make the total collections under the sales tax revenue neutral as calculated in paragraph (b).

(b) The adjustment factor for each tax rate must be equal to the ratio by which:

(1) the revenues collected under Minnesota Statutes, chapter 297A, in the 12-month period immediately preceding the day the state begins enforcing a duty to collect and remit sales tax on retailers without a physical presence in this state, and marketplace providers under Minnesota Statutes, section 297A.66, subdivision 4, multiplied by the projected growth rate in sales tax revenues between the same 12-month period and the time period in clause (2), calculated from data used in preparing the February 2018 forecast; compared to

(2) the revenues collected under Minnesota Statutes, chapter 297A, in the 12-month period beginning on the day the state begins enforcing a duty to collect and remit sales tax on retailers without a physical presence in this state, and marketplace providers under Minnesota Statutes, section 297A.66, subdivision 4. The ratio cannot be less than one.

(c) The adjusted rates must be rounded to the nearest one thousandth of one percent and are effective for the first calendar quarter at least 15 months after the day the state begins enforcing a duty to collect and remit sales tax on retailers without a physical presence in this state, and marketplace providers under Minnesota Statutes, section 297A.66, subdivision 4. The commissioner of revenue must publish the new tax rates in the State Register at least 30 days prior to the rate change going into effect.

(d) After the commissioner of revenue publishes the new tax rates in the State Register, the revisor of statutes must update the tax rates in Minnesota Statutes, section 297A.62, subdivisions 1 and 1a, in the next edition of Minnesota Statutes.

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

ARTICLE 4
PROPERTY TAXES

Section 1. Minnesota Statutes 2016, section 272.02, subdivision 49, is amended to read:

Subd. 49. **Agricultural historical society property.** Property is exempt from taxation if it is owned by a nonprofit charitable or educational organization that qualifies for exemption under section 501(c)(3) of the Internal Revenue Code and meets the following criteria:

(1) the property is primarily used for storing and exhibiting tools, equipment, and artifacts useful in providing an understanding of local or regional agricultural history. Primary use is determined each year based on the number of days the property is used solely for storage and exhibition purposes;

(2) the property is limited to a maximum of ~~20~~ 40 acres per owner per county, but includes the land and any taxable structures, fixtures, and equipment on the land;

(3) the property is not used for a revenue-producing activity for more than ten days in each calendar year; and

(4) the property is not used for residential purposes on either a temporary or permanent basis.

EFFECTIVE DATE. This section is effective for assessments beginning in 2018.

Sec. 2. Minnesota Statutes 2016, section 272.02, is amended by adding a subdivision to read:

Subd. 102. **Licensed child care facility.** Property used as a licensed child care facility that accepts families participating in the child care assistance program under chapter 119B, and that is owned and operated as part of their mission by a church organization that qualifies for tax exemption under section 272.02, subdivision 6, is exempt. For the purposes of this subdivision, "licensed child care facility" means a child care center licensed under Minnesota Rules, chapter 9503, or a facility used to provide licensed family day care or group family day care as defined under Minnesota Rules, chapter 9502.

EFFECTIVE DATE. This section is effective beginning with assessment year 2018, for taxes payable in 2019.

Sec. 3. Minnesota Statutes 2016, section 273.124, subdivision 8, is amended to read:

Subd. 8. **Homestead owned by or leased to family farm corporation, joint farm venture, limited liability company, or partnership.** (a) Each family farm corporation; each joint family farm venture; and each limited liability company or partnership which operates a family farm; is entitled to class 1b under section 273.13, subdivision 22, paragraph (b), or class 2a assessment for one homestead occupied by a shareholder, member, or partner thereof who is residing on the land, and actively engaged in farming of the land owned by the family farm corporation, joint family farm venture, limited liability company, or partnership. Homestead treatment applies even if:

(1) legal title to the property is in the name of the family farm corporation, joint family farm venture, limited liability company, or partnership, and not in the name of the person residing on it; or

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

(i) the shareholder, member, or partner of the family farm corporation, joint family farm venture, partnership, or limited liability company that owns the land and that is residing on and actively engaged in farming the land is a shareholder, member, or partner of the family farm corporation, joint family farm venture, partnership, or limited liability company that is operating the farm;

(ii) each shareholder, member, or partner of the family farm corporation, joint family farm venture, partnership, or limited liability company that is operating the farm is also a shareholder, member, or partner of the family farm corporation, joint family farm venture, partnership, or limited liability company that owns the land; and

(iii) a majority of the shareholders, members, or partners of each family farm corporation, joint family farm venture, partnership, or limited liability company are persons or spouses of persons who are related to each other within the second degree of kindred according to the rules of civil law.

"Family farm corporation," "family farm," and "partnership operating a family farm" have the meanings given in section 500.24, except that the number of allowable shareholders, members, or partners under this subdivision shall not exceed 12. "Limited liability company" has the meaning contained in sections 322B.03, subdivision 28, or 322C.0102, subdivision 12, and 500.24, subdivision 2, paragraphs (l) and (m). "Joint family farm venture" means a cooperative agreement among two or more farm enterprises authorized to operate a family farm under section 500.24.

(b) In addition to property specified in paragraph (a), any other residences owned by family farm corporations, joint family farm ventures, limited liability companies, or partnerships described in paragraph (a) which are located on agricultural land and occupied as homesteads by its shareholders, members, or partners who are actively engaged in farming on behalf of that corporation, joint farm venture, limited liability company, or partnership must also be assessed as class 2a property or as class 1b property under section 273.13.

(c) Agricultural property that is owned by a member, partner, or shareholder of a family farm corporation or joint family farm venture, limited liability company operating a family farm, or by a partnership operating a family farm and leased to the family farm corporation, limited liability company, partnership, or joint farm venture, as defined in paragraph (a), is eligible for classification as class 1b or class 2a under section 273.13, if the owner is actually residing on the property, and is actually engaged in farming the land on behalf of that corporation, joint farm venture, limited liability company, or partnership. This paragraph applies without regard to any legal possession rights of the family farm corporation, joint family farm venture, limited liability company, or partnership under the lease.

(d) Nonhomestead agricultural property that is owned by a family farm corporation, joint farm venture, limited liability company, or partnership; and located not farther than four townships or cities, or combination thereof, from agricultural land that is owned, and used for the purposes of a homestead by an individual who is a shareholder, member, or partner of the corporation, venture, company, or partnership; is entitled to receive the first tier homestead classification rate on any remaining market value in the first homestead class tier that is in excess of the market value of the shareholder's, member's, or partner's class 2 agricultural homestead property, if the owner, or someone acting on the owner's behalf notifies the county assessor by July 1 that the property may be eligible under this paragraph for the current assessment year, for taxes payable in the following year. As used in this paragraph, "agricultural property" means property classified as 2a under section 273.13, along with any contiguous property classified as 2b under section 273.13, if the contiguous 2a and 2b properties are under the same ownership.

EFFECTIVE DATE. This section is effective for assessments beginning in 2018.

Sec. 4. Minnesota Statutes 2016, section 273.124, subdivision 14, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

~~(ii) Agricultural property held by a trustee under a trust is eligible for agricultural homestead classification under this paragraph if the qualifications in clause (i) are met, except that "owner" means the grantor of the trust.~~

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

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

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

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

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

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

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

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

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

(5) the owner notifies the county assessor that the relocation was due to the 1997 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

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

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

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

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

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

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

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

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

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

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

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

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

Homestead treatment applies under this paragraph even if:

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

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

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

(B) each shareholder, member, or partner of the family farm corporation, joint family farm venture, partnership, or limited liability company that is operating the farm is also a shareholder, member, or partner of the family farm corporation, joint family farm venture, partnership, or limited liability company that owns the land; and

(C) a majority of the shareholders, members, or partners of each family farm corporation, joint family farm venture, partnership, or limited liability company are persons or spouses of persons who are related to each other within the second degree of kindred according to the rules of civil law.

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

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

- (1) the day-to-day operation, administration, and financial risks remain the same;
- (2) the owners and the persons actively farming the property continue to live within the four townships or city criteria and are Minnesota residents;
- (3) the same operator of the agricultural property is listed with the Farm Service Agency;
- (4) a Schedule F or equivalent income tax form was filed for the most recent year;
- (5) the property's acreage is unchanged; and
- (6) none of the property's acres have been enrolled in a federal or state farm program since the initial application.

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

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

- (1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by the August 2007 floods;
- (2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele, Wabasha, or Winona;
- (3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2007 assessment year;
- (4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and
- (5) the owner notifies the county assessor that the relocation was due to the August 2007 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the owner must notify the assessor by December 1, 2008. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

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

- (1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the March 2009 floods;
- (2) the property is located in the county of Marshall;

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

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

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

EFFECTIVE DATE. This section is effective beginning for property taxes payable in 2019.

Sec. 5. Minnesota Statutes 2016, section 273.124, subdivision 21, is amended to read:

Subd. 21. **Trust property; homestead.** Real or personal property, including agricultural property, held by a trustee under a trust is eligible for classification as homestead property if the property satisfies the requirements of paragraph (a), (b), (c), ~~or (d), or (e).~~

(a) The grantor or surviving spouse of the grantor of the trust occupies and uses the property as a homestead.

(b) A relative or surviving relative of the grantor who meets the requirements of subdivision 1, paragraph (c), in the case of residential real estate; or subdivision 1, paragraph (d), in the case of agricultural property, occupies and uses the property as a homestead.

(c) A family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm in which the grantor or the grantor's surviving spouse is a shareholder, member, or partner rents the property; and, either (1) a shareholder, member, or partner of the corporation, joint farm venture, limited liability company, or partnership occupies and uses the property as a homestead; or (2) the property is at least 40 acres, including undivided government lots and correctional 40's, and a shareholder, member, or partner of the tenant-entity is actively farming the property on behalf of the corporation, joint farm venture, limited liability company, or partnership.

(d) A person who has received homestead classification for property taxes payable in 2000 on the basis of an unqualified legal right under the terms of the trust agreement to occupy the property as that person's homestead and who continues to use the property as a homestead; or, a person who received the homestead classification for taxes payable in 2005 under paragraph (c) who does not qualify under paragraph (c) for taxes payable in 2006 or thereafter but who continues to qualify under paragraph (c) as it existed for taxes payable in 2005.

(e) The qualifications under subdivision 14, paragraph (b), clause (i), are met. For purposes of this paragraph, "owner" means the grantor of the trust or the surviving spouse of the grantor.

(f) For purposes of this subdivision, the following terms have the meanings given them:

(1) "agricultural property" means the house, garage, other farm buildings and structures, and agricultural land;

(2) "agricultural land" has the meaning given in section 273.13, subdivision 23, except that the phrases "owned by same person" or "under the same ownership" as used in that subdivision mean and include contiguous tax parcels owned by:

(i) an individual and a trust of which the individual, the individual's spouse, or the individual's deceased spouse is the grantor; or

(ii) different trusts of which the grantors of each trust are any combination of an individual, the individual's spouse, or the individual's deceased spouse; and

~~For purposes of this subdivision, (3) "grantor" is defined as~~ means the person creating or establishing a testamentary, inter Vivos, revocable or irrevocable trust by written instrument or through the exercise of a power of appointment.

(g) Noncontiguous land is included as part of a homestead under this subdivision, only if the homestead is classified as class 2a, as defined in section 273.13, subdivision 23, and the detached land is located in the same township or city, or not farther than four townships or cities or combination thereof from the homestead. Any taxpayer of these noncontiguous lands must notify the county assessor by December 15 for taxes payable in the following year that the noncontiguous land is part of the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must also notify the assessor of the other county.

EFFECTIVE DATE. This section is effective beginning for property taxes payable in 2019.

Sec. 6. Minnesota Statutes 2016, section 273.124, is amended by adding a subdivision to read:

Subd. 23. **Fractional homesteads.** In the case of property that is classified as part homestead and part nonhomestead solely because not all the owners occupy or farm the property, not all the owners have qualifying relatives occupying or farming the property, or not all the spouses of owners occupy the property, the portions of property classified as part homestead and part nonhomestead must correspond to the ownership percentages that each owner has in the property, as determined by the land records in the county recorder's office or registrar of titles. If the ownership percentages of each owner cannot be determined by reference to the land records, the portions of property classified as part homestead and part nonhomestead must correspond to the ownership percentages each owner would have if they each owned an equal share of the property.

EFFECTIVE DATE. This section is effective for assessments beginning in 2018.

Sec. 7. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 22, is amended to read:

Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. In the case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first \$500,000 of market value of class 1a property has a net classification rate of one percent of its market value; and the market value of class 1a property that exceeds \$500,000 has a classification rate of 1.25 percent of its market value.

(b) Class 1b property includes homestead real estate or homestead manufactured homes used for the purposes of a homestead by:

(1) any person who is blind as defined in section 256D.35, or the blind person and the blind person's spouse;

(2) any person who is permanently and totally disabled or by the disabled person and the disabled person's spouse; or

(3) the surviving spouse of a permanently and totally disabled veteran homesteading a property classified under this paragraph for taxes payable in 2008.

Property is classified and assessed under clause (2) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph, and that the property is not eligible for the valuation exclusion under subdivision 34.

Property is classified and assessed under paragraph (b) only if the commissioner of revenue or the county assessor certifies that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$50,000 market value of class 1b property has a net classification rate of .45 percent of its market value. The remaining market value of class 1b property is classified as class 1a or class 2a property, whichever is appropriate.

(c) Class 1c property is commercial use real and personal property that abuts public water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by the Department of Natural Resources, and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort ~~even if, whether~~ the title to the homestead is held by the corporation, partnership, or limited liability company, or by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort. For purposes of this paragraph, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. Class 1c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 1c property must provide recreational activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may remain available for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. If the same owner owns two separate parcels that are located in the same township, and one of those properties is classified as a class 1c property and the other would be eligible to be classified as a class 1c property if it was used as the homestead of the owner, both properties will be assessed as a single class 1c property; for purposes of this sentence, properties are deemed to be owned by the same owner if each of them is owned by a limited liability company, and both limited liability companies have the same membership. The portion of the property used as a homestead is class 1a property under paragraph (a). The remainder of the property is classified as follows: the first \$600,000 of market value is tier I, the next \$1,700,000 of market value is tier II, and any remaining market value is tier III. The classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes in which all or a portion of the property was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated as class 1c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located must be designated as class 3a commercial. The owner of property desiring designation as class 1c property must provide guest registers or other records demonstrating that the units for which class 1c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

(d) Class 1d property includes structures that meet all of the following criteria:

- (1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;
- (2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;
- (3) the structure meets all applicable health and safety requirements for the appropriate season; and
- (4) the structure is not salable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

The market value of class 1d property has the same classification rates as class 1a property under paragraph (a).

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2019.

Sec. 8. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 23, is amended to read:

Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural land that is homesteaded, along with any class 2b rural vacant land that is contiguous to the class 2a land under the same ownership. The market value of the house and garage and immediately surrounding one acre of land has the same classification rates as class 1a or 1b property under subdivision 22. The value of the remaining land including improvements up to the first tier valuation limit of agricultural homestead property has a classification rate of 0.5 percent of market value. The remaining property over the first tier has a classification rate of one percent of market value. For purposes of this subdivision, the "first tier valuation limit of agricultural homestead property" and "first tier" means the limit certified under section 273.11, subdivision 23.

(b) Class 2a agricultural land consists of parcels of property, or portions thereof, that are agricultural land and buildings. Class 2a property has a classification rate of one percent of market value, unless it is part of an agricultural homestead under paragraph (a). Class 2a property must also include any property that would otherwise be classified as 2b, but is interspersed with class 2a property, including but not limited to sloughs, wooded wind shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback requirement, and other similar land that is impractical for the assessor to value separately from the rest of the property or that is unlikely to be able to be sold separately from the rest of the property.

An assessor may classify the part of a parcel described in this subdivision that is used for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

(c) Class 2b rural vacant land consists of parcels of property, or portions thereof, that are unplatted real estate, rural in character and not used for agricultural purposes, including land used for growing trees for timber, lumber, and wood and wood products, that is not improved with a structure. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph. Any parcel of 20 acres or more improved with a structure that is not a minor, ancillary nonresidential structure must be split-classified, and ten acres must be assigned to the split parcel containing the structure. Class 2b property has a classification rate of one percent of market value unless it is part of an agricultural homestead under paragraph (a), or qualifies as class 2c under paragraph (d).

(d) Class 2c managed forest land consists of no less than 20 and no more than 1,920 acres statewide per taxpayer that is being managed under a forest management plan that meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource management incentive program. It has a classification rate of .65 percent, provided that the owner of the property must apply to the assessor in order for the property to initially qualify for the reduced rate and provide the information required by the assessor to verify that the property qualifies for the reduced

rate. If the assessor receives the application and information before May 1 in an assessment year, the property qualifies beginning with that assessment year. If the assessor receives the application and information after April 30 in an assessment year, the property may not qualify until the next assessment year. The commissioner of natural resources must concur that the land is qualified. The commissioner of natural resources shall annually provide county assessors verification information on a timely basis. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph.

(e) Agricultural land as used in this section means:

(1) contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes; or

(2) contiguous acreage used during the preceding year for an intensive livestock or poultry confinement operation, provided that land used only for pasturing or grazing does not qualify under this clause.

"Agricultural purposes" as used in this section means the raising, cultivation, drying, or storage of agricultural products for sale, or the storage of machinery or equipment used in support of agricultural production by the same farm entity. For a property to be classified as agricultural based only on the drying or storage of agricultural products, the products being dried or stored must have been produced by the same farm entity as the entity operating the drying or storage facility. "Agricultural purposes" also includes (i) enrollment in a local conservation program or the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 or a similar state or federal conservation program if the property was classified as agricultural ~~(i)~~ (A) under this subdivision for taxes payable in 2003 because of its enrollment in a qualifying program and the land remains enrolled or ~~(ii)~~ (B) in the year prior to its enrollment, or (ii) use of land, not to exceed the greater of three acres or ten percent of the total land area, to provide environmental benefits such as buffer strips, old growth forest restoration or retention, or retention ponds to prevent soil erosion. For purposes of this section, a "local conservation program" means a program administered by a town, statutory or home rule charter city, or county, including a watershed district, water management organization, or soil and water conservation district, in which landowners voluntarily enroll land and receive incentive payments equal to at least \$50 per acre in exchange for use or other restrictions placed on the land. In order for property to qualify under the local conservation program provision, a taxpayer must apply to the assessor by February 1 of the assessment year and must submit the information required by the assessor, including but not limited to a copy of the program requirements, the specific agreement between the land owner and the local agency, if applicable, and a map of the conservation area. Agricultural classification shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

"Agricultural purposes" also includes land consisting of a holding pond designed to prevent runoff onto a divided four-lane expressway that is located at least 150 feet above the expressway, as certified by the local soil and water conservation district in accordance with USDA Field Office Technical Guide conservation practice standards, provided that the land is located outside the metropolitan area as defined in section 473.121, and was classified as agricultural in assessment year 2017.

"Contiguous acreage," for purposes of this paragraph, means all of, or a contiguous portion of, a tax parcel as described in section 272.193, or all of, or a contiguous portion of, a set of contiguous tax parcels under that section that are owned by the same person.

(f) Agricultural land under this section also includes:

(1) contiguous acreage that is less than ten acres in size and exclusively used in the preceding year for raising or cultivating agricultural products; or

(2) contiguous acreage that contains a residence and is less than 11 acres in size, if the contiguous acreage exclusive of the house, garage, and surrounding one acre of land was used in the preceding year for one or more of the following three uses:

(i) for an intensive grain drying or storage operation, or for intensive machinery or equipment storage activities used to support agricultural activities on other parcels of property operated by the same farming entity;

(ii) as a nursery, provided that only those acres used intensively to produce nursery stock are considered agricultural land; or

(iii) for intensive market farming; for purposes of this paragraph, "market farming" means the cultivation of one or more fruits or vegetables or production of animal or other agricultural products for sale to local markets by the farmer or an organization with which the farmer is affiliated.

"Contiguous acreage," for purposes of this paragraph, means all of a tax parcel as described in section 272.193, or all of a set of contiguous tax parcels under that section that are owned by the same person.

(g) Land shall be classified as agricultural even if all or a portion of the agricultural use of that property is the leasing to, or use by another person for agricultural purposes.

Classification under this subdivision is not determinative for qualifying under section 273.111.

(h) The property classification under this section supersedes, for property tax purposes only, any locally administered agricultural policies or land use restrictions that define minimum or maximum farm acreage.

(i) The term "agricultural products" as used in this subdivision includes production for sale of:

(1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains, bees, and apiary products by the owner;

(2) aquacultural products for sale and consumption, as defined under section 17.47, if the aquaculture occurs on land zoned for agricultural use;

(3) the commercial boarding of horses, which may include related horse training and riding instruction, if the boarding is done on property that is also used for raising pasture to graze horses or raising or cultivating other agricultural products as defined in clause (1);

(4) property which is owned and operated by nonprofit organizations used for equestrian activities, excluding racing;

(5) game birds and waterfowl bred and raised (i) on a game farm licensed under section 97A.105, provided that the annual licensing report to the Department of Natural Resources, which must be submitted annually by March 30 to the assessor, indicates that at least 500 birds were raised or used for breeding stock on the property during the preceding year and that the owner provides a copy of the owner's most recent schedule F; or (ii) for use on a shooting preserve licensed under section 97A.115;

(6) insects primarily bred to be used as food for animals;

(7) trees, grown for sale as a crop, including short rotation woody crops, and not sold for timber, lumber, wood, or wood products; and

(8) maple syrup taken from trees grown by a person licensed by the Minnesota Department of Agriculture under chapter 28A as a food processor.

(j) If a parcel used for agricultural purposes is also used for commercial or industrial purposes, including but not limited to:

- (1) wholesale and retail sales;
- (2) processing of raw agricultural products or other goods;
- (3) warehousing or storage of processed goods; and
- (4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3),

the assessor shall classify the part of the parcel used for agricultural purposes as class 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use. The grading, sorting, and packaging of raw agricultural products for first sale is considered an agricultural purpose. A greenhouse or other building where horticultural or nursery products are grown that is also used for the conduct of retail sales must be classified as agricultural if it is primarily used for the growing of horticultural or nursery products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products. Use of a greenhouse or building only for the display of already grown horticultural or nursery products does not qualify as an agricultural purpose.

(k) The assessor shall determine and list separately on the records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.

(l) Class 2d airport landing area consists of a landing area or public access area of a privately owned public use airport. It has a classification rate of one percent of market value. To qualify for classification under this paragraph, a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of this paragraph, "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

(i) the land is properly cleared and regularly maintained for the primary purposes of the landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;

(ii) the land is part of the airport property; and

(iii) the land is not used for commercial or residential purposes.

The land contained in a landing area under this paragraph must be described and certified by the commissioner of transportation. The certification is effective until it is modified, or until the airport or landing area no longer meets the requirements of this paragraph. For purposes of this paragraph, "public access area" means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival and departure building in connection with the airport.

(m) Class 2e consists of land with a commercial aggregate deposit that is not actively being mined and is not otherwise classified as class 2a or 2b, provided that the land is not located in a county that has elected to opt-out of the aggregate preservation program as provided in section 273.1115, subdivision 6. It has a classification rate of

one percent of market value. To qualify for classification under this paragraph, the property must be at least ten contiguous acres in size and the owner of the property must record with the county recorder of the county in which the property is located an affidavit containing:

- (1) a legal description of the property;
- (2) a disclosure that the property contains a commercial aggregate deposit that is not actively being mined but is present on the entire parcel enrolled;
- (3) documentation that the conditional use under the county or local zoning ordinance of this property is for mining; and
- (4) documentation that a permit has been issued by the local unit of government or the mining activity is allowed under local ordinance. The disclosure must include a statement from a registered professional geologist, engineer, or soil scientist delineating the deposit and certifying that it is a commercial aggregate deposit.

For purposes of this section and section 273.1115, "commercial aggregate deposit" means a deposit that will yield crushed stone or sand and gravel that is suitable for use as a construction aggregate; and "actively mined" means the removal of top soil and overburden in preparation for excavation or excavation of a commercial deposit.

(n) When any portion of the property under this subdivision or subdivision 22 begins to be actively mined, the owner must file a supplemental affidavit within 60 days from the day any aggregate is removed stating the number of acres of the property that is actively being mined. The acres actively being mined must be (1) valued and classified under subdivision 24 in the next subsequent assessment year, and (2) removed from the aggregate resource preservation property tax program under section 273.1115, if the land was enrolled in that program. Copies of the original affidavit and all supplemental affidavits must be filed with the county assessor, the local zoning administrator, and the Department of Natural Resources, Division of Land and Minerals. A supplemental affidavit must be filed each time a subsequent portion of the property is actively mined, provided that the minimum acreage change is five acres, even if the actual mining activity constitutes less than five acres.

(o) The definitions prescribed by the commissioner under paragraphs (c) and (d) are not rules and are exempt from the rulemaking provisions of chapter 14, and the provisions in section 14.386 concerning exempt rules do not apply.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 9. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 25, is amended to read:

Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. The market value of class 4a property has a classification rate of 1.25 percent.

(b) Class 4b includes:

- (1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential recreational property;
- (2) manufactured homes not classified under any other provision;

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units; and

(4) unimproved property that is classified residential as determined under subdivision 33.

The market value of class 4b property has a classification rate of 1.25 percent.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential recreational property;

(2) a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b); and

(3) a condominium-type storage unit having an individual property identification number that is not used for a commercial purpose.

Class 4bb property has the same classification rates as class 1a property under subdivision 22.

Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), real and personal property devoted to commercial temporary and seasonal residential occupancy for recreation purposes, for not more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4c property under this clause must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. A camping pad offered for rent by a property that otherwise qualifies for class 4c under this clause is also class 4c under this clause regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. In order for a property to be classified under this clause, either: (i) the business located on the property must provide recreational activities, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days, and either (A) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (B) at least 20 percent of the annual gross receipts must be from charges for providing recreational activities; ~~or;~~ (ii) the business must contain 20 or fewer rental units, and must be located in a township or a city with a population of 2,500 or less located outside the metropolitan area, as defined under section 473.121, subdivision 2, that contains a portion of a state trail administered by the Department of Natural Resources; or (iii) the facility must consist of no more than five sleeping rooms and must provide an area or areas to prepare meals and to conduct indoor craft or hobby activities. For purposes of item (i)(A), a paid booking of five or more nights shall be counted as two bookings. Class 4c property also includes commercial use real property used exclusively for recreational purposes in conjunction with other class 4c property classified under this clause and devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. In order for a property to qualify for classification under this clause, the owner must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated class 4c under this clause as otherwise provided. The remainder of the cabins or units and a

proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 4c property under this clause must provide guest registers or other records demonstrating that the units for which class 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 4c. For the purposes of this paragraph, "recreational activities" means renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; providing marina services, launch services, or guide services; or selling bait and fishing tackle;

(2) qualified property used as a golf course if:

(i) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property;

(3) real property up to a maximum of three acres of land owned and used by a nonprofit community service oriented organization and not used for residential purposes on either a temporary or permanent basis, provided that:

(i) the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment; or

(ii) the organization makes annual charitable contributions and donations at least equal to the property's previous year's property taxes and the property is allowed to be used for public and community meetings or events for no charge, as appropriate to the size of the facility.

For purposes of this clause:

(A) "charitable contributions and donations" has the same meaning as lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

(B) "property taxes" excludes the state general tax;

(C) a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal Revenue Code; and

(D) "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises.

Any portion of the property not qualifying under either item (i) or (ii) is class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity.

The organization shall maintain records of its charitable contributions and donations and of public meetings and events held on the property and make them available upon request any time to the assessor to ensure eligibility. An organization meeting the requirement under item (ii) must file an application by May 1 with the assessor for eligibility for the current year's assessment. The commissioner shall prescribe a uniform application form and instructions;

(4) postsecondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus;

(5)(i) manufactured home parks as defined in section 327.14, subdivision 3, excluding manufactured home parks described in items (ii) and (iii), (ii) manufactured home parks as defined in section 327.14, subdivision 3, that are described in section 273.124, subdivision 3a, and (iii) class I manufactured home parks as defined in section 327C.01, subdivision 13;

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2;

(7) a leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land is on an airport owned or operated by a city, town, county, Metropolitan Airports Commission, or group thereof; and

(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale;

(8) a privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land abuts a public airport; and

(ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; and

(9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:

(i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;

(ii) meals are provided to persons who rent rooms, the cost of which is incorporated in the basic room rate;

(iii) meals are not provided to the general public except for special events on fewer than seven days in the calendar year preceding the year of the assessment; and

(iv) the owner is the operator of the property.

The market value subject to the 4c classification under this clause is limited to five rental units. Any rental units on the property in excess of five, must be valued and assessed as class 3a. The portion of the property used for purposes of a homestead by the owner must be classified as class 1a property under subdivision 22;

(10) real property up to a maximum of three acres and operated as a restaurant as defined under section 157.15, subdivision 12, provided it: (i) is located on a lake as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (ii) is either devoted to commercial purposes for not more than 250 consecutive days, or receives at least 60 percent of its annual gross receipts from business conducted during four consecutive months. Gross receipts from the sale of alcoholic beverages must be included in determining the property's qualification under item (ii). The property's primary business must be as a restaurant and not as a bar. Gross receipts from gift shop sales located on the premises must be excluded. Owners of real property desiring 4c classification under this clause must submit an annual declaration to the assessor by February 1 of the current assessment year, based on the property's relevant information for the preceding assessment year;

(11) lakeshore and riparian property and adjacent land, not to exceed six acres, used as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to the public and devoted to recreational use for marina services. The marina owner must annually provide evidence to the assessor that it provides services, including lake or river access to the public by means of an access ramp or other facility that is either located on the property of the marina or at a publicly owned site that abuts the property of the marina. No more than 800 feet of lakeshore may be included in this classification. Buildings used in conjunction with a marina for marina services, including but not limited to buildings used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing tackle, are classified as class 3a property; and

(12) real and personal property devoted to noncommercial temporary and seasonal residential occupancy for recreation purposes.

Class 4c property has a classification rate of 1.5 percent of market value, except that (i) each parcel of noncommercial seasonal residential recreational property under clause (12) has the same classification rates as class 4bb property, (ii) manufactured home parks assessed under clause (5), item (i), have the same classification rate as class 4b property, the market value of manufactured home parks assessed under clause (5), item (ii), have a classification rate of 0.75 percent if more than 50 percent of the lots in the park are occupied by shareholders in the cooperative corporation or association and a classification rate of one percent if 50 percent or less of the lots are so occupied, and class I manufactured home parks as defined in section 327C.01, subdivision 13, have a classification rate of 1.0 percent, (iii) commercial-use seasonal residential recreational property and marina recreational land as described in clause (11), has a classification rate of one percent for the first \$500,000 of market value, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a classification rate of one percent, (v) the market value of property described in clauses (2), (6), and (10) has a classification rate of 1.25 percent, (vi) that portion of the market value of property in clause (9) qualifying for class 4c property has a classification rate of 1.25 percent, and (vii) property qualifying for classification under clause (3) that is owned or operated by a congressionally chartered veterans organization has a classification rate of one percent. The commissioner of veterans affairs must provide a list of congressionally chartered veterans organizations to the commissioner of revenue by June 30, 2017, and by January 1, 2018, and each year thereafter.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the

total number of units in the building qualify for class 4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

(f) The first tier of market value of class 4d property has a classification rate of 0.75 percent. The remaining value of class 4d property has a classification rate of 0.25 percent. For the purposes of this paragraph, the "first tier of market value of class 4d property" means the market value of each housing unit up to the first tier limit. For the purposes of this paragraph, all class 4d property value must be assigned to individual housing units. The first tier limit is \$100,000 for assessment year 2014. For subsequent years, the limit is adjusted each year by the average statewide change in estimated market value of property classified as class 4a and 4d under this section for the previous assessment year, excluding valuation change due to new construction, rounded to the nearest \$1,000, provided, however, that the limit may never be less than \$100,000. Beginning with assessment year 2015, the commissioner of revenue must certify the limit for each assessment year by November 1 of the previous year.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2019.

Sec. 10. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 34, is amended to read:

Subd. 34. **Homestead of disabled veteran or family caregiver.** (a) All or a portion of the market value of property owned by a veteran and serving as the veteran's homestead under this section is excluded in determining the property's taxable market value if the veteran has a service-connected disability of 70 percent or more as certified by the United States Department of Veterans Affairs. To qualify for exclusion under this subdivision, the veteran must have been honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers.

(b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded, except as provided in clause (2); and

(2) for a total (100 percent) and permanent disability, \$300,000 of market value is excluded.

(c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion shall carry over to the benefit of the veteran's spouse for the current taxes payable year and for eight additional taxes payable years or until such time as the spouse remarries, or sells, transfers, or otherwise disposes of the property, whichever comes first, except as otherwise provided in paragraph (n). Qualification under this paragraph requires an application under paragraph (h), and a spouse must notify the assessor if there is a change in the spouse's marital status, ownership of the property, or use of the property as a permanent residence.

(d) If the spouse of a member of any branch or unit of the United States armed forces who dies due to a service-connected cause while serving honorably in active service, as indicated on United States Government Form DD1300 or DD2064, holds the legal or beneficial title to a homestead and permanently resides there, the spouse is entitled to the benefit described in paragraph (b), clause (2), for eight taxes payable years, or until such time as the spouse remarries or sells, transfers, or otherwise disposes of the property, whichever comes first, except as otherwise provided in paragraph (n).

(e) If a veteran meets the disability criteria of paragraph (a) but does not own property classified as homestead in the state of Minnesota, then the homestead of the veteran's primary family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify for under paragraph (b).

(f) In the case of an agricultural homestead, only the portion of the property consisting of the house and garage and immediately surrounding one acre of land qualifies for the valuation exclusion under this subdivision.

(g) A property qualifying for a valuation exclusion under this subdivision is not eligible for the market value exclusion under subdivision 35, or classification under subdivision 22, paragraph (b).

(h) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by ~~July 1~~ December 15 of the first assessment year for which the exclusion is sought. For an application received after ~~July 1~~ December 15, the exclusion shall become effective for the following assessment year. Except as provided in paragraph (c), the owner of a property that has been accepted for a valuation exclusion must notify the assessor if there is a change in ownership of the property or in the use of the property as a homestead. When a property qualifying for a market value exclusion under this subdivision is sold or transferred, the exclusion must be removed for taxes payable in the following year, provided that the new owner may file a claim for an exclusion if eligible.

(i) A first-time application by a qualifying spouse for the market value exclusion under paragraph (d) must be made any time within two years of the death of the service member.

(j) For purposes of this subdivision:

(1) "active service" has the meaning given in section 190.05;

(2) "own" means that the person's name is present as an owner on the property deed;

(3) "primary family caregiver" means a person who is approved by the secretary of the United States Department of Veterans Affairs for assistance as the primary provider of personal care services for an eligible veteran under the Program of Comprehensive Assistance for Family Caregivers, codified as United States Code, title 38, section 1720G; and

(4) "veteran" has the meaning given the term in section 197.447.

(k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit under paragraph (b), clause (2), for eight taxes payable years or until the spouse remarries or sells, transfers, or otherwise disposes of the property, except as otherwise provided in paragraph (n), if:

(1) the spouse files a first-time application within two years of the death of the service member or by June 1, 2019, whichever is later;

(2) upon the death of the veteran, the spouse holds the legal or beneficial title to the homestead and permanently resides there;

(3) the veteran met the honorable discharge requirements of paragraph (a); and

(4) the United States Department of Veterans Affairs certifies that:

(i) the veteran met the total (100 percent) and permanent disability requirement under paragraph (b), clause (2); or

(ii) the spouse has been awarded dependency and indemnity compensation.

(l) The purpose of this provision of law providing a level of homestead property tax relief for gravely disabled veterans, their primary family caregivers, and their surviving spouses is to help ease the burdens of war for those among our state's citizens who bear those burdens most heavily.

(m) By July 1, the county veterans service officer must certify the disability rating and permanent address of each veteran receiving the benefit under paragraph (b) to the assessor.

(n) A spouse who received the benefit in paragraph (c), (d), or (k) but no longer holds the legal or beneficial title to the property may continue to receive the exclusion for a property other than the property for which the exclusion was initially granted until the spouse remarries or sells, transfers, or otherwise disposes of the property, provided that:

(1) the spouse applies under paragraph (h) for the continuation of the exclusion allowed under this paragraph;

(2) the spouse holds the legal or beneficial title to the property for which the continuation of the exclusion is sought under this paragraph, and permanently resides there;

(3) the estimated market value of the property for which the exclusion is sought under this paragraph is less than or equal to the estimated market value of the property that first received the exclusion, based on the value of each property on the date of the sale of the property that first received the exclusion; and

(4) the spouse has not previously received the benefit under this paragraph for a property other than the property for which the exclusion is sought.

The exclusion for a spouse under this paragraph and paragraph (c), (d), or (k) may not exceed a total of eight taxes payable years.

EFFECTIVE DATE. This section is effective beginning with assessments in 2018, for taxes payable in 2019.

Sec. 11. Minnesota Statutes 2016, section 273.13, subdivision 35, is amended to read:

Subd. 35. **Homestead market value exclusion.** (a) Prior to determining a property's net tax capacity under this section, property classified as class 1a or 1b under subdivision 22, and the portion of property classified as class 2a under subdivision 23 consisting of the house, garage, and surrounding one acre of land, shall be eligible for a market value exclusion as determined under paragraph (b).

(b) For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or more, there is no valuation exclusion. The valuation exclusion shall be rounded to the nearest whole dollar, and may not be less than zero.

(c) Any valuation exclusions or adjustments under section 273.11 shall be applied prior to determining the amount of the valuation exclusion under this subdivision.

(d) In the case of a property that is classified as part homestead and part nonhomestead, (i) the exclusion shall apply only to the homestead portion of the property, but (ii) if a portion of a property is classified as nonhomestead solely because not all the owners occupy the property, not all the owners have qualifying relatives occupying the property, or solely because not all the spouses of owners occupy the property, the exclusion amount shall be initially computed as if that nonhomestead portion were also in the homestead class and then prorated to the owner-occupant's percentage of ownership, as determined by section 273.124, subdivision 23. For the purpose of this section, when an owner-occupant's spouse does not occupy the property, the percentage of ownership for the owner-occupant spouse is one-half of the couple's ownership percentage.

EFFECTIVE DATE. This section is effective for taxes payable in 2019 and thereafter.

Sec. 12. Minnesota Statutes 2017 Supplement, section 273.1384, subdivision 2, is amended to read:

Subd. 2. **Agricultural homestead market value credit.** Property classified as agricultural homestead under section 273.13, subdivision 23, paragraph (a), is eligible for an agricultural credit. The credit is computed using the property's agricultural credit market value, defined for this purpose as the property's market value excluding the market value of the house, garage, and immediately surrounding one acre of land. The credit is equal to 0.3 percent of the first \$115,000 of the property's agricultural credit market value plus 0.1 percent of the property's agricultural credit market value in excess of \$115,000, subject to a maximum credit of \$490. In the case of property that is classified as part homestead and part nonhomestead solely because not all the owners occupy or farm the property, not all the owners have qualifying relatives occupying or farming the property, or solely because not all the spouses of owners occupy the property, the credit is computed on the amount of agricultural credit market value corresponding to the owner-occupant's percentage of homestead. — the percentage of homestead is equal to 100 divided by the number of owners of the property, or, in the case of a trust, the number of grantors of the trust that owns the property ownership, as determined by section 273.124, subdivision 23.

EFFECTIVE DATE. This section is effective for taxes payable in 2019 and thereafter.

Sec. 13. Minnesota Statutes 2016, section 275.025, is amended by adding a subdivision to read:

Subd. 6. **Natural gas pipeline.** (a) Personal property that is part of an intrastate natural gas transportation or distribution pipeline system is exempt from the state general levy if:

(1) construction of the pipeline system began after January 1, 2018; and

(2) the property is located in an area:

(i) outside the seven-county metropolitan area, as defined in section 473.121, subdivision 3; and

(ii) in which households or businesses lacked access to natural gas distribution systems as of January 1, 2018.

(b) The exemption under this subdivision applies for a period not to exceed 12 years, provided that once a property no longer qualifies, it may not subsequently qualify for the exemption under this subdivision.

(c) The net tax capacity of property defined under this subdivision must be included in the definition of commercial-industrial tax capacity for the purpose of determining the state general levy tax rate under subdivision 4.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 14. Minnesota Statutes 2016, section 275.025, is amended by adding a subdivision to read:

Subd. 7. **Medical facility in underserved area.** The state general levy for any property qualifying under section 469.1817 is abated. The net tax capacity of the property must be included in the definition of commercial-industrial tax capacity for the purposes of determining the state general levy tax rate under subdivision 4.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2019.

Sec. 15. Minnesota Statutes 2016, section 282.01, subdivision 6, is amended to read:

Subd. 6. **Duties of commissioner after sale.** (a) When any sale has been made by the county auditor under sections 282.01 to 282.13, the auditor shall immediately certify to the commissioner of revenue such information relating to such sale, on such forms as the commissioner of revenue may prescribe as will enable the commissioner

of revenue to prepare an appropriate deed if the sale is for cash, or keep necessary records if the sale is on terms; and not later than October 31 of each year the county auditor shall submit to the commissioner of revenue a statement of all instances wherein any payment of principal, interest, or current taxes on lands held under certificate, due or to be paid during the preceding calendar years, are still outstanding at the time such certificate is made. When such statement shows that a purchaser or the purchaser's assignee is in default, the commissioner of revenue may instruct the county board of the county in which the land is located to cancel said certificate of sale in the manner provided by subdivision 5, provided that upon recommendation of the county board, and where the circumstances are such that the commissioner of revenue after investigation is satisfied that the purchaser has made every effort reasonable to make payment of both the annual installment and said taxes, and that there has been no willful neglect on the part of the purchaser in meeting these obligations, then the commissioner of revenue may extend the time for the payment for such period as the commissioner may deem warranted, not to exceed one year. On payment in full of the purchase price, appropriate conveyance in fee, in such form as may be prescribed by the attorney general, shall be issued by the commissioner of revenue, which conveyance must be recorded by the county and shall have the force and effect of a patent from the state subject to easements and restrictions of record at the date of the tax judgment sale, including, but without limitation, permits for telephone and electric power lines either by underground cable or conduit or otherwise, sewer and water lines, highways, railroads, and pipe lines for gas, liquids, or solids in suspension.

(b) The commissioner of revenue shall issue an appropriate conveyance in fee (1) upon the approval from the county auditor, or (2) when approval from the county auditor is given based upon written confirmation from a licensed closing agent, title insurer, or title insurance agent as specified in section 82.641. For purposes of this paragraph, "written confirmation" means a written commitment or approval that the funding for the conveyance is held in an escrow account available for disbursement upon delivery of a conveyance. The conveyance issued by the commissioner of revenue shall not be effective as a conveyance until it is recorded. The conveyance shall be issued to the county auditor where the land is located. Upon receipt of the conveyance, the county auditor shall hold the conveyance until the conveyance is requested from a licensed closing agent, title insurer, or title insurance agent to settle and close on the conveyance. If a request for the conveyance is not made within 30 days of the date the conveyance is issued by the commissioner of revenue, the county auditor shall return the conveyance to the commissioner. If the conveyance is delivered to the licensed closing agent, title insurer, or title insurance agent and the closing does not occur within ten days of the request, the licensed closing agent, title insurer, or title insurance agent shall immediately return the conveyance to the county auditor and, upon receipt, the county auditor shall return the conveyance to the commissioner of revenue. The commissioner of revenue shall cancel and destroy all conveyances returned by the county auditor pursuant to this subdivision. The licensed closing agent, title insurer, or title insurance agent must promptly record the conveyance after the closing and must deliver an attested or certified copy to the county auditor and to the grantee or grantees named on the conveyance.

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

Sec. 16. Minnesota Statutes 2016, section 469.171, subdivision 4, is amended to read:

Subd. 4. **Restriction.** The tax reductions provided by this section shall not apply to (1) a facility the primary purpose of which is one of the following: ~~retail food and beverage services, automobile sales or service, or the~~ provision of recreation or entertainment, or a private or commercial golf course, country club, massage parlor, tennis club, skating facility including roller skating, skateboard, and ice skating, racquet sports facility, including any handball or racquetball court, hot tub facility, suntan facility, or racetrack; (2) property of a public utility; (3) property used in the operation of a financial institution; (4) property owned by a fraternal or veterans' organization; or (5) ~~property of a business operating under a franchise agreement that requires the business to be located in the state; except that tax reductions may be provided to a retail food or beverage facility or an automobile sales or service facility, or a business~~ a retail food or beverage facility operating under a franchise agreement that requires the business to be located in this state ~~except for such a franchised retail food or beverage facility.~~

EFFECTIVE DATE. This section is effective the day following final enactment and confirms the legislative intent of the amendment made by Laws 2012, chapter 294, article 2, section 25.

Sec. 17. Minnesota Statutes 2016, section 469.1812, subdivision 1, is amended to read:

Subdivision 1. **Scope.** For purposes of sections 469.1812 to ~~469.1815~~ 469.1817, the following terms have the meanings given.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2019.

Sec. 18. Minnesota Statutes 2016, section 469.1812, is amended by adding a subdivision to read:

Subd. 2a. **Medical facility.** "Medical facility" means:

(1) an office, clinic, building, or portion of a building, the primary use of which is the provision of primary or specialty health care services to patients on an outpatient basis, by one or more state-licensed or registered health care providers;

(2) a birth center licensed under section 144.615;

(3) a hospital licensed under sections 144.50 to 144.56;

(4) an urgent care clinic which provides treatment for medical conditions that are not life-threatening or potentially permanently disabling and do not require critical or emergency interventions; or

(5) an outpatient surgical center licensed under section 144.55.

EFFECTIVE DATE. This section is effective the day following final enactment for taxes payable beginning in 2019 and for sales and purchases made after June 30, 2018.

Sec. 19. Minnesota Statutes 2016, section 469.1812, is amended by adding a subdivision to read:

Subd. 2b. **Medically underserved county.** "Medically underserved county" means a county, any portion of which is designated by the federal secretary of health and human services as a medically underserved area or medically underserved population, as defined under Code of Federal Regulations, title 42, section 51C.102. By December 15 of each year, the commissioner of health must certify to the commissioner of revenue the counties that are medically underserved. By December 31 of each year, the commissioner of revenue must certify the list of medically underserved counties to county assessors, for assessments in the following year.

EFFECTIVE DATE. This section is effective beginning with assessment year 2018 for taxes payable in 2019. For assessment year 2018, the certification required to be made by the commissioner of health must be made by June 1, 2018, and the certification required to be made by the commissioner of revenue must be made by June 15, 2018.

Sec. 20. **[469.1817] MEDICALLY UNDERSERVED TAX ABATEMENT AREAS.**

Subdivision 1. **Qualification.** The state general tax under section 275.025 must be abated for any property or portion thereof containing a medical facility that has been granted an abatement under section 469.1813, provided that:

(1) the facility is located in a medically underserved county at the time the abatement resolution is adopted;

(2) the facility is not located in a metropolitan county as defined under section 473.121, subdivision 4;

(3) the resolution of one or more governing bodies granting the abatement specifies that the facility addresses an underserved need for medical services in the area; and

(4) both the county and the city or town are abating all taxes on the property containing the facility for at least 15 years.

Subd. 2. **Duration.** The state general tax is abated for 15 years.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2019.

Sec. 21. Minnesota Statutes 2016, section 473H.08, subdivision 1, is amended to read:

Subdivision 1. **Till expiration started.** Agricultural preserves shall continue until ~~either the landowner or, the~~ authority, or a state agency or governmental unit initiates expiration as provided in this section.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to any agricultural preserve where the previously required eight-year termination period under Minnesota Statutes, section 473H.08, has not yet expired.

Sec. 22. Minnesota Statutes 2016, section 473H.08, is amended by adding a subdivision to read:

Subd. 3a. **Expiration for park and trail purposes.** (a) An agricultural preserve expires immediately when a state agency or other governmental unit purchases the property or obtains an easement over the property for the purpose of creating or expanding a public trail or public park. This subdivision applies only to the portion of the agricultural preserve acquired for trail or park purposes, and any portion of the property not acquired for trail or park purposes shall remain an agricultural preserve.

(b) The acquiring state agency or governmental unit shall give notice to the authority as provided in subdivision 5. The notice must specify the portion of the property being removed from the agricultural preserve and the date on which that portion expires.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to any agricultural preserve where the previously required eight-year termination period under Minnesota Statutes, section 473H.08, has not yet expired.

Sec. 23. Minnesota Statutes 2016, section 473H.08, subdivision 4, is amended to read:

Subd. 4. **Notice to others.** Upon receipt of the notice provided in subdivision 2 or 3a, or upon notice served by the authority as provided in subdivision 3, the authority shall forward the original notice to the county recorder for recording, or to the registrar of titles if the land is registered, and shall notify the county auditor, county assessor, the Metropolitan Council, and the county soil and water conservation district of the date of expiration. Designation as an agricultural preserve and all benefits and limitations accruing through sections 473H.02 to 473H.17 for the preserve shall cease on the date of expiration. The restrictive covenant contained in the application shall terminate on the date of expiration.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to any agricultural preserve where the previously required eight-year termination period under Minnesota Statutes, section 473H.08, has not yet expired.

Sec. 24. Laws 2008, chapter 366, article 5, section 33, the effective date, as amended by Laws 2013, chapter 143, article 4, section 35, is amended to read:

EFFECTIVE DATE. This section is effective for taxes levied in 2008, payable in 2009, and is repealed effective for taxes levied in ~~2018~~ 2023, payable in ~~2019~~ 2024, and thereafter.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2019.

Sec. 25. **ABATEMENT; NONPROFIT PROPERTY.**

Property taxes payable in 2018 are abated for property that:

(1) is located in a city of the first class;

(2) contains a structure of between 9,000 and 10,000 square feet originally built in 1937;

(3) is owned by an institution of purely public charity exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code; and

(4) is developed and operated as a nonprofit community mental health center.

EFFECTIVE DATE. This section is effective for taxes payable in 2018.

ARTICLE 5 PROPERTY TAX REFORM

Section 1. Minnesota Statutes 2016, section 123A.455, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** "Split residential property parcel" means a parcel of real estate that is located within the boundaries of more than one school district and that is classified as residential property under:

~~(1) section 273.13, subdivision 22, paragraph (a) or (b);~~

~~(2) section 273.13, subdivision 25, paragraph (b), clause (1); or~~

~~(3) section 273.13, subdivision 25, paragraph (c).~~

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 2. Minnesota Statutes 2016, section 126C.01, subdivision 3, is amended to read:

Subd. 3. **Referendum market value.** "Referendum market value" means the market value of all taxable property, excluding property classified as class 2, ~~4c(4), or 4c(12) or 4h~~ under section 273.13. ~~The portion of class 2a property consisting of the house, garage, and surrounding one acre of land of an agricultural homestead is included in referendum market value.~~ For the purposes of this subdivision, in the case of ~~class 1a, 1b, or 2a~~ property qualifying for the exclusion under section 273.13, subdivision 35, "market value" means the value prior to the exclusion ~~under section 273.13, subdivision 35~~. Any class of property, or any portion of a class of property, that is included in the definition of referendum market value and that has a classification rate of less than one percent under section 273.13 shall have a referendum market value equal to its market value times its classification rate, multiplied by 100.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 3. Minnesota Statutes 2016, section 270.12, subdivision 2, is amended to read:

Subd. 2. **Meeting dates; duties.** The board shall meet annually between ~~April 15~~ May 1 and ~~June 30~~ July 1 at the office of the commissioner of revenue and examine and compare the returns of the assessment of the property in the several counties, and equalize the same so that all the taxable property in the state shall be assessed at its market value, subject to the following rules:

(1) The board shall add to or deduct from the aggregate valuation of the real property of every county, which the board believes to be valued below or above its market value in money, such percent as will bring the same to its market value;

(2) If the board believes the valuation for a part of a class determined by a range of market value under clause (6) or otherwise, a class, or classes of the real property of any town or district in any county, or the valuation for a part of a class, a class, or classes of the real property of any county not in towns or cities, should be raised or reduced, without raising or reducing the other real property of such county, or without raising or reducing it in the same ratio, the board may add to, or take from, the valuation of a part of a class, a class, or classes in any one or more of such towns or cities, or of the property not in towns or cities, such percent as the board believes will raise or reduce the same to its market value;

(3) The board shall add to or take from the aggregate valuation of any part of a class, a class, or classes of personal property of any county, town, or city, which the board believes to be valued below or above the market value thereof, such percent as will raise the same to its market value;

(4) The board shall not reduce the aggregate valuation of all the property of the state, as returned by the several county auditors, more than one percent on the whole valuation thereof;

(5) When it would be of assistance in equalizing values the board may require any county auditor to furnish statements showing assessments of real and personal property of any individuals, firms, or corporations within the county. The board shall consider and equalize such assessments and may increase the assessment of individuals, firms, or corporations above the amount returned by the county board of equalization when it shall appear to be undervalued, first giving notice to such persons of the intention of the board so to do, which notice shall fix a time and place of hearing. The board shall not decrease any such assessment below the valuation placed by the county board of equalization;

(6) In equalizing values pursuant to this section, the board shall utilize a 12-month assessment/sales ratio study conducted by the Department of Revenue containing only sales that are filed in the county auditor's office under section 272.115, by November 1 of the previous year and that occurred between October 1 of the year immediately preceding the previous year and September 30 of the previous year.

The assessment/sales ratio study may separate the values of residential property into market value categories. The board may adjust the market value categories and the number of categories as necessary to create an adequate sample size for each market value category. The board may determine the adequate sample size. To the extent practicable, the methodology used in preparing the assessment/sales ratio study must be consistent with the most recent Standard on Assessment Sales Ratio Studies published by the Assessment Standards Committee of the International Association of Assessing Officers. The board may determine the geographic area used in preparing the study to accurately equalize values. A sales ratio study separating residential property into market value categories may not be used as the basis for a petition under chapter 278.

The sales prices used in the study must be discounted for terms of financing. The board shall use the median ratio as the statistical measure of the level of assessment for any particular category of property; and

(7) The board shall receive from each county the estimated market values on the assessment date falling within the study period for all parcels by a medium as prescribed by the commissioner of revenue.

EFFECTIVE DATE. This section is effective beginning with assessments in 2020.

Sec. 4. Minnesota Statutes 2016, section 270.12, subdivision 3, is amended to read:

Subd. 3. **Jurisdictions in two or more counties.** When a taxing jurisdiction lies in two or more counties, if the sales ratio studies prepared by the Department of Revenue show that the average levels of assessment in the several portions of the taxing jurisdictions in the different counties differ by more than five percent, the board may order the apportionment of the levy. When the sales ratio studies prepared by the Department of Revenue show that the average levels of assessment in the several portions of the taxing jurisdictions in the different counties differ by more than ten percent, the board shall order the apportionment of the levy unless (a) the proportion of total adjusted tax capacity in one of the counties is less than ten percent of the total adjusted tax capacity in the taxing jurisdiction and the average level of assessment in that portion of the taxing jurisdiction is the level which differs by more than five percent from the assessment level in any one of the other portions of the taxing jurisdiction; (b) significant changes have been made in the level of assessment in the taxing jurisdiction which have not been reflected in the sales ratio study, and those changes alter the assessment levels in the portions of the taxing jurisdiction so that the assessment level now differs by five percent or less; or (c) commercial, industrial, mineral, or public utility property predominates in one county within the taxing jurisdiction and another class of property predominates in another county within that same taxing jurisdiction. If one or more of these factors are present, the board may order the apportionment of the levy.

Notwithstanding any other provision, the levy for the Metropolitan Mosquito Control District, Metropolitan Council, metropolitan transit district, and metropolitan transit area must be apportioned without regard to the percentage difference.

If, pursuant to this subdivision, the board apportions the levy, then that levy apportionment among the portions in the different counties shall be made in the same proportion as the adjusted tax capacity as determined by the commissioner in each portion is to the total adjusted tax capacity of the taxing jurisdiction.

For the purposes of this section, the average level of assessment in a taxing jurisdiction or portion thereof shall be the aggregate assessment sales ratio. Tax capacities as determined by the commissioner shall be the tax capacities as determined for the year preceding the year in which the levy to be apportioned is levied.

Actions pursuant to this subdivision shall be commenced subsequent to the annual meeting on ~~April 15~~ May 1 of the State Board of Equalization, but notice of the action shall be given to the affected jurisdiction and the appropriate county auditors by the following ~~June 30~~ July 1.

Apportionment of a levy pursuant to this subdivision shall be considered as a remedy to be taken after equalization pursuant to subdivision 2, and when equalization within the jurisdiction would disturb equalization within other jurisdictions of which the several portions of the jurisdiction in question are a part.

EFFECTIVE DATE. This section is effective beginning with assessments in 2020.

Sec. 5. Minnesota Statutes 2016, section 270.96, subdivision 1, is amended to read:

Subdivision 1. **Assessors.** Each assessor shall notify the county auditor of the contamination value under section 270.91 by the separate tax rate categories under subdivisions 2, 3, and 4 for each parcel of property within the assessor's jurisdiction. The assessor shall provide notice of the contamination value to the property owner by the later of ~~June~~ May 1 of the assessment year or 30 days after the reduction in market value is finally granted.

EFFECTIVE DATE. This section is effective beginning with assessments in 2020.

Sec. 6. Minnesota Statutes 2016, section 270C.91, is amended to read:

270C.91 RECORD OF PROCEEDINGS CHANGING NET TAX CAPACITY; DUTIES OF COUNTY AUDITOR.

A record of all proceedings of the commissioner affecting any change in the net tax capacity of any property, as revised by the State Board of Equalization, shall be kept by the commissioner and a copy thereof, duly certified, shall be mailed each year to the auditor of each county wherein such property is situated, on or before ~~June 30~~ July 1 or 30 days after submission of the abstract required by section 270C.89, whichever is later. This record shall specify the amounts or amount, or both, added to or deducted from the net tax capacity of the real property of each of the several towns and cities, and of the real property not in towns or cities, also the percent or amount of both, added to or deducted from the several classes of personal property in each of the towns and cities, and also the amount added to or deducted from the assessment of any person. The county auditor shall add to or deduct from such tract or lot, or portion thereof, of any real property in the county the required percent or amount, or both, on the net tax capacity thereof as it stood after equalized by the county board, adding in each case a fractional sum of 50 cents or more, and deducting in each case any fractional sum of less than 50 cents, so that no net tax capacity of any separate tract or lot shall contain any fraction of a dollar; and add to, or deduct from, the several classes of personal property in the county the required percent or amount, or both, on the net tax capacity thereof as it stood after equalized by the county board, adding or deducting in manner aforesaid any fractional sum so that no net tax capacity of any separate class of personal property shall contain a fraction of a dollar, and add to or deduct from assessment of any person, as they stood after equalization by the county board, the required amounts to agree with the assessments as returned by the commissioner.

EFFECTIVE DATE. This section is effective beginning with assessments in 2020.

Sec. 7. Minnesota Statutes 2017 Supplement, section 271.21, subdivision 2, is amended to read:

Subd. 2. **Jurisdiction.** At the election of the taxpayer, the Small Claims Division shall have jurisdiction only in the following matters:

- (a) cases involving valuation, assessment, or taxation of real or personal property, if:
 - (i) the issue is a denial of a current year application for the homestead classification for the taxpayer's property;
 - (ii) only one parcel is included in the petition, the entire parcel is classified as homestead class ~~4a or 4b~~ 1 under section 273.13, and the parcel contains no more than one dwelling unit;
 - (iii) the ~~entire~~ property is classified as agricultural homestead class 2a ~~or 4b~~, a portion of which may be classified as homestead class 1, under section 273.13; or
 - (iv) the assessor's estimated market value of the property included in the petition is less than \$300,000; or

(b) any case not involving valuation, assessment, or taxation of real and personal property in which the amount in controversy does not exceed \$15,000, including penalty and interest.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 8. Minnesota Statutes 2016, section 272.025, subdivision 3, is amended to read:

Subd. 3. **Filing dates.** (a) The statement required by subdivision 1, paragraph (a), must be filed with the assessor by ~~February~~ May 1 of the assessment year, however, any taxpayer who has filed the statement required by subdivision 1 more than 12 months prior to February 1, 1983, or February 1 of each third year after 1983, shall file a statement by February 1, 1983, and by ~~February~~ May 1 of each third year thereafter.

(b) For churches and houses of worship, and property solely used for educational purposes by academies, colleges, universities, or seminaries of learning, no statement is required after the statement filed for the assessment year in which the exemption began.

(c) This section does not apply to existing churches and houses of worship, and property solely used for educational purposes by academies, colleges, universities, or seminaries of learning that were exempt for taxes payable in 2011.

EFFECTIVE DATE. This section is effective beginning with assessments in 2020.

Sec. 9. Minnesota Statutes 2016, section 273.11, subdivision 12, is amended to read:

Subd. 12. **Community land trusts.** (a) A community land trust, as defined under chapter 462A, is (i) a community-based nonprofit corporation organized under chapter 317A, which qualifies for tax exempt status under 501(c)(3), or (ii) a "city" as defined in section 462C.02, subdivision 6, which has received funding from the Minnesota housing finance agency for purposes of the community land trust program. The Minnesota Housing Finance Agency shall set the criteria for community land trusts.

(b) All occupants of a community land trust building must have a family income of less than 80 percent of the greater of (1) the state median income, or (2) the area or county median income, as most recently determined by the Department of Housing and Urban Development. Before the community land trust can rent or sell a unit to an applicant, the community land trust shall verify to the satisfaction of the administering agency or the city that the family income of each person or family applying for a unit in the community land trust building is within the income criteria provided in this paragraph. The administering agency or the city shall verify to the satisfaction of the county assessor that the occupant meets the income criteria under this paragraph. The property tax benefits under paragraph (c) shall be granted only to property owned or rented by persons or families within the qualifying income limits. The family income criteria and verification is only necessary at the time of initial occupancy in the property.

(c) A unit which is owned by the occupant and used as a homestead by the occupant qualifies for homestead treatment as class ~~4a~~ 1 under section 273.13, subdivision 22. A unit which is rented by the occupant and used as a homestead by the occupant shall be class 4a or ~~4b nonhomestead class 1~~ property; under section 273.13, ~~subdivision 25~~, whichever is applicable. Any remaining portion of the property not used for residential purposes shall be classified by the assessor in the appropriate class based upon the use of that portion of the property owned by the community land trust. The land upon which the building is located shall be assessed at the same classification rate as the units within the building, provided that if the building contains some units assessed as homestead class 1 and some units assessed as class 4a or ~~4b nonhomestead class 1~~, the market value of the land will be assessed in the same proportions as the value of the building.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 10. Minnesota Statutes 2016, section 273.1115, subdivision 2, is amended to read:

Subd. 2. **Requirement.** Real estate is entitled to valuation under this section only if all of the following requirements are met:

(1) the property is classified as class ~~1a, 1b~~ 1, 2a, or 2b property under section 273.13, subdivisions 22 and 23, or the property is classified as class 2e under section 273.13, subdivision 23, and immediately before being classified as class 2e was classified as class ~~1a or 1b~~ 1;

(2) the property is at least ten contiguous acres, when the application is filed under subdivision 3;

(3) the owner has filed a completed application for deferment as specified in subdivision 3 with the county assessor in the county in which the property is located;

(4) there are no delinquent taxes on the property; and

(5) a covenant on the land restricts its use as provided in subdivision 3, clause (4).

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 11. Minnesota Statutes 2016, section 273.112, subdivision 6, is amended to read:

Subd. 6. **Application.** Application for deferment of taxes and assessment under this section shall be made ~~at least 60 days prior to January 2 by November 1 of the year prior to each year for which deferment of taxes and assessment is sought.~~ Such application shall be filed with the assessor of the taxing district in which the real property is located on such form as may be prescribed by the commissioner of revenue. The assessor may require proof by affidavit or other written verification that the property qualifies under subdivision 3. In the case of property operated by private clubs pursuant to subdivision 3, clause (c)(3), in order to qualify for valuation and tax deferment under this section, the taxpayer must submit to the assessor proof by affidavit or other written verification that the bylaws or rules and regulations of the club meet the eligibility requirements provided under this section. The signed affidavit or other written verification shall be sufficient demonstration of eligibility for the assessor unless the county attorney determines otherwise.

The county assessor shall refer any question regarding the eligibility for valuation and deferment under this section to the county attorney for advice and opinion under section 388.051, subdivision 1. Upon request of the county attorney, the taxpayer shall furnish information that the county attorney considers necessary in order to determine eligibility under this section.

Real estate is not entitled to valuation and deferment under this section unless the county assessor has filed with the assessor's tax records prior to October ~~16~~ 1 a statement that the application has been accepted.

EFFECTIVE DATE. This section is effective beginning with assessments in 2020.

Sec. 12. Minnesota Statutes 2016, section 273.1231, subdivision 4, is amended to read:

Subd. 4. **Homestead property.** "Homestead property" means a homestead dwelling that is classified as class ~~1a, 1b, or 2a~~ 1 property or a manufactured home or sectional home used as a homestead and taxed pursuant to section 273.125, subdivision 8, paragraph (b), (c), or (d).

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 13. Minnesota Statutes 2016, section 273.124, subdivision 1, is amended to read:

Subdivision 1. **General rule.** (a) Class 1 residential real estate under section 273.13, subdivision 22, that is occupied and used for the purposes of a homestead by its owner, who must be a Minnesota resident, is a residential homestead. In the case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes.

Agricultural land, as defined in section 273.13, subdivision 23, that is occupied and used as a homestead by its owner, who must be a Minnesota resident, is an agricultural homestead.

Dates for establishment of a homestead and homestead treatment provided to particular types of property are as provided in this section.

Property held by a trustee under a trust is eligible for homestead classification if the requirements under this chapter are satisfied.

The assessor shall require proof, as provided in subdivision 13, of the facts upon which classification as a homestead may be determined. Notwithstanding any other law, the assessor may at any time require a homestead application to be filed in order to verify that any property classified as a homestead continues to be eligible for homestead status. Notwithstanding any other law to the contrary, the Department of Revenue may, upon request from an assessor, verify whether an individual who is requesting or receiving homestead classification has filed a Minnesota income tax return as a resident for the most recent taxable year for which the information is available.

When there is a name change or a transfer of homestead property, the assessor may reclassify the property in the next assessment unless a homestead application is filed to verify that the property continues to qualify for homestead classification.

(b) For purposes of this section, homestead property shall include property which is used for purposes of the homestead but is separated from the homestead by a road, street, lot, waterway, or other similar intervening property. The term "used for purposes of the homestead" shall include but not be limited to uses for gardens, garages, or other outbuildings commonly associated with a homestead, but shall not include vacant land held primarily for future development. In order to receive homestead treatment for the noncontiguous property, the owner must use the property for the purposes of the homestead, and must apply to the assessor, both by the deadlines given in subdivision 9. After initial qualification for the homestead treatment, additional applications for subsequent years are not required.

(c) Residential real estate that is occupied and used for purposes of a homestead by a relative of the owner is a homestead but only to the extent of the homestead treatment that would be provided if the related owner occupied the property. For purposes of this paragraph and paragraph (g), "relative" means a parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece. This relationship may be by blood or marriage. Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner will not be reclassified as a homestead unless it is occupied as a homestead by the owner; this prohibition also applies to property that, in the absence of this paragraph, would have been classified as seasonal residential recreational property at the time when the residence was constructed. Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative. In the case of a residence located on agricultural land, only the house, garage, and immediately surrounding one acre of land shall be classified as a homestead under this paragraph, except as provided in paragraph (d).

(d) Agricultural property that is occupied and used for purposes of a homestead by a relative of the owner, is a homestead, only to the extent of the homestead treatment that would be provided if the related owner occupied the property, and only if all of the following criteria are met:

(1) the relative who is occupying the agricultural property is a grandchild, child, sibling, or parent of the owner of the agricultural property or of the spouse of the owner;

(2) the owner of the agricultural property must be a Minnesota resident;

(3) the owner of the agricultural property must not receive homestead treatment on any other agricultural property in Minnesota; and

(4) the owner of the agricultural property is limited to only one agricultural homestead per family under this paragraph.

Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative qualifying under this paragraph. For purposes of this paragraph, "agricultural property" means the house, garage, other farm buildings and structures, and agricultural land.

Application must be made to the assessor by the owner of the agricultural property to receive homestead benefits under this paragraph. The assessor may require the necessary proof that the requirements under this paragraph have been met.

(e) In the case of property owned by a property owner who is married, the assessor must not deny homestead treatment in whole or in part if only one of the spouses occupies the property and the other spouse is absent due to: (1) marriage dissolution proceedings, (2) legal separation, (3) employment or self-employment in another location, or (4) other personal circumstances causing the spouses to live separately, not including an intent to obtain two homestead classifications for property tax purposes. To qualify under clause (3), the spouse's place of employment or self-employment must be at least 50 miles distant from the other spouse's place of employment, and the homesteads must be at least 50 miles distant from each other.

(f) The assessor must not deny homestead treatment in whole or in part if:

(1) in the case of a property owner who is not married, the owner is absent due to residence in a nursing home, boarding care facility, or an elderly assisted living facility property as defined in section 273.13, subdivision 25a, and the property is not otherwise occupied; or

(2) in the case of a property owner who is married, the owner or the owner's spouse or both are absent due to residence in a nursing home, boarding care facility, or an elderly assisted living facility property as defined in section 273.13, subdivision 25a, and the property is not occupied or is occupied only by the owner's spouse.

(g) If an individual is purchasing property with the intent of claiming it as a homestead and is required by the terms of the financing agreement to have a relative shown on the deed as a co-owner, the assessor shall allow a full homestead classification. This provision only applies to first-time purchasers, whether married or single, or to a person who had previously been married and is purchasing as a single individual for the first time. The application for homestead benefits must be on a form prescribed by the commissioner and must contain the data necessary for the assessor to determine if full homestead benefits are warranted.

(h) If residential or agricultural real estate is occupied and used for purposes of a homestead by a child of a deceased owner and the property is subject to jurisdiction of probate court, the child shall receive relative homestead classification under paragraph (c) or (d) to the same extent they would be entitled to it if the owner was still living, until the probate is completed. For purposes of this paragraph, "child" includes a relationship by blood or by marriage.

(i) If a single-family home, duplex, or triplex classified as either residential homestead or agricultural homestead is also used to provide licensed child care, the portion of the property used for licensed child care must be classified as a part of the homestead property.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 14. Minnesota Statutes 2016, section 273.124, subdivision 3a, is amended to read:

Subd. 3a. **Manufactured home park cooperative.** (a) When a manufactured home park is owned by a corporation or association organized under chapter 308A or 308B, and each person who owns a share or shares in the corporation or association is entitled to occupy a lot within the park, the corporation or association may claim homestead treatment for the park. Each lot must be designated by legal description or number, and each lot is limited to not more than one-half acre of land.

(b) The manufactured home park shall be entitled to homestead treatment if all of the following criteria are met:

(1) the occupant or the cooperative corporation or association is paying the ad valorem property taxes and any special assessments levied against the land and structure either directly, or indirectly through dues to the corporation or association; and

(2) the corporation or association organized under chapter 308A or 308B is wholly owned by persons having a right to occupy a lot owned by the corporation or association.

(c) A charitable corporation, organized under the laws of Minnesota with no outstanding stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status, qualifies for homestead treatment with respect to a manufactured home park if its members hold residential participation warrants entitling them to occupy a lot in the manufactured home park.

(d) "Homestead treatment" under this subdivision means the classification rate provided for class ~~4e 1~~ property ~~classified under section 273.13, subdivision 25, paragraph (d), clause (5), item (ii). 273.13, subdivision 22, and the homestead market value exclusion under section 273.13, subdivision 35, does not apply and the property taxes assessed against the park shall not be included in the determination of taxes payable for rent paid under section 290A.03.~~

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 15. Minnesota Statutes 2016, section 273.124, subdivision 8, is amended to read:

Subd. 8. **Homestead owned by or leased to family farm corporation, joint farm venture, limited liability company, or partnership.** (a) Each family farm corporation; each joint family farm venture; and each limited liability company or partnership which operates a family farm; is entitled to class 1b under section 273.13, subdivision 22, paragraph (b), or class 2a assessment for one homestead occupied by a shareholder, member, or partner thereof who is residing on the land, and actively engaged in farming of the land owned by the family farm corporation, joint family farm venture, limited liability company, or partnership. Homestead treatment applies even if:

(1) legal title to the property is in the name of the family farm corporation, joint family farm venture, limited liability company, or partnership, and not in the name of the person residing on it; or

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

(i) the shareholder, member, or partner of the family farm corporation, joint family farm venture, partnership, or limited liability company that owns the land and that is residing on and actively engaged in farming the land is a shareholder, member, or partner of the family farm corporation, joint family farm venture, partnership, or limited liability company that is operating the farm;

(ii) each shareholder, member, or partner of the family farm corporation, joint family farm venture, partnership, or limited liability company that is operating the farm is also a shareholder, member, or partner of the family farm corporation, joint family farm venture, partnership, or limited liability company that owns the land; and

(iii) a majority of the shareholders, members, or partners of each family farm corporation, joint family farm venture, partnership, or limited liability company are persons or spouses of persons who are related to each other within the second degree of kindred according to the rules of civil law.

"Family farm corporation," "family farm," and "partnership operating a family farm" have the meanings given in section 500.24, except that the number of allowable shareholders, members, or partners under this subdivision shall not exceed 12. "Limited liability company" has the meaning contained in sections 322B.03, subdivision 28, or 322C.0102, subdivision 12, and 500.24, subdivision 2, paragraphs (l) and (m). "Joint family farm venture" means a cooperative agreement among two or more farm enterprises authorized to operate a family farm under section 500.24.

(b) In addition to property specified in paragraph (a), any other residences owned by family farm corporations, joint family farm ventures, limited liability companies, or partnerships described in paragraph (a) which are located on agricultural land and occupied as homesteads by its shareholders, members, or partners who are actively engaged in farming on behalf of that corporation, joint farm venture, limited liability company, or partnership must also be assessed as class 2a property or as class 1b property under section 273.13.

(c) Agricultural property that is owned by a member, partner, or shareholder of a family farm corporation or joint family farm venture, limited liability company operating a family farm, or by a partnership operating a family farm and leased to the family farm corporation, limited liability company, partnership, or joint farm venture, as defined in paragraph (a), is eligible for classification as class 1b or class 2a under section 273.13, if the owner is actually residing on the property, and is actually engaged in farming the land on behalf of that corporation, joint farm venture, limited liability company, or partnership. This paragraph applies without regard to any legal possession rights of the family farm corporation, joint family farm venture, limited liability company, or partnership under the lease.

(d) Nonhomestead agricultural property that is owned by a family farm corporation, joint farm venture, limited liability company, or partnership; and located not farther than four townships or cities, or combination thereof, from agricultural land that is owned, and used for the purposes of a homestead by an individual who is a shareholder, member, or partner of the corporation, venture, company, or partnership; is entitled to receive the first tier homestead classification rate on any remaining market value in the first homestead class tier that is in excess of the market value of the shareholder's, member's, or partner's class 2 agricultural homestead property, if the owner, or someone acting on the owner's behalf notifies the county assessor by ~~July~~ May 1 that the property may be eligible under this paragraph for the current assessment year, for taxes payable in the following year. As used in this paragraph, "agricultural property" means property classified as 2a under section 273.13, along with any contiguous property classified as 2b under section 273.13, if the contiguous 2a and 2b properties are under the same ownership.

EFFECTIVE DATE. This section is effective beginning with assessments in 2020.

Sec. 16. Minnesota Statutes 2016, section 273.124, subdivision 9, is amended to read:

Subd. 9. **Homestead established after assessment date.** Any property that was not used for the purpose of a homestead on the assessment date, but which was used for the purpose of a homestead on December 1 of a year, constitutes class 1 or class 2a.

Any taxpayer meeting the requirements of this subdivision must notify the county assessor, or the assessor who has the powers of the county assessor under section 273.063, in writing, by December ~~45~~ 31 of the year of occupancy in order to qualify under this subdivision. The assessor must not deny full homestead treatment to a property that is partially homesteaded on January 2 but occupied for the purpose of a full homestead on December 1 of a year.

The county assessor and the county auditor may make the necessary changes on their assessment and tax records to provide for proper homestead classification as provided in this subdivision.

If homestead classification has not been requested as of December ~~45~~ 31, the assessor will classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner of any property qualifying under this subdivision, which has not been accorded the benefits of this subdivision, may be entitled to receive homestead classification by proper application as provided in section 375.192.

~~The county assessor may publish in a newspaper of general circulation within the county a notice requesting the public to file an application for homestead as soon as practicable after acquisition of a homestead, but no later than December 15.~~

The county assessor shall publish in a newspaper of general circulation within the county no later than December 1 of each year a notice informing the public of the requirement to file an application for homestead by December ~~45~~ 31.

In the case of manufactured homes assessed as personal property, the homestead must be established, and a homestead classification requested, by May ~~29~~ 1 of the assessment year. The assessor may include information on these deadlines for manufactured homes assessed as personal property in the published notice or notices.

EFFECTIVE DATE. This section is effective beginning with assessments in 2020.

Sec. 17. Minnesota Statutes 2016, section 273.124, subdivision 17, is amended to read:

Subd. 17. **Owner-occupied motel property.** For purposes of class ~~4a~~ 1 determinations, a homestead includes that portion of property defined as a motel under chapter 157, provided that the person residing in the motel property is using that property as a homestead, is part owner, and is actively engaged in the operation of the motel business. Homestead treatment applies even if legal title to the property is in the name of a corporation or partnership and not in the name of the person residing in the motel. The homestead is limited to that portion of the motel actually occupied by the person.

A taxpayer meeting the requirements of this subdivision must notify the county assessor, or the assessor who has the powers of the county assessor under section 273.063, in writing, in order to qualify under this subdivision for ~~4a~~ homestead class 1 classification.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 18. Minnesota Statutes 2016, section 273.125, subdivision 3, is amended to read:

Subd. 3. **Tax statements; penalties; collections.** Not later than July ~~15~~ 1 in the year of assessment the county treasurer shall mail to the taxpayer a statement of tax due on a manufactured home. The taxes are due on the last day of August, or 20 days after the postmark date on the envelope containing the property tax statement, whichever is later, except that if the tax exceeds \$50, one-half of the amount due may be paid on August 31, or 20 days after the postmark date on the envelope containing the property tax statement, whichever is later, and the remainder on November 15. Taxes remaining unpaid after the due date are delinquent, and a penalty of eight percent must be assessed and collected as part of the unpaid taxes. The tax statement must contain a sentence notifying the taxpayer that the title to the manufactured home cannot be transferred unless the property taxes are paid.

EFFECTIVE DATE. This section is effective beginning with assessments in 2020.

Sec. 19. Minnesota Statutes 2016, section 273.128, subdivision 1, is amended to read:

Subdivision 1. **Requirement.** Low-income rental property classified as class ~~4d~~ 4i under section 273.13, subdivision 25, is entitled to valuation under this section if at least 20 percent of the units in the rental housing property meet any of the following qualifications:

(1) the units are subject to a housing assistance payments contract under Section 8 of the United States Housing Act of 1937, as amended;

(2) the units are rent-restricted and income-restricted units of a qualified low-income housing project receiving tax credits under section 42(g) of the Internal Revenue Code;

(3) the units are financed by the Rural Housing Service of the United States Department of Agriculture and receive payments under the rental assistance program pursuant to section 521(a) of the Housing Act of 1949, as amended; or

(4) the units are subject to rent and income restrictions under the terms of financial assistance provided to the rental housing property by the federal government or the state of Minnesota, or a local unit of government, as evidenced by a document recorded against the property.

The restrictions must require assisted units to be occupied by residents whose household income at the time of initial occupancy does not exceed 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development. The restriction must also require the rents for assisted units to not exceed 30 percent of 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development.

EFFECTIVE DATE. This section is effective beginning for property taxes payable in 2020.

Sec. 20. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 22, is amended to read:

Subd. 22. **Class 1.** ~~(a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. In the case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.~~

~~Class 1 property is residential real estate containing fewer than four dwelling units. The first \$500,000 of taxable market value of class 1a 1 property has a net classification rate of one percent of its market value; and the taxable market value of class 1a 1 property that exceeds \$500,000 has a classification rate of 1.25 percent of its market value.~~

~~(b) Class 1b property includes homestead real estate or homestead manufactured homes used for the purposes of a homestead by:~~

- ~~(1) any person who is blind as defined in section 256D.35, or the blind person and the blind person's spouse;~~
- ~~(2) any person who is permanently and totally disabled or by the disabled person and the disabled person's spouse; or~~
- ~~(3) the surviving spouse of a permanently and totally disabled veteran homesteading a property classified under this paragraph for taxes payable in 2008.~~

~~Property is classified and assessed under clause (2) only if the government agency or income providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph, and that the property is not eligible for the valuation exclusion under subdivision 34.~~

~~Property is classified and assessed under paragraph (b) only if the commissioner of revenue or the county assessor certifies that the homestead occupant satisfies the requirements of this paragraph.~~

~~Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$50,000 market value of class 1b property has a net classification rate of .45 percent of its market value. The remaining market value of class 1b property is classified as class 1a or class 2a property, whichever is appropriate.~~

~~(c) Class 1c property is commercial use real and personal property that abuts public water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by the Department of Natural Resources, and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort even if the title to the homestead is held by the corporation, partnership, or limited liability company. For purposes of this paragraph, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. Class 1c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 1c property must provide recreational activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may remain available for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. If the same owner owns two separate parcels that are located in the same township, and one of those properties is classified as a class 1c property and the other would be eligible to be classified as a class 1c property if it was used as the homestead of the owner, both properties will be assessed as a single class 1c property; for purposes of this sentence, properties are deemed to be owned by the same owner if each of them is owned by a limited liability company, and both limited liability companies have the same membership. The portion of the property used as a homestead is class 1a property under paragraph (a). The remainder of the property is~~

~~classified as follows: the first \$600,000 of market value is tier I, the next \$1,700,000 of market value is tier II, and any remaining market value is tier III. The classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes in which all or a portion of the property was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated as class 1c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located must be designated as class 3a commercial. The owner of property desiring designation as class 1c property must provide guest registers or other records demonstrating that the units for which class 1c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 1c.~~

~~(d) Class 1d property includes structures that meet all of the following criteria:~~

- ~~(1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;~~
- ~~(2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;~~
- ~~(3) the structure meets all applicable health and safety requirements for the appropriate season; and~~
- ~~(4) the structure is not salable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.~~

~~The market value of class 1d property has the same classification rates as class 1a property under paragraph (a).~~

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 21. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 23, is amended to read:

Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural land and buildings that ~~is~~ are homesteaded, along with any class 2b rural vacant land that is contiguous to the class 2a land under the same ownership. ~~The market value of the house and garage and immediately surrounding one acre of land has the same classification rates as class 1a or 1b property under subdivision 22.~~ The value of the ~~remaining~~ land including improvements up to the first tier valuation limit of agricultural homestead property has a classification rate of 0.5 percent of market value. The remaining property over the first tier has a classification rate of one percent of market value. For purposes of this subdivision, the "first tier valuation limit of agricultural homestead property" and "first tier" means the limit certified under section 273.11, subdivision 23.

(b) Class 2a agricultural land consists of parcels of property, or portions thereof, that are agricultural land and buildings. Class 2a property has a classification rate of one percent of market value, unless it is part of an agricultural homestead under paragraph (a). Class 2a property must also include any property that would otherwise be classified as 2b, but is interspersed with class 2a property, including but not limited to sloughs, wooded wind shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback requirement, and other similar land that is impractical for the assessor to value separately from the rest of the property or that is unlikely to be able to be sold separately from the rest of the property.

An assessor may classify the part of a parcel described in this subdivision that is used for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

(c) Class 2b rural vacant land consists of parcels of property, or portions thereof, that are unplatted real estate, rural in character and not used for agricultural purposes, including land used for growing trees for timber, lumber, and wood and wood products, that is not improved with a structure. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph. Any parcel of 20 acres or more improved with a structure that is not a minor, ancillary nonresidential structure must be split-classified, and ten acres must be assigned to the split parcel containing the structure. Class 2b property has a classification rate of one percent of market value unless it is part of an agricultural homestead under paragraph (a), or qualifies as class 2c under paragraph (d).

(d) Class 2c managed forest land consists of no less than 20 and no more than 1,920 acres statewide per taxpayer that is being managed under a forest management plan that meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource management incentive program. It has a classification rate of .65 percent, provided that the owner of the property must apply to the assessor in order for the property to initially qualify for the reduced rate and provide the information required by the assessor to verify that the property qualifies for the reduced rate. If the assessor receives the application and information before May 1 in an assessment year, the property qualifies beginning with that assessment year. If the assessor receives the application and information after April 30 in an assessment year, the property may not qualify until the next assessment year. The commissioner of natural resources must concur that the land is qualified. The commissioner of natural resources shall annually provide county assessors verification information on a timely basis. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph.

(e) Agricultural land as used in this section means:

(1) contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes; or

(2) contiguous acreage used during the preceding year for an intensive livestock or poultry confinement operation, provided that land used only for pasturing or grazing does not qualify under this clause.

"Agricultural purposes" as used in this section means the raising, cultivation, drying, or storage of agricultural products for sale, or the storage of machinery or equipment used in support of agricultural production by the same farm entity. For a property to be classified as agricultural based only on the drying or storage of agricultural products, the products being dried or stored must have been produced by the same farm entity as the entity operating the drying or storage facility. "Agricultural purposes" also includes (i) enrollment in a local conservation program or the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 or a similar state or federal conservation program if the property was classified as agricultural ~~(i)~~ (A) under this subdivision for taxes payable in 2003 because of its enrollment in a qualifying program and the land remains enrolled or ~~(ii)~~ (B) in the year prior to its enrollment, or (ii) use of land, not to exceed the greater of three acres or ten percent of the total land area, to provide environmental benefits such as buffer strips, old growth forest restoration or retention, or retention ponds to prevent soil erosion. For purposes of this section, a "local conservation program" means a program administered by a town, statutory or home rule charter city, or county, including a watershed district, water management organization, or soil and water conservation district, in which landowners voluntarily enroll land and receive incentive payments equal to at least \$50 per acre in exchange for use or other restrictions placed on the land. In order for property to qualify under the local conservation program provision, a taxpayer must apply to the assessor by February 1 of the assessment year and

must submit the information required by the assessor, including but not limited to a copy of the program requirements, the specific agreement between the land owner and the local agency, if applicable, and a map of the conservation area. Agricultural classification shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

"Agricultural purposes" also includes land consisting of a holding pond designed to prevent runoff onto a divided four-lane expressway that is located at least 150 feet above the expressway, as certified by the local soil and water conservation district in accordance with USDA Field Office Technical Guide conservation practice standards, provided that the land is located outside the metropolitan area as defined in section 473.121, and was classified as agricultural in assessment year 2017.

"Contiguous acreage," for purposes of this paragraph, means all of, or a contiguous portion of, a tax parcel as described in section 272.193, or all of, or a contiguous portion of, a set of contiguous tax parcels under that section that are owned by the same person.

(f) Agricultural land under this section also includes:

(1) contiguous acreage that is less than ten acres in size and exclusively used in the preceding year for raising or cultivating agricultural products; or

(2) contiguous acreage that contains a residence and is less than 11 acres in size, if the contiguous acreage exclusive of the house, garage, and surrounding one acre of land was used in the preceding year for one or more of the following three uses:

(i) for an intensive grain drying or storage operation, or for intensive machinery or equipment storage activities used to support agricultural activities on other parcels of property operated by the same farming entity;

(ii) as a nursery, provided that only those acres used intensively to produce nursery stock are considered agricultural land; or

(iii) for intensive market farming; for purposes of this paragraph, "market farming" means the cultivation of one or more fruits or vegetables or production of animal or other agricultural products for sale to local markets by the farmer or an organization with which the farmer is affiliated.

"Contiguous acreage," for purposes of this paragraph, means all of a tax parcel as described in section 272.193, or all of a set of contiguous tax parcels under that section that are owned by the same person.

(g) Land shall be classified as agricultural even if all or a portion of the agricultural use of that property is the leasing to, or use by another person for agricultural purposes.

Classification under this subdivision is not determinative for qualifying under section 273.111.

(h) The property classification under this section supersedes, for property tax purposes only, any locally administered agricultural policies or land use restrictions that define minimum or maximum farm acreage.

(i) The term "agricultural products" as used in this subdivision includes production for sale of:

(1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains, bees, and apiary products by the owner;

(2) aquacultural products for sale and consumption, as defined under section 17.47, if the aquaculture occurs on land zoned for agricultural use;

(3) the commercial boarding of horses, which may include related horse training and riding instruction, if the boarding is done on property that is also used for raising pasture to graze horses or raising or cultivating other agricultural products as defined in clause (1);

(4) property which is owned and operated by nonprofit organizations used for equestrian activities, excluding racing;

(5) game birds and waterfowl bred and raised (i) on a game farm licensed under section 97A.105, provided that the annual licensing report to the Department of Natural Resources, which must be submitted annually by March 30 to the assessor, indicates that at least 500 birds were raised or used for breeding stock on the property during the preceding year and that the owner provides a copy of the owner's most recent schedule F; or (ii) for use on a shooting preserve licensed under section 97A.115;

(6) insects primarily bred to be used as food for animals;

(7) trees, grown for sale as a crop, including short rotation woody crops, and not sold for timber, lumber, wood, or wood products; and

(8) maple syrup taken from trees grown by a person licensed by the Minnesota Department of Agriculture under chapter 28A as a food processor.

(j) If a parcel used for agricultural purposes is also used for commercial or industrial purposes, including but not limited to:

(1) wholesale and retail sales;

(2) processing of raw agricultural products or other goods;

(3) warehousing or storage of processed goods; and

(4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3),

the assessor shall classify the part of the parcel used for agricultural purposes as class ~~4b~~, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use. The grading, sorting, and packaging of raw agricultural products for first sale is considered an agricultural purpose. A greenhouse or other building where horticultural or nursery products are grown that is also used for the conduct of retail sales must be classified as agricultural if it is primarily used for the growing of horticultural or nursery products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products. Use of a greenhouse or building only for the display of already grown horticultural or nursery products does not qualify as an agricultural purpose.

~~(k) The assessor shall determine and list separately on the records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.~~

~~(k)~~ (k) Class 2d airport landing area consists of a landing area or public access area of a privately owned public use airport. It has a classification rate of one percent of market value. To qualify for classification under this paragraph, a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of this paragraph, "landing area" means that part of a privately owned public use airport properly cleared,

regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

(i) the land is properly cleared and regularly maintained for the primary purposes of the landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;

(ii) the land is part of the airport property; and

(iii) the land is not used for commercial or residential purposes.

The land contained in a landing area under this paragraph must be described and certified by the commissioner of transportation. The certification is effective until it is modified, or until the airport or landing area no longer meets the requirements of this paragraph. For purposes of this paragraph, "public access area" means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival and departure building in connection with the airport.

~~(m)~~ (l) Class 2e consists of land with a commercial aggregate deposit that is not actively being mined and is not otherwise classified as class 2a or 2b, provided that the land is not located in a county that has elected to opt-out of the aggregate preservation program as provided in section 273.1115, subdivision 6. It has a classification rate of one percent of market value. To qualify for classification under this paragraph, the property must be at least ten contiguous acres in size and the owner of the property must record with the county recorder of the county in which the property is located an affidavit containing:

(1) a legal description of the property;

(2) a disclosure that the property contains a commercial aggregate deposit that is not actively being mined but is present on the entire parcel enrolled;

(3) documentation that the conditional use under the county or local zoning ordinance of this property is for mining; and

(4) documentation that a permit has been issued by the local unit of government or the mining activity is allowed under local ordinance. The disclosure must include a statement from a registered professional geologist, engineer, or soil scientist delineating the deposit and certifying that it is a commercial aggregate deposit.

For purposes of this section and section 273.1115, "commercial aggregate deposit" means a deposit that will yield crushed stone or sand and gravel that is suitable for use as a construction aggregate; and "actively mined" means the removal of top soil and overburden in preparation for excavation or excavation of a commercial deposit.

~~(n)~~ (m) When any portion of the property under this subdivision or subdivision 22 begins to be actively mined, the owner must file a supplemental affidavit within 60 days from the day any aggregate is removed stating the number of acres of the property that is actively being mined. The acres actively being mined must be (1) valued and classified under subdivision 24 in the next subsequent assessment year, and (2) removed from the aggregate resource preservation property tax program under section 273.1115, if the land was enrolled in that program. Copies of the original affidavit and all supplemental affidavits must be filed with the county assessor, the local zoning administrator, and the Department of Natural Resources, Division of Land and Minerals. A supplemental affidavit must be filed each time a subsequent portion of the property is actively mined, provided that the minimum acreage change is five acres, even if the actual mining activity constitutes less than five acres.

~~(n)~~ (n) The definitions prescribed by the commissioner under paragraphs (c) and (d) are not rules and are exempt from the rulemaking provisions of chapter 14, and the provisions in section 14.386 concerning exempt rules do not apply.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 22. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 25, is amended to read:

Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. The market value of class 4a property has a classification rate of 1.25 percent.

(b) Class 4b includes:

~~(1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential recreational property;~~

~~(2) manufactured homes not classified under any other provision;~~

~~(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units; and~~

~~(4) unimproved property that is classified residential as determined under subdivision 33.~~

~~The market value of class 4b property has a classification rate of 1.25 percent.~~

~~(c) Class 4bb includes:~~

~~(1) nonhomestead residential real estate containing one unit, other than seasonal residential recreational property;~~

~~(2) a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b); and~~

~~(3) a condominium type storage unit having an individual property identification number that is not used for a commercial purpose.~~

~~Class 4bb property has the same classification rates as class 1a property under subdivision 22.~~

~~Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.~~

(d) Class 4e property includes: (1) except as provided in subdivision 22, paragraph (e), real and personal property devoted to commercial temporary and seasonal residential occupancy for recreation purposes, for not more than 250 days in the year preceding the year of assessment. For purposes of this ~~clause~~ paragraph, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4e ~~4b~~ property under this ~~clause~~ paragraph must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. A camping pad offered for rent

by a property that otherwise qualifies for class 4e 4b under this clause is also class 4e under this clause paragraph regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. In order for a property to be classified under this clause, either (i) the business located on the property must provide recreational activities, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days, and either (A) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (B) at least 20 percent of the annual gross receipts must be from charges for providing recreational activities, or (ii) the business must contain 20 or fewer rental units, and must be located in a township or a city with a population of 2,500 or less located outside the metropolitan area, as defined under section 473.121, subdivision 2, that contains a portion of a state trail administered by the Department of Natural Resources. For purposes of item (i)(A), a paid booking of five or more nights shall be counted as two bookings. Class 4e 4b property also includes commercial use real property used exclusively for recreational purposes in conjunction with other class 4e 4b property classified under this clause paragraph and devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4e 4b property with which it is used. In order for a property to qualify for classification under this clause paragraph, the owner must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated class 4e 4b under this clause paragraph as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 4e 4b property under this clause paragraph must provide guest registers or other records demonstrating that the units for which class 4e 4b designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 4e 4b. For the purposes of this paragraph paragraphs (b) to (d), "recreational activities" means renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; providing marina services, launch services, or guide services; or selling bait and fishing tackle.

(c) Class 4b(1) property is property that (1) meets the requirements of class 4b in paragraph (b); (2) abuts public water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by the Department of Natural Resources; and (3) includes a portion used as a homestead by the owner, or occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort whether the title to the homestead is held by the corporation, partnership, or limited liability company, or by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort. Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 4b(1) even though it may remain available for rent. If the same owner owns two separate parcels that are located in the same township, and one of those properties is classified as a class 4b(1) property and the other would be eligible to be classified as a class 4b(1) property if it was used as the homestead of the owner, both properties will be assessed as a single class 4b(1) property; for purposes of this sentence, properties are deemed to be owned by the same owner if each of them is owned by a limited liability company, and both limited liability companies have the same membership. The first \$600,000 of market value is tier I, with a class rate of 0.5 percent; the next \$1,700,000 of market value is tier II, with a class rate of one percent; and any remaining value is tier III, with a class rate of 1.25 percent. The portion of the property used as a homestead is class 1 under subdivision 22.

(d) Class 4b(2) is property that does not qualify as class 4b(1) but meets the requirements of class 4b in paragraph (b), and either: (1) the business located on the property provides recreational activities, at least 40 percent of the annual gross lodging receipts are from business conducted during 90 consecutive days, and either (i) at least

60 percent of all paid bookings by lodging guests during the year are for periods of at least two consecutive nights; or (ii) at least 20 percent of the annual gross receipts are from charges for providing recreational activities; (2) the business contains 20 or fewer rental units, and is located in a township or a city with a population of 2,500 or less located outside the metropolitan area, as defined under section 473.121, subdivision 2, that contains a portion of a state trail administered by the Department of Natural Resources; or (3) the facility must consist of no more than five sleeping rooms and must provide an area or areas to prepare meals and to conduct indoor craft or hobby activities. For purposes of item (1)(i), a paid booking of five or more nights shall be counted as two bookings. Class 4b(2) property has a class rate of one percent on the first \$500,000 of market value and 1.25 percent on the portion over \$500,000.

(2) (e) Class 4c property is (1) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2; or (2) qualified property used as a golf course if:

(i) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property.

Class 4c property has a class rate of 1.25 percent.

~~(3)~~ (f) Class 4d property is real property up to a maximum of three acres of land owned and used by a nonprofit community service oriented organization and not used for residential purposes on either a temporary or permanent basis, provided that:

(i) the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment; or

(ii) the organization makes annual charitable contributions and donations at least equal to the property's previous year's property taxes and the property is allowed to be used for public and community meetings or events for no charge, as appropriate to the size of the facility.

For purposes of this ~~clause~~ paragraph:

~~(A)~~ (i) "charitable contributions and donations" has the same meaning as lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

~~(B)~~ (ii) "property taxes" excludes the state general tax;

~~(C)~~ (iii) a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal Revenue Code; and

~~(D)~~ (iv) "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises.

Any portion of the property not qualifying under either ~~item (i)~~ clause (1) or ~~(ii)~~ (2) is class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity.

The organization shall maintain records of its charitable contributions and donations and of public meetings and events held on the property and make them available upon request any time to the assessor to ensure eligibility. An organization meeting the requirement under ~~item (ii)~~ clause (2) must file an application by May 1 with the assessor for eligibility for the current year's assessment. The commissioner shall prescribe a uniform application form and instructions;

Class 4d property has a class rate of 1.5 percent, except that class 4d property owned or operated by a congressionally chartered veterans organization has a classification rate of one percent. The commissioner of veterans affairs must provide a list of congressionally chartered veterans organizations to the commissioner of revenue by January 1, 2018, and each year thereafter.

~~(4) postsecondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus;~~

~~(5)(i) manufactured home parks as defined in section 327.14, subdivision 3, excluding manufactured home parks described in items (ii) and (iii), (ii) manufactured home parks as defined in section 327.14, subdivision 3, that are described in section 273.124, subdivision 3a, and (iii) class I manufactured home parks as defined in section 327C.01, subdivision 13;~~

~~(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not for profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2;~~

~~(7) a (g) Class 4e property is (1) leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:~~

~~(i) the land is on an airport owned or operated by a city, town, county, Metropolitan Airports Commission, or group thereof; and~~

~~(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar; or~~

~~If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale;~~

~~(8) (2) a privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:~~

(i) the land abuts a public airport; and

(ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; ~~and.~~

Class 4e property has a class rate of 1.5 percent.

If a hangar classified under clause (1), item (i), is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale.

~~(9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:~~

~~(i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;~~

~~(ii) meals are provided to persons who rent rooms, the cost of which is incorporated in the basic room rate;~~

~~(iii) meals are not provided to the general public except for special events on fewer than seven days in the calendar year preceding the year of the assessment; and~~

~~(iv) the owner is the operator of the property.~~

~~The market value subject to the 4e classification under this clause is limited to five rental units. Any rental units on the property in excess of five, must be valued and assessed as class 3a. The portion of the property used for purposes of a homestead by the owner must be classified as class 1a property under subdivision 22;~~

~~(40)~~ (h) Class 4f property is real property up to a maximum of three acres and operated as a restaurant as defined under section 157.15, subdivision 12, provided it: (1) is located on a lake as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (2) is either devoted to commercial purposes for not more than 250 consecutive days, or receives at least 60 percent of its annual gross receipts from business conducted during four consecutive months. Gross receipts from the sale of alcoholic beverages must be included in determining the property's qualification under item (ii) clause (2). The property's primary business must be as a restaurant and not as a bar. Gross receipts from gift shop sales located on the premises must be excluded. Owners of real property desiring 4e classification under this clause paragraph must submit an annual declaration to the assessor by February 1 of the current assessment year, based on the property's relevant information for the preceding assessment year. Class 4f has a class rate of 1.25 percent.

~~(44)~~ (i) Class 4g property is lakeshore and riparian property and adjacent land, not to exceed six acres, used as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to the public and devoted to recreational use for marina services. The marina owner must annually provide evidence to the assessor that it provides services, including lake or river access to the public by means of an access ramp or other facility that is either located on the property of the marina or at a publicly owned site that abuts the property of the marina. No more than 800 feet of lakeshore may be included in this classification. Buildings used in conjunction with a marina for marina services, including but not limited to buildings used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing tackle, are classified as class 3a property; and. Class 4g property has a class rate of one percent on the first \$500,000 of market value and 1.25 percent on the portion over \$500,000.

~~(42)~~ (j) Class 4h property is real and personal property devoted to noncommercial temporary and seasonal residential occupancy for recreation purposes. Class 4h property has a class rate of one percent on the first \$500,000 of market value and 1.25 percent on the portion over \$500,000.

~~Class 4c property has a classification rate of 1.5 percent of market value, except that (i) each parcel of noncommercial seasonal residential recreational property under clause (12) has the same classification rates as class 4bb property, (ii) manufactured home parks assessed under clause (5), item (i), have the same classification rate as class 4b property, the market value of manufactured home parks assessed under clause (5), item (ii), have a classification rate of 0.75 percent if more than 50 percent of the lots in the park are occupied by shareholders in the cooperative corporation or association and a classification rate of one percent if 50 percent or less of the lots are so occupied, and class I manufactured home parks as defined in section 327C.01, subdivision 13, have a classification rate of 1.0 percent, (iii) commercial use seasonal residential recreational property and marina recreational land as described in clause (11), has a classification rate of one percent for the first \$500,000 of market value, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a classification rate of one percent, (v) the market value of property described in clauses (2), (6), and (10) has a classification rate of 1.25 percent, (vi) that portion of the market value of property in clause (9) qualifying for class 4c property has a classification rate of 1.25 percent, and (vii) property qualifying for classification under clause (3) that is owned or operated by a congressionally chartered veterans organization has a classification rate of one percent. The commissioner of veterans affairs must provide a list of congressionally chartered veterans organizations to the commissioner of revenue by June 30, 2017, and by January 1, 2018, and each year thereafter.~~

~~(e)~~ (k) Class 4d 4i property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class 4d 4i. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d 4i also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d 4i, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

~~(f)~~ (l) The first tier of market value of class 4d 4i property has a classification rate of 0.75 percent. The remaining value of class 4d 4i property has a classification rate of 0.25 percent. For the purposes of this paragraph, the "first tier of market value of class 4d 4i property" means the market value of each housing unit up to the first tier limit. For the purposes of this paragraph, all class 4d 4i property value must be assigned to individual housing units. The first tier limit is \$100,000 for assessment year 2014. For subsequent years, the limit is adjusted each year by the average statewide change in estimated market value of property classified as class 4a and 4d 4i under this section for the previous assessment year, excluding valuation change due to new construction, rounded to the nearest \$1,000, provided, however, that the limit may never be less than \$100,000. Beginning with assessment year 2015, the commissioner of revenue must certify the limit for each assessment year by November 1 of the previous year.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 23. Minnesota Statutes 2016, section 273.13, subdivision 35, is amended to read:

Subd. 35. **Homestead market value exclusion.** (a) Prior to determining a property's net tax capacity under this section, homestead property classified as class ~~1a or 1b~~ 1 under subdivision 22, ~~and the portion of property classified as class 2a under subdivision 23 consisting of the house, garage, and surrounding one acre of land,~~ shall be eligible for a market value exclusion as determined under paragraph (b).

(b) For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or more, there is no valuation exclusion. The valuation exclusion shall be rounded to the nearest whole dollar, and may not be less than zero.

(c) Any valuation exclusions or adjustments under section 273.11 shall be applied prior to determining the amount of the valuation exclusion under this subdivision.

(d) In the case of a property that is classified as part homestead and part nonhomestead, (i) the exclusion shall apply only to the homestead portion of the property, but (ii) if a portion of a property is classified as nonhomestead solely because not all the owners occupy the property, not all the owners have qualifying relatives occupying the property, or solely because not all the spouses of owners occupy the property, the exclusion amount shall be initially computed as if that nonhomestead portion were also in the homestead class and then prorated to the owner-occupant's percentage of ownership. For the purpose of this section, when an owner-occupant's spouse does not occupy the property, the percentage of ownership for the owner-occupant spouse is one-half of the couple's ownership percentage.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 24. Minnesota Statutes 2016, section 273.13, is amended by adding a subdivision to read:

Subd. 36. **Clarification of residential classification.** Class 1 property under subdivision 22 includes the following types of property, which are not required to be recorded separately by the assessor:

(1) residential structures containing fewer than four dwelling units plus one acre of land for each structure located on agricultural land, but excluding any farm buildings or structures located on the acre of land;

(2) unimproved property that is classified residential as determined under subdivision 33;

(3) manufactured home park land along with any ancillary structures;

(4) manufactured homes not classified under any other provision;

(5) postsecondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus;

(6) an owner-occupied dwelling unit within a property classified as class 4a under subdivision 25;

(7) a condominium-type storage unit having an individual property identification number that is not used for a commercial purpose;

(8) structures on property classified as agricultural under section 273.13, subdivision 23, that are occupied exclusively by seasonal farm workers during the time when they work on the farm, provided that use of the structures for storage of farm equipment or produce does not disqualify the structures from classification under this clause, and further provided that:

(i) the occupants are not charged rent for the privilege of occupying the property;

(ii) the structures meet all applicable health and safety requirements for the appropriate season; and

(iii) the structures are not salable as residential property because they do not comply with local ordinances relating to location in relation to streets or roads; and

(9) residential real estate, a portion of which is occupied by the owner, plus up to five additional lodging units, if all of the following criteria are met:

- (i) the lodging units are provided for rent to transient guests that generally stay for periods of 14 days or less;
- (ii) meals are provided to persons who rent lodging units, the cost of which is incorporated in the basic room rate;
- (iii) meals are not provided to the general public except for special events on less than seven days in the calendar year preceding the year of assessment; and
- (iv) the owner is the operator of the property.

Any additional lodging units in a property described in clause (9) are class 3a.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 25. Minnesota Statutes 2017 Supplement, section 274.01, subdivision 1, is amended to read:

Subdivision 1. **Ordinary board; meetings, deadlines, grievances.** (a) The town board of a town, or the council or other governing body of a city, is the local board of appeal and equalization except (1) in cities whose charters provide for a board of equalization or (2) in any city or town that has transferred its local board of review power and duties to the county board as provided in subdivision 3. The county assessor shall fix a day and time when the local board of equalization shall meet in the assessment districts of the county. Notwithstanding any law or city charter to the contrary, a city board of equalization shall be referred to as a local board of appeal and equalization. On or before ~~February 15~~ March 1 of each year the assessor shall give written notice of the time to the city or town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings must be held between April 1 and ~~May 31~~ June 1 each year. The clerk shall give published and posted notice of the meeting at least ten days before the date of the meeting.

The board shall meet either at a central location within the county or at the office of the clerk to review the assessment and classification of property in the town or city. No changes in valuation or classification which are intended to correct errors in judgment by the county assessor may be made by the county assessor after the board has adjourned in those cities or towns that hold a local board of review; however, corrections of errors that are merely clerical in nature or changes that extend homestead treatment to property are permitted after adjournment until the tax extension date for that assessment year. The changes must be fully documented and maintained in the assessor's office and must be available for review by any person. A copy of the changes made during this period in those cities or towns that hold a local board of review must be sent to the county board no later than December 31 of the assessment year.

(b) The board shall determine whether the taxable property in the town or city has been properly placed on the list and properly valued by the assessor. If real or personal property has been omitted, the board shall place it on the list with its market value, and correct the assessment so that each tract or lot of real property, and each article, parcel, or class of personal property, is entered on the assessment list at its market value. No assessment of the property of any person may be raised unless the person has been duly notified of the intent of the board to do so. On application of any person feeling aggrieved, the board shall review the assessment or classification, or both, and correct it as appears just. The board may not make an individual market value adjustment or classification change that would benefit the property if the owner or other person having control over the property has refused the assessor access to inspect the property and the interior of any buildings or structures as provided in section 273.20. A board member shall not participate in any actions of the board which result in market value adjustments or classification changes to property owned by the board member, the spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of a board member, or property in which a board member has a financial interest. The relationship may be by blood or marriage.

(c) A local board may reduce assessments upon petition of the taxpayer but the total reductions must not reduce the aggregate assessment made by the county assessor by more than one percent. If the total reductions would lower the aggregate assessments made by the county assessor by more than one percent, none of the adjustments may be made. The assessor shall correct any clerical errors or double assessments discovered by the board without regard to the one percent limitation.

(d) A local board does not have authority to grant an exemption or to order property removed from the tax rolls.

(e) A majority of the members may act at the meeting, and adjourn from day to day until they finish hearing the cases presented. The assessor shall attend and take part in the proceedings, but must not vote. The county assessor, or an assistant delegated by the county assessor shall attend the meetings. The board shall list separately all omitted property added to the list by the board and all items of property increased or decreased, with the market value of each item of property, added or changed by the board. The county assessor shall enter all changes made by the board.

(f) Except as provided in subdivision 3, if a person fails to appear in person, by counsel, or by written communication before the board after being duly notified of the board's intent to raise the assessment of the property, or if a person feeling aggrieved by an assessment or classification fails to apply for a review of the assessment or classification, the person may not appear before the county board of appeal and equalization for a review. This paragraph does not apply if an assessment was made after the local board meeting, as provided in section 273.01, or if the person can establish not having received notice of market value at least five days before the local board meeting.

(g) The local board must complete its work and adjourn within 20 days from the time of convening stated in the notice of the clerk, unless a longer period is approved by the commissioner of revenue. No action taken after that date is valid. All complaints about an assessment or classification made after the meeting of the board must be heard and determined by the county board of equalization. A nonresident may, at any time, before the meeting of the board file written objections to an assessment or classification with the county assessor. The objections must be presented to the board at its meeting by the county assessor for its consideration.

EFFECTIVE DATE. This section is effective beginning with assessments in 2020.

Sec. 26. Minnesota Statutes 2016, section 275.025, subdivision 3, is amended to read:

Subd. 3. **Seasonal residential recreational tax capacity.** For the purposes of this section, "seasonal residential recreational tax capacity" means the tax capacity of tier III of class ~~1c under section 273.13, subdivision 22~~ **4b(1)**, and all class ~~4c(1), 4c(3)(ii), and 4c(12)~~ **4b(2), 4d(2), and 4h** property under section ~~273.13, subdivision 25~~ **273.13**, except that the first \$76,000 of market value of each noncommercial class ~~4c(12)~~ **4h** property has a tax capacity for this purpose equal to 40 percent of its tax capacity under section 273.13.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 27. Minnesota Statutes 2017 Supplement, section 276.04, subdivision 3, is amended to read:

Subd. 3. **Mailing of tax statements.** The county treasurer shall mail to taxpayers statements of their personal property taxes due not later than ~~March 31~~ **April 1**, except in the case of manufactured homes and sectional structures taxed as personal property. Statements of the real property taxes due shall be mailed not later than ~~March 31~~ **April 1**. The validity of the tax shall not be affected by failure of the treasurer to mail the statement. The taxpayer is defined as the owner who is responsible for the payment of the tax.

EFFECTIVE DATE. This section is effective beginning with assessments in 2020.

Sec. 28. Minnesota Statutes 2016, section 276A.01, subdivision 4, is amended to read:

Subd. 4. **Residential property.** "Residential property" means the following categories of property, as defined in section 273.13, excluding that portion of the property that is exempt from taxation pursuant to section 272.02:

(1) class ~~1a, 1b, and 2a~~ 1 property, ~~limited to the homestead dwelling, a garage, and the one acre of land on which the dwelling is located;~~

(2) that portion of class 3 property used exclusively for residential occupancy; and

(3) property valued and assessed as class 4a or 4i under section 273.13, subdivision 25, except for hospitals ~~and property valued and assessed under section 273.13, subdivision 25, paragraph (d), clauses (1) and (3).~~

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 29. Minnesota Statutes 2017 Supplement, section 278.01, subdivision 1, is amended to read:

Subdivision 1. **Determination of validity.** (a) Any person having personal property, or any estate, right, title, or interest in or lien upon any parcel of land, who claims that such property has been partially, unfairly, or unequally assessed in comparison with other property in the (1) city, or (2) county, or (3) in the case of a county containing a city of the first class, the portion of the county excluding the first class city, or that the parcel has been assessed at a valuation greater than its real or actual value, or that the tax levied against the same is illegal, in whole or in part, or has been paid, or that the property is exempt from the tax so levied, may have the validity of the claim, defense, or objection determined by the district court of the county in which the tax is levied or by the Tax Court by serving one copy of a petition for such determination upon the county auditor, one copy on the county attorney, one copy on the county treasurer, and three copies on the county assessor. The county assessor shall immediately forward one copy of the petition to the appropriate governmental authority in a home rule charter or statutory city or town in which the property is located if that city or town employs its own certified assessor. A copy of the petition shall also be forwarded by the assessor to the school board of the school district in which the property is located.

(b) In counties where the office of county treasurer has been combined with the office of county auditor, the county may elect to require the petitioner to serve the number of copies as determined by the county. The county assessor shall immediately forward one copy of the petition to the appropriate governmental authority in a home rule charter or statutory city or town in which the property is located if that city or town employs its own certified assessor. A list of petitioned properties, including the name of the petitioner, the identification number of the property, and the estimated market value, shall be sent on or before the first day of July by the county auditor/treasurer to the school board of the school district in which the property is located.

(c) For all counties, the petitioner must file the copies with proof of service, in the office of the court administrator of the district court on or before ~~April 30~~ May 1 of the year in which the tax becomes payable. A petition for determination under this section may be transferred by the district court to the Tax Court. An appeal may also be taken to the Tax Court under chapter 271 at any time following receipt of the valuation notice that county assessors or city assessors having the powers of a county assessor are required by section 273.121 to send to persons whose property is to be included on the assessment roll that year, but prior to May 1 of the year in which the taxes are payable.

EFFECTIVE DATE. This section is effective beginning with assessments in 2020.

Sec. 30. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 13, is amended to read:

Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year, and after any refund claimed and allowable under section 290A.04, subdivision 2h or 2k, that is first payable in the year that the property tax is payable. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. Regardless of the limitations in section 280A(c)(5) of the Internal Revenue Code, "property taxes payable" must be apportioned or reduced for the use of a portion of the claimant's homestead for a business purpose if the claimant deducts any business depreciation expenses for the use of a portion of the homestead or deducts expenses under section 280A of the Internal Revenue Code for a business operated in the claimant's homestead. For homesteads which are manufactured homes as defined in section 273.125, subdivision 8, ~~and for homesteads which are~~ including manufactured homes located in a manufactured home community owned by a cooperative organized under chapter 308A or 308B, and park trailers taxed as manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall also include 17 percent of the gross rent paid in the preceding year for the site on which the homestead is located. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year in which the tax is payable and (i) the property must have been classified as homestead property pursuant to section 273.124, on or before December 15 of the assessment year to which the "property taxes payable" relate; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made on or before December 15 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

EFFECTIVE DATE. This section is effective beginning with claims based on taxes payable in 2020.

Sec. 31. Minnesota Statutes 2016, section 290A.04, subdivision 2h, is amended to read:

Subd. 2h. **Additional refund.** (a) If the gross property taxes payable on a homestead, net of any refund under subdivision 2k, increase more than 12 percent over the property taxes payable in the prior year on the same property that is owned and occupied by the same owner on January 2 of both years, and the amount of that increase is \$100 or more, a claimant who is a homeowner shall be allowed an additional refund equal to 60 percent of the amount of the increase over the greater of 12 percent of the prior year's property taxes payable or \$100. This subdivision shall not apply to any increase in the gross property taxes payable attributable to improvements made to the homestead after the assessment date for the prior year's taxes. This subdivision shall not apply to any increase in the gross property taxes payable attributable to the termination of valuation exclusions under section 273.11, subdivision 16.

The maximum refund allowed under this subdivision is \$1,000.

(b) For purposes of this subdivision "gross property taxes payable" means property taxes payable determined without regard to the refund allowed under this subdivision.

(c) In addition to the other proofs required by this chapter, each claimant under this subdivision shall file with the property tax refund return a copy of the property tax statement for taxes payable in the preceding year or other documents required by the commissioner.

(d) Upon request, the appropriate county official shall make available the names and addresses of the property taxpayers who may be eligible for the additional property tax refund under this section. The information shall be provided on a magnetic computer disk. The county may recover its costs by charging the person requesting the information the reasonable cost for preparing the data. The information may not be used for any purpose other than for notifying the homeowner of potential eligibility and assisting the homeowner, without charge, in preparing a refund claim.

EFFECTIVE DATE. This section is effective beginning with claims based on taxes payable in 2020.

Sec. 32. Minnesota Statutes 2016, section 290A.04, is amended by adding a subdivision to read:

Subd. 2k. Additional refund for homeowners who are blind or disabled. (a) A homeowner who is blind or disabled or whose spouse is blind or disabled is eligible for an additional refund equal to 0.9 percent of the property's taxable market value, but not to exceed \$425. For the purposes of this subdivision, "blind or disabled" means a person who is:

(1) blind as defined in section 256D.35;

(2) permanently and totally disabled; or

(3) the surviving spouse of a veteran who was permanently and totally disabled and who homesteaded a property classified 1b under Minnesota Statutes 2016, section 273.13, subdivision 22, for taxes payable in 2008, provided that the surviving spouse continues to homestead the same property as in 2008.

(b) A person qualifies under paragraph (a), clause (2), only if the government agency or income-providing source certifies that the person satisfies the disability requirements of paragraph (d). An owner of property qualifying for the valuation exclusion under section 273.13, subdivision 34, is not eligible for the credit under this subdivision.

(c) The commissioner of revenue may require an applicant who has not previously received a refund under this subdivision to submit whatever documentation is required to determine eligibility under this subdivision. The application and any supplementary information received from the property owner pursuant to this subdivision shall be subject to chapter 270B. An applicant who has previously received refunds under this subdivision is not required to submit proof of eligibility, except that the applicant may be required to affirmatively state that no change in eligibility status has occurred.

(d) "Permanently and totally disabled" for the purpose of this subdivision means a condition that is permanent in nature and totally incapacitates the person from working at an occupation that brings the person an income.

(e) An applicant whose homestead qualified for class 1b under Minnesota Statutes 2016, section 273.13, subdivision 22, for assessment year 2017 due to the applicant's disability is automatically eligible for a refund under this section.

EFFECTIVE DATE. This section is effective beginning with claims based on taxes payable in 2020.

Sec. 33. Minnesota Statutes 2016, section 473F.02, subdivision 4, is amended to read:

Subd. 4. **Residential property.** "Residential property" means the following categories of property, as defined in section 273.13, excluding that portion of such property exempt from taxation pursuant to section 272.02:

(a) ~~(1) class 1, 1b, 2a, 4a, 4b, 4c, and 4d 4i property except resorts and property classified under section 273.13, subdivision 25, paragraph (d), clause (3); and~~

~~(b) (2) that portion of class 3a, 3b, and 5 property used exclusively for residential occupancy.~~

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

Sec. 34. Minnesota Statutes 2016, section 473F.05, is amended to read:

473F.05 NET TAX CAPACITY.

On or before August ~~5~~ 1 of each year, the assessors within each county in the area shall determine and certify to the county auditor the net tax capacity in that year of commercial-industrial property subject to taxation within each municipality in the county, determined without regard to section 469.177, subdivision 3.

EFFECTIVE DATE. This section is effective beginning with assessments in 2020.

Sec. 35. Minnesota Statutes 2016, section 473H.05, subdivision 1, is amended to read:

Subdivision 1. **Before ~~June~~ May 1 for next year's taxes.** An owner or owners of certified long-term agricultural land may apply to the authority with jurisdiction over the land on forms provided by the commissioner of agriculture for the creation of an agricultural preserve at any time. Land for which application is received prior to ~~June~~ May 1 of any year shall be assessed pursuant to section 473H.10 for taxes payable in the following year. Land for which application is received on or after ~~June~~ May 1 of any year shall be assessed pursuant to section 473H.10 in the following year. The application shall be executed and acknowledged in the manner required by law to execute and acknowledge a deed and shall contain at least the following information and such other information as the commissioner deems necessary:

(a) Legal description of the area proposed to be designated and parcel identification numbers if so designated by the county auditor and the certificate of title number if the land is registered;

(b) Name and address of owner;

(c) An affidavit by the authority evidencing that the land is certified long-term agricultural land at the date of application;

(d) A statement by the owner covenanting that the land shall be kept in agricultural use, and shall be used in accordance with the provisions of sections 473H.02 to 473H.17 which exist on the date of application and providing that the restrictive covenant shall be binding on the owner or the owner's successor or assignee, and shall run with the land.

EFFECTIVE DATE. This section is effective beginning with assessments in 2020.

Sec. 36. **GRACE PERIOD; TAXPAYER NOTICE.**

Subdivision 1. **Benefit loss; due dates.** For the first year in which sections 3, 4, 5, 6, 8, 11, 15, 16, 18, 24, 25, 27, 29, 33, 34, and 35 are effective, no property tax benefit, classification, or deferment may lapse, be denied, or terminate solely because an application, notification, request, or filing is not provided or made by the required due date, provided that the application, notification, request, or filing would have been provided or made by the required due date in effect for the immediately preceding calendar year.

Subd. 2. **Commissioner to provide notice.** By July 1, 2019, the commissioner of revenue must develop and implement a plan to notify all taxing jurisdictions, property owners, and taxpayers affected by the due date changes in sections 3, 4, 5, 6, 8, 11, 15, 16, 18, 24, 25, 27, 29, 33, 35, and 36 of the new due dates that are effective beginning the following year. The commissioner may consult with each county in the state in developing the plan, and may request from a county data and other assistance that the commissioner deems necessary to administer this subdivision but may not delegate taxpayer notification responsibilities to a county.

Sec. 37. **SCHOOL PROPERTY TAX REFORM.**

(a) A school property tax working group is established as provided in this section. The goals of the working group are to develop one or more legislative proposals for reform of Minnesota's property tax system that would:

(1) evaluate the farmland tax burden from the costs of school capital investments;

(2) simplify the tax system used for school district levies;

(3) coordinate interactions with the state general levy; and

(4) accomplish the objectives of this paragraph with optimal levels of state aid and local property tax.

(b) The 16-member working group shall consist of the following members:

(1) two state representatives, both appointed by the chair of the house of representatives Taxes Committee, one from the majority party and one from the largest minority party;

(2) two state representatives, both appointed by the chair of the house of representatives Education Finance Committee, one from the majority party and one from the largest minority party;

(3) four senators appointed by the Subcommittee on Committees of the Senate Rules and Administration Committee, two from the majority party and two from the largest minority party;

(4) one person appointed by the Minnesota School Boards Association;

(5) one person appointed by the Minnesota Rural Education Association;

(6) one person appointed by the Association of Metropolitan School Districts;

(7) one person appointed by Schools for Equity in Education;

(8) one person appointed by the Minnesota Farm Bureau;

(9) one person appointed by the Minnesota Farmers Union;

(10) one person appointed by the Minnesota Chamber of Commerce; and

(11) one person appointed by Minnesota Lakes and Rivers Advocates.

(c) The commissioner of revenue and the commissioner of education, or their designees, shall serve as ex-officio members of the working group.

(d) All appointments must be made before July 1, 2018. The majority party appointee of the house of representatives Taxes Committee chair shall chair the initial meeting, and the working group shall elect a chair at that initial meeting. The working group will meet at the call of the chair. Members of the working group shall serve without compensation. The commissioner of revenue must provide administrative support to the working group. Minnesota Statutes, chapter 13D, does not apply to meetings of the working group. Meetings of the working group must be open to the public and the working group must provide notice of a meeting to potentially interested persons at least five days before the meeting. A meeting of the working group occurs when a quorum is present.

(e) The working group shall make its advisory recommendations to the chairs of the house of representatives and senate Taxes and Education Finance Committees on or before January 1, 2019, at which time the working group shall be finished and this section expires.

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

Sec. 38. **REVISOR'S INSTRUCTION.**

In Minnesota Statutes and Minnesota Rules, the revisor of statutes shall make cross-reference changes that are needed as a result of the repealers in this article. The revisor shall make any necessary technical and grammatical changes to preserve the meaning of the text.

Sec. 39. **REPEALER.**

(a) Minnesota Statutes 2016, section 273.1315, is repealed.

(b) Minnesota Statutes 2017 Supplement, sections 327C.01, subdivision 13; and 327C.16, are repealed.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2020.

ARTICLE 6
AIDS AND CREDITS

Section 1. Minnesota Statutes 2016, section 290B.04, subdivision 1, is amended to read:

Subdivision 1. **Initial application.** (a) A taxpayer meeting the program qualifications under section 290B.03 may apply to the commissioner of revenue for the deferral of taxes. Applications are due on or before ~~July~~ November 1 for deferral of any of the following year's property taxes. A taxpayer may preapply for an early notification of approval or denial at any time. The commissioner must notify a taxpayer in writing of the reasons for an application denial and that the application may be amended and resubmitted by the due date specified in this subdivision. A taxpayer may apply in the year in which the taxpayer becomes 65 years old, provided that no deferral of property taxes will be made until the calendar year after the taxpayer becomes 65 years old. The application, which shall be prescribed by the commissioner of revenue, shall include the following items and any other information which the commissioner deems necessary:

(1) the name, address, and Social Security number of the owner or owners;

- (2) a copy of the property tax statement for the current payable year for the homesteaded property;
- (3) the initial year of ownership and occupancy as a homestead;
- (4) the owner's household income for the previous calendar year; and

(5) information on any mortgage loans or other amounts secured by mortgages or other liens against the property, for which purpose the commissioner may require the applicant to provide a copy of the mortgage note, the mortgage, or a statement of the balance owing on the mortgage loan provided by the mortgage holder. The commissioner may require the appropriate documents in connection with obtaining and confirming information on unpaid amounts secured by other liens.

The application must state that program participation is voluntary. The application must also state that the deferred amount depends directly on the applicant's household income, and that program participation includes authorization for the annual deferred amount, the cumulative deferral and interest that appear on each year's notice prepared by the county under subdivision 6, is public data.

The application must state that program participants may claim the property tax refund based on the full amount of property taxes eligible for the refund, including any deferred amounts. The application must also state that property tax refunds will be used to offset any deferral and interest under this program, and that any other amounts subject to revenue recapture under section 270A.03, subdivision 7, will also be used to offset any deferral and interest under this program.

(b) As part of the initial application process, the commissioner may require the applicant to obtain at the applicant's own cost and submit:

(1) if the property is registered property under chapter 508 or 508A, a copy of the original certificate of title in the possession of the county registrar of titles (sometimes referred to as "condition of register"); or

(2) if the property is abstract property, a report prepared by a licensed abstracter showing the last deed and any unsatisfied mortgages, liens, judgments, and state and federal tax lien notices which were recorded on or after the date of that last deed with respect to the property or to the applicant.

The certificate or report under clauses (1) and (2) need not include references to any documents filed or recorded more than 40 years prior to the date of the certification or report. The certification or report must be as of a date not more than 30 days prior to submission of the application.

The commissioner may also require the county recorder or county registrar of the county where the property is located to provide copies of recorded documents related to the applicant or the property, for which the recorder or registrar shall not charge a fee. The commissioner may use any information available to determine or verify eligibility under this section. The household income from the application is private data on individuals as defined in section 13.02, subdivision 12.

EFFECTIVE DATE. This section is effective beginning with assessments in 2020.

Sec. 2. Minnesota Statutes 2016, section 477A.013, subdivision 13, is amended to read:

Subd. 13. **Certified aid adjustments.** ~~(a) A city that received an aid base increase under Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (c), 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) 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.~~

(b) For aids payable in 2019 only, a city shall have its total aid under subdivision 9 increased by an amount equal to its aid decrease between aids payable in 2016 and 2017 if:

(1) the city's aid decreased by more than \$50,000 between aids payable in 2016 and 2017 under this section; and

(2) the city's unmet need amount calculated for aids payable in 2017 exceeded its aids payable in 2016.

(c) The city of Lilydale shall have its total aid under subdivision 9 increased by \$150,000 for aids payable in 2019 only.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2019.

Sec. 3. Minnesota Statutes 2017 Supplement, section 477A.015, is amended to read:

477A.015 PAYMENT DATES.

(a) The commissioner of revenue shall make the payments of local government aid to affected taxing authorities in two installments on July 20 and December 26 annually.

(b) Notwithstanding paragraph (a), for aids payable in 2019 only, the commissioner of revenue shall make payments of the aid payable under section 477A.013, subdivision 9, in three installments as follows: (1) ~~14.6~~ 17.2186 percent of the aid shall be paid on June 15, 2019; (2) ~~35.4~~ 32.7814 percent of the aid shall be paid on July 20, 2019; and (3) 50 percent of the aid shall be paid on December 26, 2019.

(c) When the commissioner of public safety determines that a local government has suffered financial hardship due to a natural disaster, the commissioner of public safety shall notify the commissioner of revenue, who shall make payments of aids under sections 477A.011 to 477A.014, which are otherwise due on December 26, as soon as is practical after the determination is made but not before July 20.

(d) The commissioner may pay all or part of the payments of aids under sections 477A.011 to 477A.014, which are due on December 26 at any time after August 15 if a local government requests such payment as being necessary for meeting its cash flow needs.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2019.

Sec. 4. Minnesota Statutes 2016, section 477A.016, is amended to read:

477A.016 NEW TAXES PROHIBITED.

(a) No county, city, town or other taxing authority shall increase a present tax or impose a new tax on sales or income.

(b) No county, city, town, or other taxing authority shall increase a present excise tax or fee or impose a new excise tax or fee on either:

(1) the manufacture, distribution, wholesale, or retail sale of food, based on volume of product sold, product sales value, or the type of product manufactured, distributed, or sold; or

(2) any container used for transporting, protecting, or consuming food.

(c) For purposes of this section:

(1) "food" has the meaning given in section 34A.01, subdivision 4; and

(2) "container" means a bottle, cup, can, bag, or other packaging that is made from plastic, aluminum, glass, cardboard, or other material.

(d) This section does not apply to reasonable license fees lawfully imposed by a county, city, town, or other licensing authority in the exercise of its regulatory authority to license a trade, profession, or business.

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

Sec. 5. Minnesota Statutes 2017 Supplement, section 477A.03, subdivision 2a, is amended to read:

Subd. 2a. **Cities.** For aids payable in 2016 and 2017, the total aid paid under section 477A.013, subdivision 9, is \$519,398,012. For aids payable in 2018, 2020, and thereafter, the total aid paid under section 477A.013, subdivision 9, is \$534,398,012. For aids payable in 2019 only, the total aid paid under section 477A.013, subdivision 9, is \$534,645,272.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2019 and thereafter.

Sec. 6. **LAKE MILLE LACS AREA PROPERTY TAX ABATEMENT.**

Subdivision 1. **Abatements authorized.** (a) Notwithstanding Minnesota Statutes, section 375.192, the county boards of Aitkin, Crow Wing, and Mille Lacs Counties may grant an abatement of local property taxes for taxes payable in 2018, provided that:

(1) the property is classified as 1c, 3a (excluding utility real and personal property), 4c(1), 4c(10), or 4c(11);

(2) on or before December 31, 2018, the taxpayer submits a written application to the county auditor in the county in which abatement is sought; and

(3) the taxpayer meets qualification requirements established in subdivision 3.

Subd. 2. **Appeals.** An appeal may not be taken to the Tax Court from any order of the county board made pursuant to the exercise of the discretionary authority granted in this section.

Subd. 3. **Qualification requirements.** To qualify for abatements under this section, a taxpayer must:

(1) be located within one of the following municipalities surrounding Lake Mille Lacs:

(i) in Crow Wing County, the city of Garrison, township of Garrison, or township of Roosevelt;

(ii) in Aitkin County, the township of Hazelton, township of Wealthwood, township of Malmo, or township of Lakeside; or

(iii) in Mille Lacs County, the city of Isle, city of Wahkon, city of Onamia, township of East Side, township of Isle Harbor, township of South Harbor, or township of Kathio;

(2) document a reduction in gross receipts of five percent or greater between any two calendar years beginning in 2010 or later; and

(3) be a business in one of the following industries, as defined within the North American Industry Classification System: accommodation, restaurants, bars, amusement and recreation, food and beverages retail, sporting goods, miscellaneous retail, general retail, museums, historical sites, health and personal care, gas station, general merchandise, business and professional membership, movies, or nonstore retailer, as determined by the county in consultation with the commissioner of employment and economic development.

Subd. 4. **State general levy in relief area.** The counties of Aitkin, Crow Wing, and Mille Lacs must refund the state general levy levied upon a property classified as 1c, 3a (excluding utility real and personal property), or 4c(1) that is located in the area described by subdivision 3, clause (1), for taxes payable in 2018.

Subd. 5. **Certification and transfer of funds.** (a) By February 1, 2019, a county granting a refund as required under subdivision 4 must certify the total amount of state general tax refunded to Mille Lacs County and the commissioner of revenue. By March 1, 2019, Mille Lacs County must transfer an amount equal to the amount certified under this paragraph to the county making the certification.

(b) By February 1, 2019, a county that has received an application for an abatement authorized under subdivision 1 must certify to Mille Lacs County the total amount of abatements for which applications have been received and approved. By March 1, 2019, Mille Lacs County must transfer an amount equal to the amount certified under this paragraph to the county making the certification. By April 30, 2019, the county must issue refunds of local property tax amounts to qualified taxpayers.

Subd. 6. **Commissioner of revenue; appropriation.** An amount sufficient to make the transfers required under subdivision 5 in fiscal year 2019 is appropriated from the general fund to the commissioner of revenue for transfer to Mille Lacs County. This is a onetime appropriation.

Subd. 7. **Report to legislature.** The commissioner of revenue must make a written report to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes stating the amount of abatements and refunds given under this section by taxing jurisdictions by February 1, 2020. The counties must provide the commissioner with the information necessary to make the report.

Subd. 8. **Refund eligibility.** Only a taxpayer making all payments of property taxes for taxes payable in 2018 is eligible to receive a refund under subdivisions 4 and 5.

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

Sec. 7. **REPEALER.**

Minnesota Statutes 2016, section 477A.085, is repealed.

EFFECTIVE DATE. This section is effective beginning with aids payable in 2018.

ARTICLE 7
REFERENDUM

Section 1. Minnesota Statutes 2017 Supplement, section 126C.17, subdivision 9, is amended to read:

Subd. 9. **Referendum revenue.** (a) The revenue authorized by section 126C.10, subdivision 1, may be increased in the amount approved by the voters of the district at a referendum called for the purpose. The referendum may be called by the board. The referendum must be conducted one or two calendar years before the increased levy authority, if approved, first becomes payable. Only one election to approve an increase may be held in a calendar year. Unless the referendum is conducted by mail under subdivision 11, paragraph (a), the referendum must be held on the first Tuesday after the first Monday in November. The ballot must state the maximum amount of the increased revenue per adjusted pupil unit. The ballot may state a schedule, determined by the board, of increased revenue per adjusted pupil unit that differs from year to year over the number of years for which the increased revenue is authorized or may state that the amount shall increase annually by the rate of inflation. The ballot must state the cumulative amount per pupil of any local optional revenue, board-approved referendum authority, and previous voter-approved referendum authority, if any, that the board expects to certify for the next school year. For this purpose, the rate of inflation shall be the annual inflationary increase calculated under subdivision 2, paragraph (b). The ballot may state that existing referendum levy authority is expiring. In this case, the ballot may also compare the proposed levy authority to the existing expiring levy authority, and express the proposed increase as the amount, if any, over the expiring referendum levy authority. The ballot must designate the specific number of years, not to exceed ten, for which the referendum authorization applies. The ballot, including a ballot on the question to revoke or reduce the increased revenue amount under paragraph (c), must abbreviate the term "per adjusted pupil unit" as "per pupil." The notice required under section 275.60 may be modified to read, in cases of renewing existing levies at the same amount per pupil as in the previous year:

"BY VOTING "YES" ON THIS BALLOT QUESTION, YOU ARE VOTING TO EXTEND AN EXISTING
PROPERTY TAX REFERENDUM THAT IS SCHEDULED TO EXPIRE."

The ballot may contain a textual portion with the information required in this subdivision and a question stating substantially the following:

"Shall the increase in the revenue proposed by (petition to) the board of, School District No. ..., be approved?"

If approved, an amount equal to the approved revenue per adjusted pupil unit times the adjusted pupil units for the school year beginning in the year after the levy is certified shall be authorized for certification for the number of years approved, if applicable, or until revoked or reduced by the voters of the district at a subsequent referendum.

(b) The board must deliver by mail at least 15 days but no more than 30 days before the day of the referendum to each taxpayer a notice of the referendum and the proposed revenue increase. The board need not mail more than one notice to any taxpayer. For the purpose of giving mailed notice under this subdivision, owners must be those shown to be owners on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer. Every property owner whose name does not appear on the records of the county auditor or the county treasurer is deemed to have waived this mailed notice unless the owner has requested in writing that the county auditor or county treasurer, as the case may be, include the name on the records for this purpose. The notice must project the anticipated amount of tax increase in annual dollars for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the school district.

The notice must state the cumulative and individual amounts per pupil of any local optional revenue, board-approved referendum authority, and voter-approved referendum authority, if any, that the board expects to certify for the next school year.

The notice for a referendum may state that an existing referendum levy is expiring and project the anticipated amount of increase over the existing referendum levy in the first year, if any, in annual dollars for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the district.

The notice must include the following statement: "Passage of this referendum will result in an increase in your property taxes." However, in cases of renewing existing levies, the notice may include the following statement: "Passage of this referendum extends an existing operating referendum at the same amount per pupil as in the previous year."

(c) A referendum on the question of revoking or reducing the increased revenue amount authorized pursuant to paragraph (a) may be called by the board. A referendum to revoke or reduce the revenue amount must state the amount per adjusted pupil unit by which the authority is to be reduced. Revenue authority approved by the voters of the district pursuant to paragraph (a) must be available to the school district at least once before it is subject to a referendum on its revocation or reduction for subsequent years. Only one revocation or reduction referendum may be held to revoke or reduce referendum revenue for any specific year and for years thereafter.

(d) The approval of 50 percent plus one of those voting on the question is required to pass a referendum authorized by this subdivision.

(e) At least 15 days before the day of the referendum, the district must submit a copy of the notice required under paragraph (b) to the commissioner and to the county auditor of each county in which the district is located. Within 15 days after the results of the referendum have been certified by the board, or in the case of a recount, the certification of the results of the recount by the canvassing board, the district must notify the commissioner of the results of the referendum.

EFFECTIVE DATE. This section is effective August 1, 2018, and applies to any referendum authorized on or after that date.

Sec. 2. Minnesota Statutes 2017 Supplement, section 205.10, subdivision 3a, is amended to read:

Subd. 3a. **Uniform election dates.** (a) Except as ~~allowed in paragraph provided in paragraphs (b) and (c)~~ and subdivision 4, a special election held in a city or town must be held on one of the following dates: the second Tuesday in February, the second Tuesday in April, the second Tuesday in May, the second Tuesday in August, or the first Tuesday after the first Monday in November. A home rule charter city must not designate additional dates in its charter.

(b) A special election may be held on a date other than those designated in paragraph (a) if the special election is held in response to an emergency or disaster. "Emergency" means an unforeseen combination of circumstances that calls for immediate action to prevent a disaster from developing or occurring. "Disaster" means a situation that creates an actual or imminent serious threat to the health and safety of persons or a situation that has resulted or is likely to result in catastrophic loss to property or the environment.

(c) Except as provided in paragraph (b), a referendum or reverse referendum held by a city or town related to (1) imposing or modifying a levy, (2) issuing bonds, certificates of indebtedness, or capital notes, or (3) purchasing real property, must only be held on the first Tuesday after the first Monday in November.

EFFECTIVE DATE. This section is effective August 1, 2018, and applies to any referendum authorized on or after that date.

Sec. 3. Minnesota Statutes 2017 Supplement, section 205A.05, subdivision 1a, is amended to read:

Subd. 1a. **Uniform election dates.** (a) Except as ~~allowed in paragraph~~ provided in paragraphs (b) and (c), a special election held in a school district must be held on one of the following dates: the second Tuesday in February, the second Tuesday in April, the second Tuesday in May, the second Tuesday in August, or the first Tuesday after the first Monday in November.

(b) A special election may be held on a date other than those designated in paragraph (a) if the special election is held in response to an emergency or disaster. "Emergency" means an unforeseen combination of circumstances that calls for immediate action to prevent a disaster from developing or occurring. "Disaster" means a situation that creates an actual or imminent serious threat to the health and safety of persons or a situation that has resulted or is likely to result in catastrophic loss to property or the environment.

(c) Except as provided in paragraph (b), a referendum or reverse referendum held by a school district related to (1) imposing or modifying a levy, (2) issuing bonds, certificates of indebtedness, or capital notes, or (3) purchasing real property, must only be held on the first Tuesday after the first Monday in November.

EFFECTIVE DATE. This section is effective August 1, 2018, and applies to any referendum authorized on or after that date.

Sec. 4. Minnesota Statutes 2016, section 216B.36, is amended to read:

216B.36 MUNICIPAL REGULATORY AND TAXING POWERS.

Subdivision 1. **Municipal authority to regulate public utilities.** Any public utility furnishing the utility services enumerated in section 216B.02 or occupying streets, highways, or other public property within a municipality may be required to obtain a license, permit, right, or franchise in accordance with the terms, conditions, and limitations of regulatory acts of the municipality, including the placing of distribution lines and facilities underground. Under the license, permit, right, or franchise, the utility may be obligated by any municipality to pay to the municipality fees to raise revenue or defray increased municipal costs accruing as a result of utility operations, or both. A fee that raises revenue under a license, permit, right, or franchise agreement entered into or renewed on or after August 1, 2018, is subject to the requirements of subdivision 2. The fee may include but is not limited to a sum of money based upon gross operating revenues or gross earnings from its operations in the municipality so long as the public utility shall continue to operate in the municipality, unless upon request of the public utility it is expressly released from the obligation at any time by such municipality. Notwithstanding the definition of "public utility" in section 216B.02, subdivision 4, a municipality may require payment of a fee under this section by a cooperative electric association organized under chapter 308A that furnishes utility services within the municipality. All existing licenses, permits, franchises, and other rights acquired by any public utility or municipality prior to April 11, 1974, including the payment of existing franchise fees, shall not be impaired or affected in any respect by the passage of this chapter, except with respect to matters of rate and service regulation, service area assignments, securities, and indebtedness that are vested in the jurisdiction of the commission by this chapter. However, in the event that a court of competent jurisdiction determines, or the parties by mutual agreement determine, that an existing license, permit, franchise, or other right has been abrogated or impaired by this chapter, or its execution, the municipality affected shall impose and the public utility shall collect an excise tax on the utility charges which from year to year yields an amount which is reasonably equivalent to that amount of revenue which then would be due as a fee, charges or other thing or service of value to the municipality under the franchise, license, or permit. The authorization shall be over and above taxing limitations including, but not limited to, those of section 477A.016. Franchises granted pursuant to this section shall be exempt from the provisions of chapter 80C. For purposes of this section, a public utility shall include a cooperative electric association.

Subd. 2. **Five-year renewal; reverse referendum.** (a) A municipality may impose a fee under subdivision 1 to raise revenue beyond what is needed to defray increased municipal costs due to utility operations for up to a five-year period, following the procedures in this subdivision.

(b) The municipality must include in its ordinance or license, permit, or franchise agreement with the public utility what constitutes a cost to the city.

(c) The municipality must identify in its ordinance or license, permit, or franchise agreement the uses of the portion of the fee that is for purposes other than to defray city costs. The municipality must publish a notice that explains:

(1) the fee and its intended uses;

(2) that the public utility is likely to pass the fee on to customers and how much that may increase customers' utility bills;

(3) that alternatives to the revenue-raising portion of the fee are to raise the revenue from another source available to the municipality or forego planned uses of the revenue; and

(4) what revenue raised from another source will cost those paying it.

The notice must be published at least once each week for two consecutive weeks in the official publication of the municipality and must remain posted on the municipality's Web site throughout the notice period. The notice must also be sent to all affected ratepayers by either first class mail by the municipality or by including the notice in the affected ratepayers' billings.

(d) Following publication and before imposing the fee, the municipality must provide an opportunity at its next regular meeting for public comment relating to the issue. No sooner than 90 days after the public comment opportunity, the municipality may proceed with imposing the fee, unless a petition is filed as provided in paragraph (e).

(e) Within 90 days after the meeting held by the municipality at which public comment was accepted, a petition requesting a referendum may be filed with the chief clerical officer of the municipality. The petition must be signed by at least five percent of the registered voters in the municipality. The petition must meet the requirements of the secretary of state, as provided in section 204B.071, and any rules adopted to implement that section. If the petition is sufficient, the question of whether the municipality may impose a fee that raises revenue as provided in subdivision 1 must be placed on the ballot at the next general election. If a majority of the voters voting on the question votes in favor of using the fee to raise revenue, the municipality may proceed with imposing the fee.

(f) If a license, permit, right, or franchise agreement is entered into or renewed before August 1, 2018, and by its terms and the ordinance authorizing it, will be in effect after August 1, 2023, the municipality must follow the procedures in this subdivision to provide notice, a public hearing, and opportunity for a petition for a referendum by August 1, 2023.

(g) Except as provided in paragraph (f), this subdivision applies to a license, permit, right, or franchise agreement entered into or renewed on or after August 1, 2018.

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

Sec. 5. Minnesota Statutes 2016, section 237.19, is amended to read:

237.19 MUNICIPAL TELECOMMUNICATIONS SERVICES.

Any municipality shall have the right to own and operate a telephone exchange within its own borders, subject to the provisions of this chapter. It may construct such plant, or purchase an existing plant by agreement with the owner, or where it cannot agree with the owner on price, it may acquire an existing plant by condemnation, as hereinafter provided, but in no case shall a municipality construct or purchase such a plant or proceed to acquire an existing plant by condemnation until such action by it is authorized by a majority of the electors voting upon the proposition at a general an election or a special election called for that purpose held on the first Tuesday after the first Monday in November in either an even-numbered or odd-numbered year, and if the proposal is to construct a new exchange where an exchange already exists, it shall not be authorized to do so unless 65 percent of those voting thereon vote in favor of the undertaking. A municipality that owns and operates a telephone exchange may enter into a joint venture as a partner or shareholder with a telecommunications organization to provide telecommunications services within its service area.

EFFECTIVE DATE. This section is effective August 1, 2018, and applies to any referendum authorized on or after that date.

Sec. 6. Minnesota Statutes 2016, section 412.221, subdivision 2, is amended to read:

Subd. 2. **Contracts.** The council shall have power to make such contracts as may be deemed necessary or desirable to make effective any power possessed by the council. The city may purchase personal property through a conditional sales contract and real property through a contract for deed under which contracts the seller is confined to the remedy of recovery of the property in case of nonpayment of all or part of the purchase price, which shall be payable over a period of not to exceed five years. When the contract price of property to be purchased by contract for deed or conditional sales contract exceeds 0.24177 percent of the estimated market value of the city, the city may not enter into such a contract for at least ten days after publication in the official newspaper of a council resolution determining to purchase property by such a contract; and, if before the end of that time a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular city election is filed with the clerk, the city may not enter into such a contract until the proposition has been approved by a majority of the votes cast on the question at a regular or special an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.

EFFECTIVE DATE. This section is effective August 1, 2018, and applies to any referendum authorized on or after that date.

Sec. 7. **[416.17] VOTER APPROVAL REQUIRED; LEASES OF PUBLIC BUILDINGS.**

Subdivision 1. **Reverse referendum; certain leases.** (a) Before executing a qualified lease, a municipality must publish notice of its intention to execute the lease and the date and time of a hearing to obtain public comment on the matter. The notice must be published in the official newspaper of the municipality or in a newspaper of general circulation in the municipality and must include a statement of the amount of the obligations to be issued by the authority and the maximum amount of annual rent to be paid by the municipality under the qualified lease. The notice must be published at least 14, but not more than 28, days before the date of the hearing.

(b) A municipality may enter a lease subject to paragraph (a) only upon obtaining the approval of a majority of the voters voting on the question of issuing the obligations, if a petition requesting a vote on the issuance is signed by voters equal to ten percent of the votes cast in the municipality in the last state general election and is filed with the county auditor within 30 days after the public hearing.

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

(b) "Authority" includes any of the following governmental units, the boundaries of which include all or part of the geographic area of the municipality:

(1) a housing and redevelopment authority, as defined in section 469.002, subdivision 2;

(2) a port authority, as defined in section 469.048;

(3) an economic development authority, as established under section 469.091; or

(4) an entity established or exercising powers under a special law with powers similar to those of an entity described in clauses (1) to (3).

(c) "Municipality" means a statutory or home rule charter city, a county, or a town described in section 368.01, but does not include a city of the first class, however organized, as defined in section 410.01.

(d) "Qualified lease" means a lease for use of public land, all or part of a public building, or other public facilities consisting of real property for a term of three or more years as a lessee if the property to be leased to the municipality was acquired or improved with the proceeds of obligations, as defined in section 475.51, subdivision 3, issued by an authority.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to qualified leases entered into after July 1, 2018.

Sec. 8. Minnesota Statutes 2016, section 426.19, subdivision 2, is amended to read:

Subd. 2. **Referendum in certain cases.** Before the pledge of any such revenues to the payment of any such bonds, warrants or certificates of indebtedness, except bonds, warrants or certificates of indebtedness to construct, reconstruct, enlarge or equip a municipal liquor store shall be made, the governing body shall submit to the voters of the city the question of whether such revenues shall be so pledged and such pledge shall not be binding on the city until it shall have been approved by a majority of the voters voting on the question at ~~either a general or special election or~~ held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. No election shall be required for pledge of such revenues for payment of bonds, warrants or certificates of indebtedness to construct, reconstruct, enlarge or equip a municipal liquor store.

EFFECTIVE DATE. This section is effective August 1, 2018, and applies to any referendum authorized on or after that date.

Sec. 9. Minnesota Statutes 2016, section 447.045, subdivision 2, is amended to read:

Subd. 2. **Statutory city; on-sale and off-sale store.** If the voters of a statutory city operating an on-sale and off-sale municipal liquor store, at ~~a general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year, vote in favor of contributing from its liquor dispensary fund toward the construction of a community hospital, the city council may appropriate not more than \$60,000 from the fund to any incorporated nonprofit hospital association to build a community hospital in the statutory city. The hospital must be governed by a board including two or more members of the statutory city council and be open to all residents of the statutory city on equal terms. This appropriation must not exceed one-half the total cost of construction of the hospital. The council must not appropriate the money unless the average net earnings of the on-sale and off-sale municipal liquor store have been at least \$10,000 for the last five completed fiscal years before the date of the appropriation.

EFFECTIVE DATE. This section is effective August 1, 2018, and applies to any referendum authorized on or after that date.

Sec. 10. Minnesota Statutes 2016, section 447.045, subdivision 3, is amended to read:

Subd. 3. **Statutory city; off-sale or on- and off-sale store.** (a) If a statutory city operates an off-sale, or an on- and off-sale municipal liquor store it may provide for a vote at ~~a general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year on the question of contributing from the city liquor dispensary fund to build, maintain, and operate a community hospital. If the vote is in favor, the city council may appropriate money from the fund to an incorporated hospital association for a period of four years. The appropriation must be from the net profits or proceeds of the municipal liquor store. It must not exceed \$4,000 a year for hospital construction and maintenance or \$1,000 a year for operation. The hospital must be open to all residents of the community on equal terms.

(b) The council must not appropriate the money unless the average net earnings of the off-sale, or on- and off-sale municipal liquor store have been at least \$8,000 for the last two completed years before the date of the appropriation.

EFFECTIVE DATE. This section is effective August 1, 2018, and applies to any referendum authorized on or after that date.

Sec. 11. Minnesota Statutes 2016, section 447.045, subdivision 4, is amended to read:

Subd. 4. **Fourth class city operating store.** If a city of the fourth class operates a municipal liquor store, it may provide for a vote at ~~a general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year on the question of contributing from the profit in the city liquor dispensary fund to build, equip, and maintain a community hospital within the city limits. If the vote is in favor, the city council may appropriate not more than \$200,000 from profits in the fund for the purpose. The hospital must be open to all residents of the city on equal terms.

The city may issue certificates of indebtedness in anticipation of and payable only from profits from the operation of municipal liquor stores.

EFFECTIVE DATE. This section is effective August 1, 2018, and applies to any referendum authorized on or after that date.

Sec. 12. Minnesota Statutes 2016, section 447.045, subdivision 6, is amended to read:

Subd. 6. **Statutory city; fourth class.** If a fourth class statutory city operates a municipal liquor store, it may provide for a vote at ~~a general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year on the question of contributing from the city liquor dispensary fund not more than \$15,000 a year for five years to build and maintain a community hospital. If the vote is in favor the council may appropriate the money from the fund to an incorporated community hospital association in the city.

EFFECTIVE DATE. This section is effective August 1, 2018, and applies to any referendum authorized on or after that date.

Sec. 13. Minnesota Statutes 2016, section 447.045, subdivision 7, is amended to read:

Subd. 7. **Statutory city; any store.** If a statutory city operates a municipal liquor store, it may provide for a vote at ~~a general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year on the question of contributing from the statutory city liquor dispensary fund toward the acquisition, construction, improvement, maintenance, and operation of a community hospital. If the vote is in favor, the council may appropriate money from time to time out of the net profits or proceeds of the municipal

liquor store to an incorporated nonprofit hospital association in the statutory city. The hospital association must be governed by a board of directors elected by donors of \$50 or more, who each have one vote. The hospital must be open to all residents of the community on equal terms.

EFFECTIVE DATE. This section is effective August 1, 2018, and applies to any referendum authorized on or after that date.

Sec. 14. Minnesota Statutes 2016, section 452.11, is amended to read:

452.11 SUBMISSION TO VOTERS.

No city of the first class shall acquire or construct any public utility under the terms of sections 452.08 to 452.13 unless the proposition to acquire or construct same has first been submitted to the qualified electors of the city at a ~~general city election or at a special election called for that purpose,~~ held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year and has been approved by a majority vote of all electors voting upon the proposition.

The question of issuing public utility certificates as provided in section 452.09 may, at the option of the council, be submitted at the same election as the question of the acquisition or construction of the public utility.

EFFECTIVE DATE. This section is effective August 1, 2018, and applies to any referendum authorized on or after that date.

Sec. 15. Minnesota Statutes 2016, section 455.24, is amended to read:

455.24 SUBMISSION TO VOTERS.

Before incurring any expense under the powers conferred by section 455.23, the approval of the voters of the city shall first be had at a ~~general or special~~ an election held ~~therein~~ on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. If a majority of the voters of the city participating at the election shall vote in favor of the construction of the system of poles, wires and cables herein authorized to be made, the council shall proceed with the construction.

EFFECTIVE DATE. This section is effective August 1, 2018, and applies to any referendum authorized on or after that date.

Sec. 16. Minnesota Statutes 2016, section 455.29, is amended to read:

455.29 MUNICIPALITIES MAY EXTEND ELECTRIC SERVICE.

Except as otherwise restricted by chapter 216B, the governing body, or the commission or board charged with the operation of the public utilities, if one exists therein, of any municipality in the state owning and operating an electric light and power plant for the purpose of the manufacture and sale of electrical power or for the purchase and redistribution of electrical power, may, upon a two-thirds vote of the governing body, or the commission or board, in addition to all other powers now possessed by such municipality, sell electricity to customers, singly or collectively, outside of such municipality, within the state but not to exceed a distance of 30 miles from the corporate limits of the municipality. Before any municipality shall have the power to extend its lines and sell electricity outside of the municipality as provided by sections 455.29 and 455.30, the governing body shall first submit to the voters of the municipality, at a ~~general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year, the general principle of going outside the municipality and fixing the maximum amount of contemplated expenditures reasonably expected to be made for any and all extensions then

or thereafter contemplated. Three weeks' published notice shall be given of such election as required by law, and if a majority of those voting upon the proposition favors the same, then the municipality shall thereafter be considered as having chosen to enter the general business of extending its electric light and power facilities beyond the corporate limits of the municipality. It shall not be necessary to submit to a vote of the people the question of any specific enlargement, extension, or improvement of any outside lines; provided the voters of the municipality have generally elected to exercise the privileges afforded by sections 455.29 and 455.30, and, provided, that each and any specific extension, enlargement, or improvement project is within the limit of the maximum expenditure authorized at the election. In cities operating under a home rule charter, where a vote of the people is not now required in order to extend electric light and power lines, no election shall be required under the provisions of any act. At any election held to determine the attitude of the voters upon this principle, the question shall be simply stated upon the ballot provided therefor, and shall be substantially in the following form: "Shall the city of undertake the general proposition of extending its electric light and power lines beyond the limits of the municipality, and limit the maximum expenditures for any and all future extensions to the sum of \$.....?" For this purpose every municipality is authorized and empowered to extend the lines, wires, and fixtures of its plant to such customers and may issue certificates of indebtedness therefor in an amount not to exceed the actual cost of the extensions and for a term not to exceed the reasonable life of the extensions. These certificates of indebtedness shall in no case be made a charge against the municipality, but shall be payable and paid out of current revenues of the plant other than taxes.

EFFECTIVE DATE. This section is effective August 1, 2018, and applies to any referendum authorized on or after that date.

Sec. 17. Minnesota Statutes 2016, section 469.190, subdivision 1, is amended to read:

Subdivision 1. **Authorization.** Notwithstanding section 477A.016 or any other law, a statutory or home rule charter city may by ordinance, and a town may by the affirmative vote of the electors at the annual town meeting, ~~or at a special town meeting,~~ impose a tax of up to three percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more. A statutory or home rule charter city may by ordinance impose the tax authorized under this subdivision on the camping site receipts of a municipal campground.

EFFECTIVE DATE. This section is effective August 1, 2018, and applies to any referendum authorized on or after that date.

Sec. 18. Minnesota Statutes 2016, section 469.190, subdivision 5, is amended to read:

Subd. 5. **Reverse referendum.** If the county board passes a resolution under subdivision 4 to impose the tax, the resolution must be published for two successive weeks in a newspaper of general circulation within the unorganized territory, together with a notice fixing a date for a public hearing on the proposed tax.

The hearing must be held not less than two weeks nor more than four weeks after the first publication of the notice. After the public hearing, the county board may determine to take no further action, or may adopt a resolution authorizing the tax as originally proposed or approving a lesser rate of tax. The resolution must be published in a newspaper of general circulation within the unorganized territory. The voters of the unorganized territory may request a referendum on the proposed tax by filing a petition with the county auditor within 30 days after the resolution is published. The petition must be signed by voters who reside in the unorganized territory. The number of signatures must equal at least five percent of the number of persons voting in the unorganized territory in the last general election. If such a petition is timely filed, the resolution is not effective until it has been submitted to the voters residing in the unorganized territory at ~~a general or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year and a majority of votes cast on the question of approving the resolution are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the referendum.

EFFECTIVE DATE. This section is effective August 1, 2018, and applies to any referendum authorized on or after that date.

Sec. 19. Minnesota Statutes 2016, section 471.57, subdivision 3, is amended to read:

Subd. 3. **May use fund for other purposes upon vote.** The council of any municipality which has established a public works reserve fund by an ordinance designating the specific improvement or type of capital improvement for which the fund may be used may submit to the voters of the municipality at ~~any regular or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year the question of using the fund for some other purpose. If a majority of the votes cast on the question are in favor of such diversion from the original purpose of the fund, it may be used for any purpose so approved by the voters.

EFFECTIVE DATE. This section is effective August 1, 2018, and applies to any referendum authorized on or after that date.

Sec. 20. Minnesota Statutes 2016, section 471.571, subdivision 3, is amended to read:

Subd. 3. **Expenditure from fund, limitation.** No expenditure for any one project in excess of 60 percent of one year's levy or \$25,000, whichever is greater, may be made from such permanent improvement or replacement fund in any year without first obtaining the approval of a majority of the voters voting at a ~~general or special~~ municipal election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year at which the question of making such expenditure has been submitted. In submitting any proposal to the voters for approval, the amount proposed to be spent and the purpose thereof shall be stated in the proposal submitted. The proceeds of such levies may be pledged for the payment of any bonds issued pursuant to law for any purposes authorized hereby and annual payments upon such bonds or interest may be made without additional authorization.

EFFECTIVE DATE. This section is effective August 1, 2018, and applies to any referendum authorized on or after that date.

Sec. 21. Minnesota Statutes 2016, section 471.572, subdivision 4, is amended to read:

Subd. 4. **Use of fund for a specific purpose.** If the city has established a reserve fund, it may submit to the voters at a ~~regular or special~~ an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year the question of whether use of the fund should be restricted to a specific improvement or type of capital improvement. If a majority of the votes cast on the question are in favor of the limitation on the use of the reserve fund, it may be used only for the purpose approved by the voters.

EFFECTIVE DATE. This section is effective August 1, 2018, and applies to any referendum authorized on or after that date.

Sec. 22. Minnesota Statutes 2017 Supplement, section 475.59, subdivision 2, is amended to read:

Subd. 2. **Election date.** An election to approve issuance of bonds under this section held by a municipality or school district must be held on a date authorized in section 205.10, subdivision 3a, or 205A.05, subdivision 1a. An election under this section held by a town may be held on the same day as the annual town meeting or on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.

EFFECTIVE DATE. This section is effective August 1, 2018, and applies to any referendum authorized on or after that date.

ARTICLE 8
MISCELLANEOUS

Section 1. **[16A.1246] NO SPENDING FOR CERTAIN RAIL PROJECTS.**

(a) Except as provided in paragraph (b), no appropriation or other state money, whether in the general or another fund, must be expended or used for any costs related to studying the feasibility of, planning for, designing, engineering, acquiring property or constructing facilities for or related to, or development or operation of intercity or interregional passenger rail facilities or operations between the city of Rochester or locations in its metropolitan area and any location in the metropolitan area, as defined in section 473.121, subdivision 2.

(b) The restrictions under this section do not apply to:

(1) funds obtained from contributions, grants, or other voluntary payments made by nongovernmental entities from private sources; or

(2) amounts specifically appropriated for a project or costs subject to paragraph (a), but only after enactment of a law that explicitly adds the project for which the expenditures are made to the statewide freight and passenger rail plan under section 174.03, subdivision 1b.

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

Sec. 2. **[16B.2965] PROPERTY LEASED FOR RAIL PROJECTS.**

(a) If a state official leases, loans, or otherwise makes available state lands, air rights, or any other state property for use in connection with passenger rail facilities, as described in section 16A.1246, the lease or other agreement must include or be secured by a security bond or equivalent guarantee that allows the state to recover any costs it incurs in connection with the rail project from a responsible third party or secure source of capital, if the passenger rail facilities are not constructed, do not go into operation, or are abandoned, whether or not the facilities began operations. The security bond or equivalent guarantee must remain in place for the term of lease, loan, or other agreement that makes state property available for use by the project. These costs include restoring state property to its original condition.

(b) For purposes of this section, "state official" includes the commissioner, the commissioner of transportation, or any other state official with authority to enter a lease or other agreement providing for use by a nonstate entity of state property.

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

Sec. 3. **[117.028] CONDEMNATION FOR CERTAIN RAIL FACILITIES PROHIBITED.**

Notwithstanding section 222.27 or any other law to the contrary, no condemning authority may take property for the development or construction of or for facilities related to intercity or interregional passenger rail facilities or operations between the city of Rochester or locations in its metropolitan area and any location in the metropolitan area, as defined in section 473.121, subdivision 2.

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

Sec. 4. Minnesota Statutes 2016, section 174.03, subdivision 1b, is amended to read:

Subd. 1b. **Statewide freight and passenger rail plan.** (a) The commissioner shall develop a comprehensive statewide freight and passenger rail plan to be included and revised as a part of the statewide multimodal transportation plan.

~~(b) Before the initial version of the plan is adopted, the commissioner shall provide a copy for review and comment to the chairs and ranking minority members of the senate and house of representatives committees with jurisdiction over transportation policy and finance. Notwithstanding paragraph (a), the commissioner may adopt the next revision of the statewide transportation plan, scheduled to be completed in calendar year 2009, prior to completion of the initial version of the comprehensive statewide freight and passenger rail plan. The statewide freight and passenger rail plan must not include prioritization, planning, or references, other than references for historical purposes, to intercity passenger rail between the city of Rochester or locations in its metropolitan area and any location in the metropolitan area, as defined in section 473.121, subdivision 2. Before February 1, 2019, the commissioner shall revise the statewide freight and passenger rail plan to meet the requirements of this paragraph.~~

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

Sec. 5. Minnesota Statutes 2016, section 197.603, subdivision 2, is amended to read:

Subd. 2. **Records; data privacy.** Pursuant to chapter 13 the county veterans service officer is the responsible authority with respect to all records in the officer's custody. The data on clients' applications for assistance is private data on individuals, as defined in section 13.02, subdivision 12. The county veterans service officer may disclose to the county assessor private data necessary to determine a client's eligibility for the disabled veteran's homestead market value exclusion under section 273.13, subdivision 34.

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

Sec. 6. **[222.271] PASSENGER RAIL PROJECTS; ENVIRONMENTAL INSURANCE REQUIRED.**

Subdivision 1. **Scope.** (a) This section applies to any person that seeks a federal or state permit or other formal legal authorization to construct or operate a passenger rail project with an estimated capital cost exceeding \$1,000,000,000.

(b) This section does not apply to a person whose only action within the scope of paragraph (a) is an application for a building permit.

Subd. 2. **Definitions.** (a) For purposes of this section, unless the context clearly indicates otherwise, the following definitions apply.

(b) "Commissioner" means the commissioner of the Pollution Control Agency.

(c) "Insurance" means a commercial insurance policy, a security bond, or an equivalent guarantee that provides assurance of the project's ability to pay claims for any liability under chapter 115B or similar provisions of common law or federal law resulting from construction or operation of the passenger rail project.

(d) "Passenger rail project" or "project" means a railroad or a line or lines of a railway located within or partly within Minnesota intended to provide passenger service, regardless of whether freight service is also provided, by a common carrier other than a federal or state government unit, a political subdivision of the state, or the National Railroad Passenger Corporation created under the Rail Passenger Service Act of 1970, Public Law 91-518.

(e) "Person" includes a corporation, limited liability company, partnership, other entity, or an individual.

Subd. 3. **Environmental insurance required.** (a) Any person subject to this section must obtain and maintain insurance that is adequate to cover potential claims and meets the other requirements of this section, as approved by the commissioner under paragraph (b). The insurance must not contain dollar limits on liability, or if it does contain a dollar limit the limit must be not less than a reasonable estimate of the potential exposure of the project for environmental remediation or impairment damages. Any dollar limit must be adjusted if the scope, size, or cost of the project increases materially. The insurance must cover any liability incurred during and after the construction and operation of the project and must not contain exclusions, limitations, or other restrictions that are not standard in comprehensive environmental remediation insurance or in environmental impairment insurance, as applicable.

(b) In order to satisfy the requirements of this section, the commissioner must determine that the insurance is adequate and that it meets the other requirements of this section. The commissioner may require that the project provide any supporting documentation to determine that insurance is adequate and meets the other requirements of this section and that the project has the financial ability to maintain insurance during the project's operations.

EFFECTIVE DATE. This section is effective for passenger rail projects for which application for a permit or other formal legal authorization to construct is made after the day following final enactment.

Sec. 7. Minnesota Statutes 2016, section 270A.03, subdivision 7, is amended to read:

Subd. 7. **Refund.** "Refund" means an individual income tax refund ~~or political contribution refund~~, pursuant to chapter 290, ~~or~~ a property tax credit or refund, pursuant to chapter 290A, or a sustainable forest payment to a claimant under chapter 290C.

For purposes of this chapter, lottery prizes, as set forth in section 349A.08, subdivision 8, and amounts granted to persons by the legislature on the recommendation of the joint senate-house of representatives Subcommittee on Claims shall be treated as refunds.

In the case of a joint property tax refund payable to spouses under chapter 290A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total income determined under section 290A.03, subdivision 3. In the case of a joint income tax refund under chapter 289A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total taxable income determined under section 290.01, subdivision 29. The commissioner shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, determine the amount of the refund belonging to that spouse and refund the amount to that spouse. For court fines, fees, and surcharges and court-ordered restitution under section 611A.04, subdivision 2, the notice provided by the commissioner of revenue under section 270A.07, subdivision 2, paragraph (b), serves as the appropriate legal notice to the spouse who does not owe the debt.

EFFECTIVE DATE. This section is effective for political contribution refund claims based on contributions made on or after July 1, 2018.

Sec. 8. Minnesota Statutes 2016, section 273.1245, subdivision 2, is amended to read:

Subd. 2. **Disclosure.** The assessor shall disclose the data described in subdivision 1 to the commissioner of revenue as provided by law. The assessor shall also disclose all or portions of the data described in subdivision 1 to:

(1) the county treasurer solely for the purpose of proceeding under the Revenue Recapture Act to recover personal property taxes owing; ~~and~~

(2) the county veterans service officer for the purpose of determining a person's eligibility for the disabled veteran's homestead market value exclusion under section 273.13, subdivision 34.

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

Sec. 9. Minnesota Statutes 2016, section 289A.50, subdivision 1, is amended to read:

Subdivision 1. **General right to refund.** (a) Subject to the requirements of this section and section 289A.40, a taxpayer who has paid a tax in excess of the taxes lawfully due and who files a written claim for refund will be refunded or credited the overpayment of the tax determined by the commissioner to be erroneously paid.

(b) The claim must specify the name of the taxpayer, the date when and the period for which the tax was paid, the kind of tax paid, the amount of the tax that the taxpayer claims was erroneously paid, the grounds on which a refund is claimed, and other information relative to the payment and in the form required by the commissioner. An income tax, estate tax, or corporate franchise tax return, or amended return claiming an overpayment constitutes a claim for refund.

(c) When, in the course of an examination, and within the time for requesting a refund, the commissioner determines that there has been an overpayment of tax, the commissioner shall refund or credit the overpayment to the taxpayer and no demand is necessary. If the overpayment exceeds \$1, the amount of the overpayment must be refunded to the taxpayer. If the amount of the overpayment is less than \$1, the commissioner is not required to refund. In these situations, the commissioner does not have to make written findings or serve notice by mail to the taxpayer.

(d) If the amount allowable as a credit for withholding, estimated taxes, or dependent care exceeds the tax against which the credit is allowable, the amount of the excess is considered an overpayment. ~~The refund allowed by section 290.06, subdivision 23, is also considered an overpayment.~~ The requirements of section 270C.33 do not apply to the refunding of such an overpayment shown on the original return filed by a taxpayer.

(e) If the entertainment tax withheld at the source exceeds by \$1 or more the taxes, penalties, and interest reported in the return of the entertainment entity or imposed by section 290.9201, the excess must be refunded to the entertainment entity. If the excess is less than \$1, the commissioner need not refund that amount.

(f) If the surety deposit required for a construction contract exceeds the liability of the out-of-state contractor, the commissioner shall refund the difference to the contractor.

(g) An action of the commissioner in refunding the amount of the overpayment does not constitute a determination of the correctness of the return of the taxpayer.

(h) There is appropriated from the general fund to the commissioner of revenue the amount necessary to pay refunds allowed under this section.

EFFECTIVE DATE. This section is effective for political contribution refund claims based on contributions made on or after July 1, 2018.

Sec. 10. Minnesota Statutes 2016, section 290.01, subdivision 6, is amended to read:

Subd. 6. **Taxpayer.** The term "taxpayer" means any person or corporation subject to a tax imposed by this chapter. ~~For purposes of section 290.06, subdivision 23, the term "taxpayer" means an individual eligible to vote in Minnesota under section 201.014.~~

EFFECTIVE DATE. This section is effective for political contribution refund claims based on contributions made on or after July 1, 2018.

Sec. 11. Minnesota Statutes 2016, section 297A.993, is amended by adding a subdivision to read:

Subd. 2a. Hennepin County. (a) Upon submission of a resolution adopted by the city board to the Hennepin County Board, Hennepin County must remit to the city 50 percent of the tax revenue collected under subdivision 1 within the boundaries of the city. The payment to the city must be made at least annually. Notwithstanding subdivision 2, the city must use the tax proceeds to plan, engineer, and construct improvements to county highways and bridges within the boundaries of the city. Two or more cities may enter into a joint powers agreement to jointly use the funds received by the cities on a project within the boundaries of the joint powers agreement's member cities. For a city located partially in Hennepin County, the city must use the tax proceeds on projects located within the portion of the city that is within Hennepin County boundaries.

(b) For purposes of this subdivision, "city" means a home rule charter or statutory city that:

(1) is located wholly or partially within Hennepin County;

(2) has a population of 60,000 or greater; and

(3) does not have within the city boundaries a current light rail transit line or a light rail transit line in planning or development.

(c) This section expires on July 1, 2038, or when the tax under subdivision 2 is terminated, whichever is earlier.

Sec. 12. Minnesota Statutes 2016, section 298.225, subdivision 1, is amended to read:

Subdivision 1. Guaranteed distribution. (a) Except as provided under paragraph (c), the distribution of the taconite production tax as provided in section 298.28, subdivisions 3 to 5, 6, paragraph (b), 7, and 8, shall equal the lesser of the following amounts:

(1) the amount distributed pursuant to this section and section 298.28, with respect to 1983 production if the production for the year prior to the distribution year is no less than 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the amount of the distributions shall be reduced proportionately at the rate of two percent for each 1,000,000 tons, or part of 1,000,000 tons by which the production is less than 42,000,000 tons; or

(2)(i) for the distributions made pursuant to section 298.28, subdivisions 4, paragraphs (b) and (c), and 6, paragraph (c), 31.2 percent of the amount distributed pursuant to this section and section 298.28, with respect to 1983 production;

(ii) for the distributions made pursuant to section 298.28, subdivision 5, paragraphs (b) and (d), 75 percent of the amount distributed pursuant to this section and section 298.28, with respect to 1983 production provided that the aid guarantee for distributions under section 298.28, subdivision 5, paragraph (b), shall be reduced by five cents per taxable ton for production years 2014 and thereafter.

(b) The distribution of the taconite production tax as provided in section 298.28, subdivision 2, shall equal the following amount:

(1) if the production for the year prior to the distribution year is at least 42,000,000 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect to 1999 production; or

(2) if the production for the year prior to the distribution year is less than 42,000,000 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect to 1999 production, reduced proportionately at the rate of two percent for each 1,000,000 tons or part of 1,000,000 tons by which the production is less than 42,000,000 tons.

(c) The distribution of the taconite production tax under section 298.28, subdivision 3, paragraph (a), guaranteed under this section is equal to the amount distributed under section 298.28, with respect to 1983 production.

EFFECTIVE DATE. This section is effective for distributions in 2019 and thereafter.

Sec. 13. Minnesota Statutes 2016, section 298.28, subdivision 3, is amended to read:

Subd. 3. **Cities; towns.** (a) 12.5 cents per taxable ton, less any amount distributed under subdivision 8, and paragraph (b), must be allocated to the taconite municipal aid account to be distributed as provided in section 298.282. The amount allocated to the taconite municipal aid account must be annually increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1.

(b) An amount must be allocated to towns or cities that is annually certified by the county auditor of a county containing a taconite tax relief area as defined in section 273.134, paragraph (b), within which there is (1) an organized township if, as of January 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron ore or (2) a city if, as of January 2, 1980, more than 75 percent of the assessed valuation of the city consists of iron ore.

(c) The amount allocated under paragraph (b) will be the portion of a township's or city's certified levy equal to the proportion of (1) the difference between 50 percent of January 2, 1982, assessed value in the case of a township and 50 percent of the January 2, 1980, assessed value in the case of a city and its current assessed value to (2) the sum of its current assessed value plus the difference determined in (1), provided that the amount distributed shall not exceed \$55 per capita in the case of a township or \$75 per capita in the case of a city. For purposes of this limitation, population will be determined according to the 1980 decennial census conducted by the United States Bureau of the Census. If the current assessed value of the township exceeds 50 percent of the township's January 2, 1982, assessed value, or if the current assessed value of the city exceeds 50 percent of the city's January 2, 1980, assessed value, this paragraph shall not apply. For purposes of this paragraph, "assessed value," when used in reference to years other than 1980 or 1982, means the appropriate net tax capacities multiplied by 10.2.

(d) In addition to other distributions under this subdivision, three cents per taxable ton for distributions in 2009 must be allocated for distribution to towns that are entirely located within the taconite tax relief area defined in section 273.134, paragraph (b). For distribution in 2010 through 2014 and for distribution in 2018 and subsequent years, the three-cent amount must be annually increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. The amount available under this paragraph will be distributed to eligible towns on a per capita basis, provided that no town may receive more than \$50,000 in any year under this paragraph. Any amount of the distribution that exceeds the \$50,000 limitation for a town under this paragraph must be redistributed on a per capita basis among the other eligible towns, to whose distributions do not exceed \$50,000.

EFFECTIVE DATE. This section is effective for distributions in 2019 and thereafter.

Sec. 14. Minnesota Statutes 2016, section 360.013, is amended by adding a subdivision to read:

Subd. 62. **Unmanned aircraft.** "Unmanned aircraft" means an aircraft, as defined in subdivision 37, that is operated without the possibility of human intervention from within or on the aircraft.

EFFECTIVE DATE. This section is effective July 1, 2018.

Sec. 15. Minnesota Statutes 2016, section 360.013, is amended by adding a subdivision to read:

Subd. 63. **Unmanned aircraft system.** "Unmanned aircraft system" means an unmanned aircraft and all of its associated elements, including components and communication links, that are required to control and operate the aircraft.

EFFECTIVE DATE. This section is effective July 1, 2018.

Sec. 16. Minnesota Statutes 2016, section 360.55, is amended by adding a subdivision to read:

Subd. 9. **Unmanned aircraft systems.** (a) Any unmanned aircraft system in which the unmanned aircraft weighs less than 55 pounds at takeoff, including payload and anything affixed to the aircraft, either:

(1) must be registered in the state for an annual fee of \$25; or

(2) is not subject to registration or an annual fee if the unmanned aircraft system is owned and operated solely for recreational purposes.

(b) An unmanned aircraft system that meets the requirements under paragraph (a) is exempt from aircraft registration tax under sections 360.511 to 360.67.

EFFECTIVE DATE. This section is effective July 1, 2018.

Sec. 17. Minnesota Statutes 2016, section 360.62, is amended to read:

360.62 TAX REFUND.

Except as provided herein the tax upon any aircraft which has been paid for any year, shall be refunded only for errors made in computing the tax or fees or for the error on the part of an owner who may in error have registered an aircraft that was not before, nor at the time of such registration, nor at any time thereafter during the tax period, subject to such tax in this state; provided that after more than 24 months after such tax was paid no refund shall be made for any tax paid on any aircraft. Refunds as provided by sections 360.511 to 360.67 shall be made in the manner provided by Laws 1947, chapter 416. The former owner of a transferred aircraft by an assignment in writing endorsed upon the former owner's registration certificate and delivered to the commissioner within the time provided herein may sell and assign to the new owner thereof the right to have the tax paid by the former owner accredited to such new owner who duly registers such aircraft. Any owner whose aircraft ~~shall be~~ is destroyed or permanently removed from the state ~~shall be~~ is entitled to a refund for the unused portion of the tax paid upon the ~~destroyed or removed aircraft so destroyed or removed from the state, such.~~ The refund to must be computed pro rata by the month, and to be equal to the monthly tax rate multiplied by the number of full calendar months remaining in the fiscal year, or multiplied by the number of full calendar months remaining in that period between January 1, 1966, to and including June 30, 1967, whichever period is applicable. An unmanned aircraft system that is destroyed or permanently removed from the state is not entitled to a tax refund under this section.

In order to secure such refund, the aircraft owner shall submit a signed statement that such aircraft has either been sold out of state or destroyed, the date of such sale or destruction, and such other information as the commissioner may require. Any false statement willfully and knowingly made in regard thereto shall be deemed a perjury and punished accordingly. No refund shall be made if application is not made within 12 months after the date the aircraft was sold out of state or destroyed.

EFFECTIVE DATE. This section is effective July 1, 2018.

Sec. 18. **[459.36] NO SPENDING OF PUBLIC MONEY FOR CERTAIN RAIL PROJECTS.**

(a) Except as provided in paragraph (b), a governmental unit must not spend or use any money for any costs related to studying the feasibility of, planning for, designing, engineering, acquiring property or constructing facilities for or related to, or development or operation of intercity or interregional passenger rail facilities or operations between the city of Rochester, or locations in its metropolitan area, and any location in the metropolitan area, as defined in section 473.121, subdivision 2.

(b) The restrictions under this section do not apply to:

(1) funds the governmental unit obtains from contributions, grants, or other voluntary payments made by nongovernmental entities from private sources;

(2) expenditures for costs of public infrastructure, including public utilities, parking facilities, a multimode transit hub, or similar projects located within the area of the development district, as defined under section 469.40, and reflected in the development plan adopted before the enactment of this section, that are intended to serve, and that are made following the completed construction and commencement of operation of privately financed and operated intercity or interregional passenger rail facilities; or

(3) expenditures made after enactment of a law that explicitly adds the intercity or interregional passenger rail project for which the expenditures are made to the statewide freight and passenger rail plan under section 174.03, subdivision 1b.

(c) For purposes of this section, "governmental unit" means any of the following, located in development regions 10 and 11, as designated under section 462.385, subdivision 1:

(1) statutory or home rule charter city;

(2) county;

(3) special taxing district, as defined in section 275.066;

(4) metropolitan planning organization; or

(5) destination medical center entity, which includes the Destination Medical Center Corporation and agency, as those terms are defined in section 469.40, and any successor or related entity.

EFFECTIVE DATE. This section is effective the day following final enactment without local approval under Minnesota Statutes, section 645.023, subdivision 1, clause (c).

Sec. 19. Minnesota Statutes 2016, section 474A.02, subdivision 22b, is amended to read:

Subd. 22b. **Public facilities project.** "Public facilities project" means any publicly owned facility, or a facility ~~owned by a nonprofit organization~~ that is used for district heating or cooling, whether publicly or privately owned, that is eligible to be financed with the proceeds of public facilities bonds as defined under section 474A.02, subdivision 23a.

Sec. 20. Laws 1986, chapter 379, section 1, subdivision 1, is amended to read:

Subdivision 1. **Liquor and food tax authorized.** (a) Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the city of St. Cloud may, by ordinance, impose a sales tax supplemental to the general sales tax imposed in Minnesota Statutes, chapter 297A, the proceeds of which shall be used in accordance with subdivision 2. The tax imposed by the city may be not more than one percent on the gross

receipts from all retail on-sales of intoxicating liquor and fermented malt beverages sold at licensed on-sale liquor establishments located within its geographic boundaries, or not more than one percent on the gross receipts from the retail sale of food and beverages not subject to the liquor tax by a restaurant or place of refreshment located within its geographic boundaries, or both. For purposes of this act, the city shall define the terms "restaurant" and "place of refreshment" by resolution. The governing body of the city may adopt an ordinance establishing a convention center taxing district. The ordinance shall describe with particularity the area within the city to be included in the district. If the city establishes a convention center taxing district, the sales taxes authorized under this subdivision may be imposed only upon the sales occurring at on-sale liquor establishments, restaurants, or other places of refreshment located within the district.

(b) Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the city of St. Cloud may, if approved by the voters at a general election, increase by ordinance the tax allowed under paragraph (a) by up to one-half of one percent. The election must be held before the governing body of the city considers the ordinance. The proceeds of the increased tax must be used for remodeling, improvements, and expansion of the Municipal Athletic Center, including making payments on any associated bonds.

EFFECTIVE DATE. This section is effective the day after the city of St. Cloud and its chief clerical officer timely comply with Minnesota Statutes, section 645.021.

Sec. 21. Laws 1986, chapter 379, section 2, subdivision 1, is amended to read:

Subdivision 1. **Additional tax authorized.** (a) Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the city of St. Cloud may, by ordinance, impose a tax at a rate not to exceed two percent in addition to the tax authorized under Laws 1979, chapter 197, on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort other than the renting or leasing of it for a continuous period of 30 days or more.

(b) Notwithstanding Minnesota Statutes, section 477A.016, the city of St. Cloud may, if approved by the voters at a general election, increase by ordinance the tax allowed under paragraph (a) by up to one percent. The election must be held before the governing body of the city considers the ordinance. The proceeds of the increased tax must be used for remodeling, improvements, and expansion of the Municipal Athletic Center, including making payments on any associated bonds.

EFFECTIVE DATE. This section is effective the day after the city of St. Cloud and its chief clerical officer timely comply with Minnesota Statutes, section 645.021.

Sec. 22. Laws 2008, chapter 366, article 5, section 26, as amended by Laws 2013, chapter 143, article 9, section 11, is amended to read:

Sec. 26. **BLOOMINGTON TAX INCREMENT FINANCING; FIVE-YEAR RULE.**

(a) The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, are increased to a ~~45~~ 20-year period for the Port Authority of the City of Bloomington's Tax Increment Financing District No. 1-I, Bloomington Central Station.

(b) Notwithstanding the provisions of Minnesota Statutes, section 469.176, or any other law to the contrary, the city of Bloomington and its port authority may extend the duration limits of the district for a period through December 31, 2039.

(c) Effective for taxes payable in 2014, tax increment for the district must be computed using the current local tax rate, notwithstanding the provisions of Minnesota Statutes, section 469.177, subdivision 1a.

(d) The requirements of Minnesota Statutes, section 469.1763, subdivision 4, relating to use of increments after the end of the time limit in Minnesota Statutes, section 469.1763, subdivision 3, do not apply to the Port Authority of the City of Bloomington's Tax Increment Financing District No. 1-I, Bloomington Central Station.

EFFECTIVE DATE. This section is effective upon timely compliance by the city of Bloomington with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

Sec. 23. Laws 2011, First Special Session chapter 7, article 4, section 10, subdivision 3, is amended to read:

Subd. 3. **Use of revenues.** (a) Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for the following projects:

(1) \$4,500,000 for construction and completion of park improvement projects, including St. Louis River riverfront improvements; Veteran's Park construction and improvements; improvements to the Hilltop Park soccer complex and Braun Park baseball complex; capital equipment and building and grounds improvements at the Pine Valley Park/Pine Valley Hockey Arena/Cloquet Area Recreation Center; and development of pedestrian trails within the city;

(2) \$5,800,00 for extension of utilities and the construction of all improvements associated with the development of property adjacent to Highway 33 and Interstate Highway 35, including payment of all debt service on bonds issued for these; and

(3) \$6,200,000 for engineering and construction of infrastructure improvements, including, ~~but not limited to~~ roads, bridges, storm sewer, sanitary sewer, and water in areas identified as part of the city's comprehensive land use plan.

(b) Authorized expenses include, but are not limited to, acquiring property and paying construction expenses related to these improvements, and paying debt service on bonds or other obligations issued to finance acquisition and construction of these improvements.

(c) Notwithstanding the revenue allocations in paragraph (a), clause (3), if the amount spent for the improvements under paragraph (a), clause (2), are less than the \$5,800,000 allowed under that clause, the total amount spent for the purpose listed in paragraph (a), clause (3), may be increased by the difference between \$5,800,000 and the amount actually spent under paragraph (a), clause (2). However, the total expenditures for projects under this subdivision may not exceed \$16,500,000, excluding any costs related to issuance of bonds under subdivision 4.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Cloquet and its chief clerical officer comply with the provisions of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 24. Laws 2017, First Special Session chapter 1, article 10, section 4, the effective date, is amended to read:

EFFECTIVE DATE; APPLICATION. This section is effective for applications and certifications made in 2018 and thereafter, except the repeal of the exclusion of land under item (iii) is effective retroactively for payments due under Minnesota Statutes, section 290C.08, beginning for payments due to be made in 2014. In order to qualify for retroactive payments, the following requirements must be met: (1) the owner of land exceeding 60,000 acres that is subject to a single conservation easement funded under Minnesota Statutes, section 97A.056 or a comparable permanent easement conveyed to a governmental or nonprofit entity, must submit an application to the

commissioner of revenue, in a form and manner and at a time acceptable to the commissioner, establishing that the affected property and its use met the requirement of Minnesota Statutes, chapter 290C, as amended by this section; (2) the owner and each county in which the land is located must certify to the commissioner that no petitions challenging the market value of the property are pending under Minnesota Statutes, chapter 278; and (3) the requirements of clauses (1) and (2) must be satisfied by October 1, 2017. No interest accrues on payment under this section for periods before November 1, 2017.

Sec. 25. **CITY OF MINNEAPOLIS; UPPER HARBOR TERMINAL REDEVELOPMENT PROJECT.**

Subdivision 1. **Qualifying rules.** Notwithstanding the criteria in Minnesota Statutes, section 469.174, subdivision 10, the governing body of the city of Minneapolis may establish by resolution one or more redevelopment tax increment financing districts within that portion of the North Washington Industrial Park Redevelopment Project Area as its boundaries existed on January 1, 2018, located north of Lowry Avenue. In each resolution, the city must find that each parcel in the district was part of property that was formerly used as a municipally owned intermodal barge shipping facility that can no longer be used for such purpose due to the closure of the Upper St. Anthony Falls Lock under the federal Water Resources Reform and Development Act of 2014. Except as provided in this section, the provisions of Minnesota Statutes, sections 469.174 to 469.1794, apply to each district created under this section.

Subd. 2. **Use of increments.** Minnesota Statutes, section 469.176, subdivision 4j, does not apply to any district established under this section.

Subd. 3. **Five-year rule.** The five-year period under Minnesota Statutes, section 469.1763, subdivision 3, is extended to ten years for any district established under this section.

Subd. 4. **Pooling authority.** Notwithstanding Minnesota Statutes, section 469.1763, subdivision 2, tax increments from any district established under this section may be expended anywhere within the portion of the project area as described in subdivision 1, on eligible costs permitted under Minnesota Statutes, sections 469.174 to 469.1794, as amended.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Minneapolis and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 26. **CITY OF CHAMPLIN; TAX INCREMENT FINANCING DISTRICT; PROJECT REQUIREMENTS.**

Subdivision 1. **Addition of parcels to district.** The governing body of the city of Champlin may elect to apply the provisions of this section to its Mississippi Crossings tax increment financing district.

Subd. 2. **Five-year rule.** The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, is extended to a ten-year period for the Mississippi Crossings tax increment financing district.

Subd. 3. **Revenues for decertification.** Minnesota Statutes, section 469.1763, subdivision 4, does not apply to the Mississippi Crossings tax increment financing district.

EFFECTIVE DATE. This section is effective upon compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 27. **REVENUE DEPARTMENT SERVICE AND RECOVERY SPECIAL REVENUE FUND.**

\$3,411,000 of the balance in the Revenue Department account in the special revenue fund under Minnesota Statutes, section 270C.15, is transferred in fiscal year 2018 to the general fund.

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

Sec. 28. **APPROPRIATION.**

\$5,000 in fiscal year 2019 only is appropriated from the general fund to the commissioner of revenue for a grant of \$2,600 to the city of Mazeppa and a grant of \$2,400 to Wabasha County. The grants, which shall be paid by July 20, 2018, may be used for property tax abatements and other costs incurred by public and private entities as a result of a fire in the city of Mazeppa on March 11, 2018. This is a onetime appropriation.

EFFECTIVE DATE. This section is effective July 1, 2018.

Sec. 29. **UNMANNED AIRCRAFT REGISTRATION TAX REFUND; APPROPRIATION.**

(a) The commissioner of transportation shall refund the tax paid for the most recent registration period on an unmanned aircraft system under Minnesota Statutes, sections 360.531 to 360.67, to a person who:

(1) registers and pays the specified fee for the unmanned aircraft system under Minnesota Statutes, section 360.55, subdivision 9, for the same registration period or an overlapping registration period; or

(2) is exempt from payment of the tax under Minnesota Statutes, sections 360.531 to 360.67, and the fee under Minnesota Statutes, section 360.55, subdivision 9, as provided under this act.

(b) An amount necessary for any refunds under paragraph (a) is appropriated in fiscal year 2018 from the state airports fund to the commissioner of transportation for the purposes of providing refunds.

EFFECTIVE DATE. This section is effective July 1, 2018.

Sec. 30. **REPEALER.**

Minnesota Statutes 2016, sections 10A.322, subdivision 4; 13.4967, subdivision 2; and 290.06, subdivision 23, and Minnesota Rules, part 4503.1400, subpart 4, are repealed.

EFFECTIVE DATE. This section is effective for contributions made on or after July 1, 2018, and refund claims filed on or after July 1, 2018.

ARTICLE 9
DEPARTMENT OF REVENUE; PROPERTY TAX;
POLICY CHANGES

Section 1. Minnesota Statutes 2016, section 162.145, subdivision 3, is amended to read:

Subd. 3. **Administration.** (a) Subject to funds made available by law, the commissioner shall allocate all funds as provided in subdivision 4 and shall ~~notify~~, by June 1, certify to the commissioner of revenue the amounts to be paid.

(b) Following ~~notification~~ certification from the commissioner of ~~transportation~~, the commissioner of revenue shall distribute the specified funds to cities in the same manner as local government aid under chapter 477A. An appropriation to the commissioner of ~~transportation~~ under this section is available to the commissioner of revenue for the purposes specified in this paragraph.

(c) Notwithstanding other law to the contrary, in order to receive distributions under this section, a city must conform to the standards in section 477A.017, subdivision 2. A city that receives funds under this section must make and preserve records necessary to show that the funds are spent in compliance with subdivision 4.

EFFECTIVE DATE. This section is effective for aids payable in 2018 and thereafter.

Sec. 2. Minnesota Statutes 2016, section 270.41, subdivision 3, is amended to read:

Subd. 3. **Assessor sanctions; refusal to license.** (a) Following a recommendation from the commissioner of revenue, the board may (i) refuse to grant or renew, or may suspend or revoke, a license of an applicant or licensee, or (ii) censure, warn, or fine any licensed assessor, or any other person employed by an assessment jurisdiction or contracting with an assessment jurisdiction for the purpose of valuing or classifying property for property tax purposes, for any of the following causes or acts:

- (1) failure to complete required training;
- (2) inefficiency or neglect of duty;
- (3) failure to comply with the Code of Conduct and Ethics for Licensed Minnesota Assessors adopted by the board pursuant to Laws 2005, First Special Session chapter 3, article 1, section 38;
- (4) conviction of a crime involving moral turpitude;
- (5) failure to faithfully and fully perform his or her duties through malfeasance, misfeasance, or nonfeasance; or
- (6) any other cause or act that in the board's opinion warrants a refusal to issue a license or the imposition of a sanction provided under this subdivision.

(b) When appropriate for the level of infraction, a written warning must be given to assessors who have no prior identified infractions. The warning must identify the infraction and, as appropriate, detail future expectations of performance and behavior. Fines must not exceed \$1,000 for the first occurrence and must not exceed \$3,000 for each occurrence thereafter, and suspensions must not exceed one year for each occurrence, depending in each case upon the severity of the infraction and the level of negligence or intent. The commissioner of revenue shall give notice to an applicant or licensee of the commissioner's recommendation that the board impose sanctions or refuse to grant or renew a license. An action by the board to impose a ~~sanction~~ fine, to suspend or revoke a license, or to refuse to grant or renew a license is subject to review in a contested case hearing under chapter 14. A licensee must submit a request for a hearing to the board within 30 days of the notice date of the commissioner's recommendation for sanctions or for refusal to grant or renew a license.

EFFECTIVE DATE. This section is effective for sanctions or refusals to grant or renew a license recommended by the commissioner of revenue after June 30, 2018.

Sec. 3. Minnesota Statutes 2017 Supplement, section 272.115, subdivision 1, is amended to read:

Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5, 6, or 7, whenever any real estate is sold for a consideration in excess of ~~\$1,000~~ \$3,000, whether by warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor, grantee or the legal agent of either shall file a certificate of value with the county auditor in the county in which the property is located when the deed or other document is presented for

recording. Contract for deeds are subject to recording under section 507.235, subdivision 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration thereof, paid or to be paid, including the amount of any lien or liens assumed. The items and value of personal property transferred with the real property must be listed and deducted from the sale price. The certificate of value shall include the classification to which the property belongs for the purpose of determining the fair market value of the property, and shall include any proposed change in use of the property known to the person filing the certificate that could change the classification of the property. The certificate shall include financing terms and conditions of the sale which are necessary to determine the actual, present value of the sale price for purposes of the sales ratio study. If the property is being acquired as part of a like-kind exchange under section 1031 of the Internal Revenue Code of 1986, as amended through December 31, 2006, that must be indicated on the certificate. The commissioner of revenue shall promulgate administrative rules specifying the financing terms and conditions which must be included on the certificate. The certificate of value must include the Social Security number or the federal employer identification number of the grantors and grantees. However, a married person who is not an owner of record and who is signing a conveyance instrument along with the person's spouse solely to release and convey their marital interest, if any, in the real property being conveyed is not a grantor for the purpose of the preceding sentence. A statement in the deed that is substantially in the following form is sufficient to allow the county auditor to accept a certificate for filing without the Social Security number of the named spouse: "(Name) claims no ownership interest in the real property being conveyed and is executing this instrument solely to release and convey a marital interest, if any, in that real property." The identification numbers of the grantors and grantees are private data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or nonpublic data may be disclosed to the commissioner of revenue for purposes of tax administration. The information required to be shown on the certificate of value is limited to the information required as of the date of the acknowledgment on the deed or other document to be recorded.

EFFECTIVE DATE. This section is effective for certificates of value filed after December 31, 2018.

Sec. 4. Minnesota Statutes 2016, section 287.21, subdivision 1, is amended to read:

Subdivision 1. **Determination of tax.** (a) A tax is imposed on each deed or instrument by which any real property in this state is granted, assigned, transferred, or otherwise conveyed. The tax applies against the net consideration. For purposes of the tax, the conversion of a corporation to a limited liability company, a limited liability company to a corporation, a partnership to a limited partnership, a limited partnership to another limited partnership or other entity, or a similar conversion of one entity to another does not grant, assign, transfer, or convey real property.

(b) The tax is determined in the following manner: (1) when transfers are made by instruments pursuant to (i) consolidations or mergers, or (ii) designated transfers, the tax is \$1.65; (2) when there is no consideration or when the consideration, exclusive of the value of any lien or encumbrance remaining thereon at the time of sale, is ~~\$500~~ \$3,000 or less, the tax is \$1.65; or (3) when the consideration, exclusive of the value of any lien or encumbrance remaining at the time of sale, exceeds ~~\$500~~ \$3,000, the tax is .0033 of the net consideration.

(c) If, within six months from the date of a designated transfer, an ownership interest in the grantee entity is transferred by an initial owner to any person or entity with the result that the designated transfer would not have been a designated transfer if made to the grantee entity with its subsequent ownership, then a tax is imposed at .0033 of the net consideration for the designated transfer. If the subsequent transfer of ownership interests was reasonably expected at the time of the designated transfer, the applicable penalty under section 287.31, subdivision 1, must be paid. The deed tax imposed under this paragraph is due within 30 days of the subsequent transfer that caused the tax to be imposed under this paragraph. Involuntary transfers of ownership shall not be considered transfers of ownership under this paragraph. The commissioner may adopt rules defining the types of transfers to be considered involuntary.

(d) The tax is due at the time a taxable deed or instrument is presented for recording, except as provided in paragraph (c). The commissioner may require the tax to be documented in a manner prescribed by the commissioner, and may require that the documentation be attached to and recorded as part of the deed or instrument. The county recorder or registrar of titles shall accept the attachment for recording as part of the deed or instrument and may not require, as a condition of recording a deed or instrument, evidence that a transfer is a designated transfer in addition to that required by the commissioner. Such an attachment shall not, however, provide actual or constructive notice of the information contained therein for purposes of determining any interest in the real property. The commissioner shall prescribe the manner in which the tax due under paragraph (c) is to be paid and may require grantees of designated transfers to file with the commissioner subsequent statements verifying that the tax provided under paragraph (c) does not apply.

EFFECTIVE DATE. This section is effective for deeds recorded after December 31, 2018.

ARTICLE 10
DEPARTMENT OF REVENUE; MISCELLANEOUS;
POLICY CHANGES

Section 1. Minnesota Statutes 2016, section 270B.08, subdivision 2, is amended to read:

Subd. 2. **Revocation or cancellation.** When a taxpayer's sales tax permit has been revoked or canceled under section 270C.722 or 297A.84, the commissioner may disclose to any person data identifying the holder of the revoked or canceled permit, ~~stating~~ the basis for the revocation or cancellation, the date of the revocation or cancellation, and ~~stating whether the~~ if a revoked or canceled permit has been reinstated, the date upon which the permit was reinstated.

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

Sec. 2. Minnesota Statutes 2016, section 297A.84, is amended to read:

297A.84 PERMITS ISSUED AND NOT ISSUED; CANCELLATION.

Subdivision 1. **Definitions.** (a) The following definitions apply for the purposes of this section.

(b) "Applicant" means an individual, corporation, or partnership. Applicant also includes any officer of a corporation or member of a partnership.

(c) "Delinquent sales tax" means tax not paid by the date the tax was due and payable under section 289A.20, subdivision 4, or an assessment not paid if the applicant has been issued an order assessing sales and use tax under section 270C.33, subdivision 4.

Subd. 2. **Permits issued.** Except as provided in subdivision 3, the commissioner shall must issue a permit to each applicant who has complied with section 297A.83, and with section 297A.92 if security is required. A person is considered to have a permit if the person has a Minnesota tax identification number issued by the commissioner that is currently active for taxes imposed by this chapter. A permit is valid until canceled or revoked. It is not assignable and is valid only for the person in whose name it is granted and for the transaction of business at the places designated on the permit.

Subd. 3. **Permits not issued.** (a) Except as provided in paragraph (b), the commissioner must not issue a permit to an applicant if the applicant is liable for delinquent sales tax.

(b) The commissioner must issue a permit to an applicant if an appeal period of an order assessing sales tax under section 270C.33, subdivision 5, has not ended. The commissioner may cancel a permit issued under this paragraph in the manner provided in subdivision 4 if the applicant owes delinquent sales tax after the appeal period has ended.

Subd. 4. **Nonconforming permits; cancellation; reissue.** (a) If the commissioner issues a permit that does not conform with the requirements of this section or applicable rules, the commissioner may cancel the permit upon notice to the permit holder. The notice must be served by first class and certified mail at the permit holder's last known address. The cancellation is effective immediately.

(b) If a permit holder shows that a canceled permit was issued in conformance with the requirements of this section and applicable rules, the commissioner must reissue the permit.

EFFECTIVE DATE. This section is effective for permit applications filed after December 31, 2018.

Sec. 3. Minnesota Statutes 2016, section 297A.85, is amended to read:

297A.85 CANCELLATION OF PERMITS.

The commissioner may cancel a permit if one of the following conditions occurs:

- (1) the permit holder has not filed a sales or use tax return for at least one year;
- (2) the permit holder has not reported any sales or use tax liability on the permit holder's returns for at least two years;
- (3) the permit holder requests cancellation of the permit; ~~or~~
- (4) the permit is subject to cancellation ~~pursuant to~~ under section 270C.722, subdivision 2, paragraph (a); ~~or~~
- (5) the permit is subject to cancellation under section 289A.84.

EFFECTIVE DATE. This section is effective for permit applications filed after December 31, 2018.

ARTICLE 11
DEPARTMENT OF REVENUE; PARTNERSHIP TAX;
POLICY CHANGES

Section 1. Minnesota Statutes 2017 Supplement, section 270C.445, subdivision 6, is amended to read:

Subd. 6. **Enforcement; administrative order; penalties; cease and desist.** (a) The commissioner may impose an administrative penalty of not more than \$1,000 per violation of subdivision 3 or 5, or section 270C.4451, provided that a penalty may not be imposed for any conduct for which a tax preparer penalty is imposed under section 289A.60, subdivision 13. The commissioner may terminate a tax preparer's authority to transmit returns electronically to the state, if the commissioner determines the tax preparer engaged in a pattern and practice of violating this section. Imposition of a penalty under this paragraph is subject to the contested case procedure under chapter 14. The commissioner shall collect the penalty in the same manner as the income tax. There is no right to make a claim for refund under section 289A.50 of the penalty imposed under this paragraph. Penalties imposed under this paragraph are public data.

(b) In addition to the penalty under paragraph (a), if the commissioner determines that a tax preparer has violated subdivision 3 or 5, or section 270C.4451, the commissioner may issue an administrative order to the tax preparer requiring the tax preparer to cease and desist from committing the violation. The administrative order may include an administrative penalty provided in paragraph (a).

(c) If the commissioner issues an administrative order under paragraph (b), the commissioner must send the order to the tax preparer addressed to the last known address of the tax preparer.

(d) A cease and desist order under paragraph (b) must:

(1) describe the act, conduct, or practice committed and include a reference to the law that the act, conduct, or practice violates; and

(2) provide notice that the tax preparer may request a hearing as provided in this subdivision.

(e) Within 30 days after the commissioner issues an administrative order under paragraph (b), the tax preparer may request a hearing to review the commissioner's action. The request for hearing must be made in writing and must be served on the commissioner at the address specified in the order. The hearing request must specifically state the reasons for seeking review of the order. The date on which a request for hearing is served by mail is the postmark date on the envelope in which the request for hearing is mailed.

(f) If a tax preparer does not timely request a hearing regarding an administrative order issued under paragraph (b), the order becomes a final order of the commissioner and is not subject to review by any court or agency.

(g) If a tax preparer timely requests a hearing regarding an administrative order issued under paragraph (b), the hearing must be commenced within ten days after the commissioner receives the request for a hearing.

(h) A hearing timely requested under paragraph (e) is subject to the contested case procedure under chapter 14, as modified by this subdivision. The administrative law judge must issue a report containing findings of fact, conclusions of law, and a recommended order within ten days after the completion of the hearing, the receipt of late-filed exhibits, or the submission of written arguments, whichever is later.

(i) Within five days of the date of the administrative law judge's report issued under paragraph (h), any party aggrieved by the administrative law judge's report may submit written exceptions and arguments to the commissioner. Within 15 days after receiving the administrative law judge's report, the commissioner must issue an order vacating, modifying, or making final the administrative order.

(j) The commissioner and the tax preparer requesting a hearing may by agreement lengthen any time periods prescribed in paragraphs (g) to (i).

(k) An administrative order issued under paragraph (b) is in effect until it is modified or vacated by the commissioner or an appellate court. The administrative hearing provided by paragraphs (e) to (i) and any appellate judicial review as provided in chapter 14 constitute the exclusive remedy for a tax preparer aggrieved by the order.

(l) The commissioner may impose an administrative penalty, in addition to the penalty under paragraph (a), up to \$5,000 per violation of a cease and desist order issued under paragraph (b). Imposition of a penalty under this paragraph is subject to the contested case procedure under chapter 14. Within 30 days after the commissioner imposes a penalty under this paragraph, the tax preparer assessed the penalty may request a hearing to review the penalty order. The request for hearing must be made in writing and must be served on the commissioner at the address specified in the order. The hearing request must specifically state the reasons for seeking review of the order. The cease and desist order issued under paragraph (b) is not subject to review in a proceeding to challenge

the penalty order under this paragraph. The date on which a request for hearing is served by mail is the postmark date on the envelope in which the request for hearing is mailed. If the tax preparer does not timely request a hearing, the penalty order becomes a final order of the commissioner and is not subject to review by any court or agency. A penalty imposed by the commissioner under this paragraph may be collected and enforced by the commissioner as an income tax liability. There is no right to make a claim for refund under section 289A.50 of the penalty imposed under this paragraph. A penalty imposed under this paragraph is public data.

(m) If a tax preparer violates a cease and desist order issued under paragraph (b), the commissioner may terminate the tax preparer's authority to transmit returns electronically to the state. Termination under this paragraph is public data.

(n) A cease and desist order issued under paragraph (b) is public data when it is a final order.

(o) Notwithstanding any other law, the commissioner may impose a penalty or take other action under this subdivision against a tax preparer, with respect to a return, within the period to assess tax on that return as provided by ~~section~~ sections 289A.38 to 289A.384.

(p) Notwithstanding any other law, the imposition of a penalty or any other action against a tax preparer under this subdivision, other than with respect to a return, must be taken by the commissioner within five years of the violation of statute.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 2. Minnesota Statutes 2017 Supplement, section 289A.31, subdivision 1, is amended to read:

Subdivision 1. **Individual income, fiduciary income, mining company, corporate franchise, and entertainment taxes.** (a) Individual income, fiduciary income, mining company, and corporate franchise taxes, and interest and penalties, must be paid by the taxpayer upon whom the tax is imposed, except in the following cases:

(1) the tax due from a decedent for that part of the taxable year in which the decedent died during which the decedent was alive and the taxes, interest, and penalty due for the prior years must be paid by the decedent's personal representative, if any. If there is no personal representative, the taxes, interest, and penalty must be paid by the transferees, as defined in section 270C.58, subdivision 3, to the extent they receive property from the decedent;

(2) the tax due from an infant or other incompetent person must be paid by the person's guardian or other person authorized or permitted by law to act for the person;

(3) the tax due from the estate of a decedent must be paid by the estate's personal representative;

(4) the tax due from a trust, including those within the definition of a corporation, as defined in section 290.01, subdivision 4, must be paid by a trustee; and

(5) the tax due from a taxpayer whose business or property is in charge of a receiver, trustee in bankruptcy, assignee, or other conservator, must be paid by the person in charge of the business or property so far as the tax is due to the income from the business or property.

(b) Entertainment taxes are the joint and several liability of the entertainer and the entertainment entity. The payor is liable to the state for the payment of the tax required to be deducted and withheld under section 290.9201, subdivision 7, and is not liable to the entertainer for the amount of the payment.

(c) The taxes imposed under sections 289A.35, paragraph (b), 289A.383, subdivision 3, and 290.0922 on partnerships are the joint and several liability of the partnership and the general partners.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 3. Minnesota Statutes 2017 Supplement, section 289A.37, subdivision 2, is amended to read:

Subd. 2. **Erroneous refunds.** (a) Except as provided in paragraph (b), an erroneous refund occurs when the commissioner issues a payment to a person that exceeds the amount the person is entitled to receive under law. An erroneous refund is considered an underpayment of tax on the date issued.

(b) To the extent that the amount paid does not exceed the amount claimed by the taxpayer, an erroneous refund does not include the following:

(1) any amount of a refund or credit paid pursuant to a claim for refund filed by a taxpayer, including but not limited to refunds of claims made under section 290.06, subdivision 23; 290.067; 290.0671; 290.0672; 290.0674; 290.0675; 290.0677; 290.068; 290.0681; or 290.0692; or chapter 290A; or

(2) any amount paid pursuant to a claim for refund of an overpayment of tax filed by a taxpayer.

(c) The commissioner may make an assessment to recover an erroneous refund at any time within two years from the issuance of the erroneous refund. If all or part of the erroneous refund was induced by fraud or misrepresentation of a material fact, the assessment may be made at any time.

(d) Assessments of amounts that are not erroneous refunds under paragraph (b) must be conducted under ~~section~~ sections 289A.38 to 289A.384.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 4. Minnesota Statutes 2016, section 289A.38, subdivision 10, is amended to read:

Subd. 10. **Incorrect determination of federal adjusted gross income.** Notwithstanding any other provision of this chapter, if a taxpayer whose net income is determined under section 290.01, subdivision 19, omits from income an amount that will under the Internal Revenue Code extend the statute of limitations for the assessment of federal income taxes, or otherwise incorrectly determines the taxpayer's federal adjusted gross income resulting in adjustments by the Internal Revenue Service, then the period of assessment and determination of tax will be that under the Internal Revenue Code. When a change is made to federal income during the extended time provided under this subdivision, the provisions under ~~subdivisions 7 to 9~~ sections 289A.381 to 289A.384 regarding additional extensions apply.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 5. **[289A.381] DEFINITIONS; PARTNERSHIPS; FEDERAL ADJUSTMENTS.**

Subdivision 1. **Definitions relating to federal adjustments.** Unless otherwise specified, the definitions in this section apply for the purposes of sections 289A.381 to 289A.385.

Subd. 2. **Administrative adjustment request.** "Administrative adjustment request" means an administrative adjustment request filed by a partnership under section 6227 of the Internal Revenue Code.

Subd. 3. **Audited partnership.** "Audited partnership" means a partnership subject to a federal adjustment resulting from a partnership-level audit.

Subd. 4. **Corporate partner.** "Corporate partner" means a partner that is subject to tax under section 290.02.

Subd. 5. **Direct partner.** "Direct partner" means a partner that holds an immediate legal ownership interest in a partnership or pass-through entity.

Subd. 6. **Exempt partner.** "Exempt partner" means a partner that is exempt from taxes on its net income under section 290.05, subdivision 1.

Subd. 7. **Federal adjustment.** "Federal adjustment" means any change in an amount calculated under the Internal Revenue Code, whether to income, gross estate, a credit, an item of preference, or any other item that is used by a taxpayer to compute a tax administered under this chapter for the reviewed year whether that change results from action by the Internal Revenue Service or other competent authority, including a partnership-level audit, or the filing of an amended federal return, federal refund claim, or an administrative adjustment request by the taxpayer.

Subd. 8. **Federal adjustments report.** "Federal adjustments report" includes a method or form prescribed by the commissioner for use by a taxpayer to report federal adjustments, including an amended Minnesota tax return or a uniform multistate report.

Subd. 9. **Federal partnership representative.** "Federal partnership representative" means the person the partnership designates for the taxable year as the partnership's representative, or the person the Internal Revenue Service has appointed to act as the partnership representative, pursuant to section 6223(a) of the Internal Revenue Code.

Subd. 10. **Final determination date.** (a) "Final determination date" means:

(1) for a federal adjustment arising from an audit by the Internal Revenue Service or other competent authority, the first day on which no federal adjustment arising from that audit remains to be finally determined, whether by agreement, or, if appealed or contested, by a final decision with respect to which all rights of appeal have been waived or exhausted;

(2) for a federal adjustment arising from the filing of an amended federal return, a federal refund claim, or the filing by a partnership of an administrative adjustment request, the day which the amended return, refund claim, or administrative adjustment request was filed; or

(3) for agreements required to be signed by the Internal Revenue Service and the taxpayer, the date on which the last party signed the agreement.

Subd. 11. **Final federal adjustment.** "Final federal adjustment" means a federal adjustment for which the final determination date for that federal adjustment has passed.

Subd. 12. **Indirect partner.** "Indirect partner" means either:

(1) a partner in a partnership or pass-through entity that itself holds an immediate legal ownership interest in another partnership or pass-through entity; or

(2) a partner in a partnership or pass-through entity that holds an indirect interest in another partnership or pass-through entity through another indirect partner.

Subd. 13. **Partner.** "Partner" means a person that holds an interest directly or indirectly in a partnership or other pass-through entity.

Subd. 14. **Partnership.** The term "partnership" has the meaning provided under section 7701(a)(2) of the Internal Revenue Code.

Subd. 15. **Partnership-level audit.** "Partnership-level audit" means an examination by the Internal Revenue Service at the partnership level pursuant to subtitle F, chapter 63, subchapter C, of the Internal Revenue Code, which results in federal adjustments including reallocation adjustments and adjustments to partnership-related items.

Subd. 16. **Pass-through entity.** "Pass-through entity" means an entity, other than a partnership, that is not subject to the tax imposed under section 290.02. The term pass-through entity includes but is not limited to S corporations, estates, and trusts other than grantor trusts.

Subd. 17. **Reallocation adjustment.** "Reallocation adjustment" means a federal adjustment, or final federal adjustment, that changes the shares of items of partnership income, gain, loss, expense, or credit allocated to partners. The term positive reallocation adjustment means reallocation adjustments that would increase state taxable income for partners, and the term negative reallocation adjustment means reallocation adjustments that would decrease state taxable income for partners.

Subd. 18. **Resident partner.** "Resident partner" means an individual partner or individual indirect partner who is a resident of Minnesota under section 290.01, subdivision 7.

Subd. 19. **Reviewed year.** "Reviewed year" means the taxable year of a partnership that is subject to a partnership-level audit from which federal adjustments arise.

Subd. 20. **Tiered partner.** "Tiered partner" means any partner that is a partnership or pass-through entity.

Subd. 21. **Unrelated business taxable income.** "Unrelated business taxable income" has the same meaning as defined in section 512 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 6. **[289A.382] REPORTING FEDERAL ADJUSTMENTS; GENERAL RULE.**

(a) Within 180 days of a final determination date, a taxpayer must file a federal adjustment report with the commissioner reporting all final federal adjustments by the Internal Revenue Service or other competent authority.

(b) Within 180 days of a final determination date, a taxpayer must file a federal adjustment report with the commissioner reporting any federal adjustments reported by the taxpayer to the Internal Revenue Service, including but not limited to:

(1) federal refund claims;

(2) a change reported on a timely filed amended federal income tax return; and

(3) a change reported on an amended return filed pursuant to section 6225(c) of the Internal Revenue Code.

(c) In the case of a final federal adjustment arising from a partnership-level audit or an administrative adjustment request filed by a partnership under section 6227 of the Internal Revenue Code, a taxpayer must report adjustments as provided for under section 289A.383, and not this section.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 7. [289A.383] REPORTING AND PAYMENT REQUIREMENTS.

Subdivision 1. State partnership representative. (a) With respect to an action required or permitted to be taken by a partnership under this section, or in a proceeding under section 270C.35 or 271.06, the state partnership representative for the reviewed year has the sole authority to act on behalf of the partnership, and its direct partners and indirect partners are bound by those actions.

(b) The state partnership representative for the reviewed year is the partnership's federal partnership representative unless the partnership, in a form and manner prescribed by the commissioner, designates another person as its state partnership representative.

Subd. 2. Reporting and payment requirements for partnerships and tiered partners. (a) Unless an audited partnership makes the election in subdivision 3, then, for all final federal adjustments the audited partnership must comply with paragraph (b) and each direct partner of the audited partnership, other than a tiered partner, must comply with paragraph (c).

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

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

(2) notify each of its direct partners of their distributive share of the adjustments;

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

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

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

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

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

Subd. 3. Election; partnership or tiered partners pay. (a) An audited partnership may make an election under this subdivision to pay its assessment at the entity level. If an audited partnership makes an election to pay its assessment at the entity level it must:

(1) no later than 90 days after the final determination date, file a completed federal adjustment report, including the residency information for all individual direct partners, and information pertaining to all other partners as prescribed by the commissioner, and notify the commissioner that it is making the election under this subdivision; and

(2) no later than 180 days after the final determination date, pay an amount, determined as follows, in lieu of taxes on partners:

(i) exclude from final federal adjustments and any positive reallocation adjustments the distributive share of these adjustments made to an exempt partner that is not unrelated business taxable income;

(ii) exclude from final federal adjustments and any positive reallocation adjustments the distributive share of these adjustments made to a partner that has filed a federal adjustment report and paid the applicable tax, as required under subdivision 2, for the distributive share of adjustments reported on a federal return under section 6225(c) of the Internal Revenue Code;

(iii) allocate at the partner level using section 290.17, subdivision 1, all final federal adjustments and positive reallocation adjustments attributable to resident direct partners for the reviewed year;

(iv) allocate and apportion at the partnership level using sections 290.17 to 290.20 all remaining final federal adjustments and positive reallocation adjustments for the reviewed year;

(v) determine the total distributive share of the allocated and apportioned final federal adjustments and positive reallocation adjustments determined in items (iii) and (iv) that are attributable to:

(A) resident direct partners;

(B) corporate partners and exempt partners; and

(C) the total distributive share amount allocated to all other partners;

(vi) for the total distributive share of net final federal adjustments plus positive reallocation adjustments attributed to corporate partners and exempt partners under item (v), subitem (B), multiply the total by the highest tax rate in section 290.06, subdivision 1, for the reviewed year, and calculate interest and penalties as applicable under this chapter;

(vii) for the total distributive share of net final federal adjustments plus positive reallocation adjustments attributable to resident direct partners, and all other partners under item (v), subitems (A) and (C), multiply the total by the highest tax rate in section 290.06, subdivision 2c, for the reviewed year, and calculate interest and penalties as applicable under this chapter; and

(viii) add the amount determined in item (vi) to the amount determined in item (vii), and pay all applicable taxes, penalties, and interest to the commissioner.

(b) An audited partnership may not make an election under this subdivision to report:

(1) a federal adjustment, including a positive reallocation adjustment, that results in unitary business income to a corporate partner required to file as a member of a combined report under section 290.17, subdivision 4; or

(2) any final federal adjustments resulting from an administrative adjustment request.

Subd. 4. Tiered partners and indirect partners. (a) Each tiered partner and each indirect partner of an audited partnership that reported final federal adjustments pursuant to subdivision 2, paragraph (b), clause (1), or this subdivision, must:

(1) within 90 days of the report comply with the filing, reporting, and payment requirements of subdivision 2, paragraph (b); or

(2) make the election under subdivision 3 as though it were the audited partnership.

(b) Each direct partner in a partnership making a report under paragraph (a) must, within 180 days of the report, comply with the filing, reporting, and payment requirements of subdivision 2, paragraph (c).

(c) Notwithstanding the interim time requirements in this subdivision and subdivisions 2 and 3, all reports and payments required to be made by the tiered and indirect partners under this section are required to be made within 90 days after the time for the filing and furnishing of statements to tiered partners and their partners as established by the Internal Revenue Service under section 6226 of the Internal Revenue Code.

Subd. 5. Effects of election by partnership or tiered partner and payment of amount due. (a) Unless the commissioner determines otherwise, the election under subdivision 3 is irrevocable.

(b) If an audited partnership or tiered partner properly reports and pays an amount determined in subdivision 3, the amount will be treated as paid in lieu of taxes owed by the partnership's direct partners and indirect partners on the same final federal adjustments. The direct partners and indirect partners of the partnership who are not resident partners may not take any deduction or credit for this amount or claim a refund of the amount in this state.

(c) Nothing in this subdivision precludes resident partners from claiming a credit against taxes paid under section 290.06, on any amounts paid by the audited partnership or tiered partners on the resident partner's behalf to another state or local tax jurisdiction.

Subd. 6. Failure of partnership or tiered partner to report or pay. Nothing in this section prevents the commissioner from assessing partners or indirect partners for taxes they owe in the event that, for any reason, a partnership or tiered partner fails to timely make any report or payment required by this section.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 8. [289A.384] ASSESSMENT OF TAX, INTEREST, PENALTIES, AND ADDITIONAL AMOUNTS.

Subdivision 1. Assessment of additional tax, interest, and penalties. The commissioner may assess additional tax, interest, and penalties following a final federal adjustment:

(1) arising from an audit by the Internal Revenue Service, including a partnership-level audit;

(2) reported by the taxpayer on an amended federal tax return; or

(3) as part of an administrative adjustment request on or before the dates provided in this section.

Subd. 2. **Timely and untimely reported federal adjustments.** If a taxpayer files a federal adjustment report, within or after the periods prescribed in section 289A.382 or 289A.383, the commissioner may assess additional Minnesota amounts related to the federal adjustments including in-lieu-of amounts, taxes, interest, and penalties at the later of:

(1) the expiration of the period of limitations in section 289A.38; or

(2) the expiration of the one-year period following the date of the filing with the commissioner of the federal adjustments report.

Subd. 3. **Unreported reported federal adjustments.** If the taxpayer fails to file a federal adjustments report, the commissioner may assess additional amounts related to the federal adjustments including in-lieu-of amounts, taxes, penalties, and interest, at the later of:

(1) the expiration of the period of limitations in section 289A.38; or

(2) the expiration of the six-year period following the final determination date.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 9. [289A.385] CLAIMS FOR REFUND OR CREDITS OF STATE TAX ARISING FROM FINAL FEDERAL ADJUSTMENTS MADE BY THE INTERNAL REVENUE SERVICE.

Notwithstanding the general period of limitations on claims for refund in section 289A.40, taxpayers subject to the reporting requirements of sections 289A.382 and 289A.383 may file claims for refund related to federal adjustments made by the Internal Revenue Service on or before the last day for the assessment of tax under section 289A.384.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 10. Minnesota Statutes 2016, section 289A.42, is amended to read:

289A.42 CONSENT TO EXTEND STATUTE.

Subdivision 1. **Extension agreement.** If before the expiration of time prescribed in sections 289A.38 to 289A.384 and 289A.40 for the assessment of tax or the filing of a claim for refund, both the commissioner and the taxpayer have consented in writing to the assessment or filing of a claim for refund after that time, the tax may be assessed or the claim for refund filed at any time before the expiration of the agreed-upon period. The period may be extended by later agreements in writing before the expiration of the period previously agreed upon. The taxpayer and the commissioner may also agree to extend the period for collection of the tax.

Subd. 2. **Federal extensions.** When a taxpayer consents to an extension of time for the assessment of federal withholding or income taxes, the period in which the commissioner may recompute the tax is also extended, notwithstanding any period of limitations to the contrary, ~~as follows:~~

(1) ~~for the periods provided in section 289A.38, subdivisions 8 and 9; 289A.384, subdivisions 2 and 3.~~

(2) ~~for six months following the expiration of the extended federal period of limitations when no change is made by the federal authority. If no change is made by the federal authority, and, but for this subdivision, the commissioner's time period to adjust the tax has expired, and if the commissioner has completed a field audit of the taxpayer, no additional changes resulting in additional tax due or a refund may be made. For purposes of this subdivision, "field audit" has the meaning given it in section 289A.38, subdivision 9.~~

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 11. Minnesota Statutes 2016, section 289A.60, subdivision 24, is amended to read:

Subd. 24. **Penalty for failure to notify of federal change.** If a person fails to report to the commissioner a change or correction of the person's federal return in the manner and time prescribed in ~~section 289A.38, subdivision 7~~ sections 289A.382 and 289A.383, there must be added to the tax an amount equal to ten percent of the amount of any underpayment of Minnesota tax attributable to the federal change.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 12. Minnesota Statutes 2017 Supplement, section 290.31, subdivision 1, is amended to read:

Subdivision 1. **Partners, not partnership, subject to tax.** Except as provided under ~~section~~ sections 289A.35, paragraph (b), ~~and 289A.383, subdivision 3,~~ a partnership as such shall not be subject to the income tax imposed by this chapter, but is subject to the tax imposed under section 290.0922. Persons carrying on business as partners shall be liable for income tax only in their separate or individual capacities.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 13. Minnesota Statutes 2016, section 297F.17, subdivision 6, is amended to read:

Subd. 6. **Time limit for bad debt refund.** Claims for refund must be filed with the commissioner during the one-year period beginning with the timely filing of the taxpayer's federal income tax return containing the bad debt deduction that is being claimed. Claimants under this subdivision are subject to the notice requirements of ~~section 289A.38, subdivision 7~~ sections 289A.382 and 289A.383.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 14. Minnesota Statutes 2016, section 297G.16, subdivision 7, is amended to read:

Subd. 7. **Time limit for a bad debt deduction.** Claims for refund must be filed with the commissioner within one year of the filing of the taxpayer's income tax return containing the bad debt deduction that is being claimed. Claimants under this subdivision are subject to the notice requirements of ~~section 289A.38, subdivision 7~~ sections 289A.38 to 289A.384.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 15. Minnesota Statutes 2016, section 469.319, subdivision 4, is amended to read:

Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under chapter 290 or 297A or local taxes collected pursuant to section 297A.99, a business must file an amended return with the commissioner of revenue and pay any taxes required to be repaid within 30 days after becoming subject to repayment under this section. The amount required to be repaid is determined by calculating the tax for the period or periods for which repayment is required without regard to the exemptions and credits allowed under section 469.315.

(b) For the repayment of taxes imposed under chapter 297B, a business must pay any taxes required to be repaid to the motor vehicle registrar, as agent for the commissioner of revenue, within 30 days after becoming subject to repayment under this section.

(c) For the repayment of property taxes, the county auditor shall prepare a tax statement for the business, applying the applicable tax extension rates for each payable year and provide a copy to the business and to the taxpayer of record. The business must pay the taxes to the county treasurer within 30 days after receipt of the tax statement. The business or the taxpayer of record may appeal the valuation and determination of the property tax to the Tax Court within 30 days after receipt of the tax statement.

(d) The provisions of chapters 270C and 289A relating to the commissioner's authority to audit, assess, and collect the tax and to hear appeals are applicable to the repayment required under paragraphs (a) and (b). The commissioner may impose civil penalties as provided in chapter 289A, and the additional tax and penalties are subject to interest at the rate provided in section 270C.40. The additional tax shall bear interest from 30 days after becoming subject to repayment under this section until the date the tax is paid. Any penalty imposed pursuant to this section shall bear interest from the date provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

(e) If a property tax is not repaid under paragraph (c), the county treasurer shall add the amount required to be repaid to the property taxes assessed against the property for payment in the year following the year in which the auditor provided the statement under paragraph (c).

(f) For determining the tax required to be repaid, a reduction of a state or local sales or use tax is deemed to have been received on the date that the good or service was purchased or first put to a taxable use. In the case of an income tax or franchise tax, including the credit payable under section 469.318, a reduction of tax is deemed to have been received for the two most recent tax years that have ended prior to the date that the business became subject to repayment under this section. In the case of a property tax, a reduction of tax is deemed to have been received for the taxes payable in the year that the business became subject to repayment under this section and for the taxes payable in the prior year.

(g) The commissioner may assess the repayment of taxes under paragraph (d) any time within two years after the business becomes subject to repayment under subdivision 1, or within any period of limitations for the assessment of tax under ~~section 289A.38~~ sections 289A.38 to 289A.384, whichever period is later. The county auditor may send the statement under paragraph (c) any time within three years after the business becomes subject to repayment under subdivision 1.

(h) A business is not entitled to any income tax or franchise tax benefits, including refundable credits, for any part of the year in which the business becomes subject to repayment under this section nor for any year thereafter. Property is not exempt from tax under section 272.02, subdivision 64, for any taxes payable in the year following the year in which the property became subject to repayment under this section nor for any year thereafter. A business is not eligible for any sales tax benefits beginning with goods or services purchased or first put to a taxable use on the day that the business becomes subject to repayment under this section.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 16. **REPEALER.**

Minnesota Statutes 2016, section 289A.38, subdivisions 7, 8, and 9, are repealed.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

ARTICLE 12

DEPARTMENT OF REVENUE; INDIVIDUAL INCOME AND
CORPORATE FRANCHISE TAXES; TECHNICAL CHANGES

Section 1. Minnesota Statutes 2016, section 289A.38, subdivision 7, is amended to read:

Subd. 7. **Federal tax changes.** (a) If the amount of income, items of tax preference, deductions, or credits for any year of a taxpayer, or the wages paid by a taxpayer for any period, as reported to the Internal Revenue Service is changed or corrected by the commissioner of Internal Revenue or other officer of the United States or other competent authority, or where a renegotiation of a contract or subcontract with the United States results in a change in income, items of tax preference, deductions, credits, or withholding tax, or, in the case of estate tax, where there are adjustments to the taxable estate, the taxpayer shall report the change or correction or renegotiation results in writing to the commissioner. The report must be submitted within 180 days after the final determination and must be in the form of either an amended Minnesota estate, withholding tax, corporate franchise tax, or income tax return conceding the accuracy of the federal determination or a letter detailing how the federal determination is incorrect or does not change the Minnesota tax. An amended Minnesota income tax return must be accompanied by an amended property tax refund return, if necessary. A taxpayer filing an amended federal tax return must also file a copy of the amended return with the commissioner of revenue within 180 days after filing the amended return.

(b) For the purposes of paragraph (a), a change or correction includes any case where a taxpayer reaches a closing agreement or compromise with the Internal Revenue Service under section 7121 or 7122 of the Internal Revenue Code.

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

Sec. 2. Minnesota Statutes 2017 Supplement, section 290.0137, is amended to read:

290.0137 ACCELERATED RECOGNITION OF CERTAIN INSTALLMENT SALE GAINS.

(a) In the case of a nonresident individual or a person who becomes a nonresident individual during the tax year, taxable net income shall include the ~~allocable~~ amount realized upon a sale of the assets of, or any interest in, an S corporation or partnership that operated in Minnesota during the year of sale, including any income or gain to be recognized in future years pursuant to an installment sale method of reporting under the Internal Revenue Code.

(1) For the purposes of this paragraph, an individual who becomes a nonresident of Minnesota in any year after an installment sale is required to recognize the full amount of any income or gain described in this paragraph on the individual's final Minnesota resident tax return to the extent that such income has not been recognized in a prior year.

(2) For the purposes of this section, "realized" has the meaning given in section 1001(b) of the Internal Revenue Code.

(3) For the purposes of this section, "installment sale" means any installment sale under section 453 of the Internal Revenue Code and any other sale that is reported utilizing a method of accounting authorized under subchapter E of the Internal Revenue Code that allows taxpayers to delay reporting or recognizing a realized gain until a future year.

~~(4) For the purposes of this section, "allocable amount" means the full amount to be apportioned to Minnesota under section 290.191 or 290.20, or the full amount to be assigned to Minnesota under section 290.17.~~

(b) Notwithstanding paragraph (a), nonresident taxpayers may elect to defer recognizing unrecognized installment sale gains by making an election under this paragraph. The election must be filed on a form to be determined or prescribed by the commissioner and must be filed by the due date of the individual income tax return, including any extension. Electing taxpayers must make an irrevocable agreement to:

(1) file Minnesota tax returns in all subsequent years when gains from the installment sales are recognized and reported to the Internal Revenue Service;

(2) allocate gains to the state of Minnesota as though the gains were realized in the year of sale under section 290.17, 290.191, or 290.20; and

(3) include all relevant federal tax documents reporting the installment sale with subsequent Minnesota tax returns.

(c) Income or gain recognized for Minnesota purposes pursuant to paragraph (a) must be excluded from taxable net income in any future year that the taxpayer files a Minnesota tax return to the extent that the income or gain has already been subject to tax pursuant to paragraph (a).

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

Sec. 3. Minnesota Statutes 2016, section 290.06, subdivision 2c, is amended to read:

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

(1) On the first \$35,480, 5.35 percent;

- (2) On all over \$35,480, but not over \$140,960, 7.05 percent;
- (3) On all over \$140,960, but not over \$250,000, 7.85 percent;
- (4) On all over \$250,000, 9.85 percent.

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

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

- (1) On the first \$24,270, 5.35 percent;
- (2) On all over \$24,270, but not over \$79,730, 7.05 percent;
- (3) On all over \$79,730, but not over \$150,000, 7.85 percent;
- (4) On all over \$150,000, 9.85 percent.

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

- (1) On the first \$29,880, 5.35 percent;
- (2) On all over \$29,880, but not over \$120,070, 7.05 percent;
- (3) On all over \$120,070, but not over \$200,000, 7.85 percent;
- (4) On all over \$200,000, 9.85 percent.

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

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

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

(i) the additions required under ~~section~~ sections 290.0131, subdivisions 2 and 6 to 11, and 290.0137, paragraph (a); and reduced by

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

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

(i) ~~the amounts specified in section~~ additions required under sections 290.0131, subdivisions 2 and 6 to 11, and 290.0137, paragraph (a); and reduced by

(ii) ~~the amounts specified in section~~ subtractions under sections 290.0132, subdivisions 2, 9, 10, 14, 15, 17, and 18, and 290.0137, paragraph (c).

EFFECTIVE DATE. The amendment to paragraph (a) is effective for taxable years beginning after December 31, 2017. The amendment to paragraph (e) is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2016, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after December 31, 2013, the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, 2012, and before January 1, 2014. The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2012" shall be substituted for the word "1992." For 2014, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the year preceding the taxable year. The commissioner shall determine the rate bracket for married filing separate returns after this adjustment is done. The rate bracket for married filing separate must be one-half of the rate bracket for married filing joint. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

No later than December 15 of each year, the commissioner shall announce the specific percentage that will be used to adjust the tax rate brackets.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 5. Minnesota Statutes 2016, section 290.92, subdivision 28, is amended to read:

Subd. 28. **Payments to horse racing license holders.** Effective with payments made after April 1, 1988, any holder of a license issued by the Minnesota Racing Commission who makes a payment for personal or professional services to a holder of a class C license issued by the commission, except an amount paid as a purse, shall deduct from the payment and withhold 6.25 percent of the amount as Minnesota withholding tax when the amount paid to that individual by the same person during the calendar year exceeds \$600. For purposes of the provisions of this section, a payment to any person which is subject to withholding under this subdivision must be treated as if the

payment was a wage paid by an employer to an employee. Every individual who is to receive a payment which is subject to withholding under this subdivision shall furnish the license holder with a statement, made under the penalties of perjury, containing the name, address, and Social Security account number of the person receiving the payment. No withholding is required if the individual presents a signed certificate from the individual's employer which states that the individual is an employee of that employer. A nonresident individual who holds a class C license must be treated as an athlete for purposes of applying the provisions of subdivision 4a and section 290.17, subdivision 2(1)(b)(ii) (a)(2)(ii).

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

Sec. 6. Minnesota Statutes 2017 Supplement, section 462D.03, subdivision 2, is amended to read:

Subd. 2. **Designation of qualified beneficiary.** (a) The account holder must designate a first-time home buyer as the qualified beneficiary of the account ~~by April 15 of the year in a form and manner prescribed by the commissioner~~ following the taxable year in which the account was established. The account holder may be the qualified beneficiary. The account holder may change the designated qualified beneficiary at any time, but no more than one qualified beneficiary may be designated for an account at any one time. For purposes of the one beneficiary restriction, a married couple qualifies as one beneficiary. Changing the designated qualified beneficiary of an account does not affect computation of the ten-year period under section 462D.06, subdivision 2.

(b) The commissioner shall establish a process for account holders to notify the state that permits recording of the account, the account holder or holders, any transfers under section 462D.04, subdivision 2, and the designated qualified beneficiary for each account. This may be done upon filing the account holder's income tax return or in any other way the commissioner determines to be appropriate.

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

ARTICLE 13

DEPARTMENT OF REVENUE; SALES AND USE TAXES; TECHNICAL CHANGES

Section 1. Minnesota Statutes 2016, section 297A.68, subdivision 17, is amended to read:

Subd. 17. **Ships used in interstate commerce; other vessels.** Repair, replacement, and rebuilding parts and materials, and lubricants, for the following are exempt:

(1) ships or vessels used or to be used principally in interstate or foreign commerce ~~are exempt; and~~

(2) vessels with a gross registered tonnage of at least 3,000 tons ~~are exempt.~~

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

Sec. 2. Minnesota Statutes 2016, section 297A.68, subdivision 44, is amended to read:

Subd. 44. **Greater Minnesota business expansions.** (a) Purchases and use of tangible personal property or taxable services by a qualified business, ~~as defined in section 116J.8738,~~ are exempt if:

(1) the commissioner of employment and economic development certifies to the commissioner of revenue, in a format approved by the commissioner of revenue, that the qualified business meets the requirements under section 116J.8738;

(2) the business subsidy agreement provides that the exemption under this subdivision applies;

~~(2)~~ (3) the property or services are primarily used or consumed at the facility in greater Minnesota identified in the business subsidy agreement; and

~~(3)~~ (4) the purchase was made and delivery received during the duration of the ~~certification of the business as a qualified business under section 116J.8738~~ business subsidy agreement.

(b) Purchase and use of construction materials and supplies used or consumed in, and equipment incorporated into, the construction of improvements to real property in greater Minnesota are exempt if the improvements after completion of construction are to be used in the conduct of the trade or business of the qualified business, ~~as defined in section 116J.8738 and the commissioner of employment and economic development certifies to the commissioner of revenue, in a format approved by the commissioner of revenue, that the qualified business meets the requirements under section 116J.8738~~. This exemption applies regardless of whether the purchases are made by the business or a contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax.

(d) The tax on purchases imposed under this subdivision must be imposed and collected as if the rate under section 297A.62 applied, and then refunded in the manner provided in section 297A.75. The total amount refunded for a facility over the certification period is limited to the amount listed in the business subsidy agreement. No more than \$7,000,000 may be refunded in a fiscal year for all purchases under this subdivision. Refunds must be allocated on a first-come, first-served basis. If more than \$7,000,000 of eligible claims are made in a fiscal year, claims by qualified businesses carry over to the next fiscal year, and the commissioner of revenue must first allocate refunds to qualified businesses eligible for a refund in the preceding fiscal year. Any portion of the balance of funds allocated for refunds under this paragraph does not cancel and shall be carried forward to and available for refunds in subsequent fiscal years. Notwithstanding section 297A.75, subdivision 4, for an eligible refund claim that carries over to a subsequent fiscal year, the interest on the amount carried over must be paid on the refund no sooner than from 90 days after July 1 of the fiscal year in which funds are available for the eligible claim.

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

Sec. 3. Minnesota Statutes 2016, section 297A.71, subdivision 45, is amended to read:

Subd. 45. **Biopharmaceutical manufacturing facility.** (a) Materials and supplies used or consumed in, capital equipment incorporated into, and privately owned infrastructure in support of the construction, improvement, or expansion of a biopharmaceutical manufacturing facility in the state are exempt if the commissioner of employment and economic development certifies to the commissioner of revenue that the following criteria are met:

(1) the facility is used for the manufacturing of biologics;

(2) the total capital investment made at the facility exceeds \$50,000,000; and

(3) the facility creates and maintains at least 190 full-time equivalent positions at the facility. These positions must be new jobs in Minnesota and not the result of relocating jobs that currently exist in Minnesota.

(b) The tax must be imposed and collected as if the rate under section 297A.62 applied, and refunded in the manner provided in section 297A.75.

(c) To be eligible for a refund, the owner of the biopharmaceutical manufacturing facility must:

(1) initially apply to the ~~Department~~ commissioner of employment and economic development for certification no later than one year from the final completion date of construction, improvement, or expansion of the facility; and

(2) for each year that the owner of the biopharmaceutical manufacturing facility applies for a refund, the ~~owner~~ commissioner must have received written certification from the ~~Department~~ commissioner of employment and economic development that the facility has met the criteria of paragraph (a).

(d) The refund is to be paid annually at a rate of 25 percent of the total allowable refund payable to date, with the commissioner making annual payments of the remaining refund until all of the refund has been paid.

(e) For purposes of this subdivision, "biopharmaceutical" and "biologics" are interchangeable and mean medical drugs or medicinal preparations produced using technology that uses biological systems, living organisms, or derivatives of living organisms to make or modify products or processes for specific use. The medical drugs or medicinal preparations include but are not limited to proteins, antibodies, nucleic acids, and vaccines.

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

Sec. 4. Minnesota Statutes 2016, section 297A.77, is amended by adding a subdivision to read:

Subd. 5. **Records must be kept.** Every person liable for any tax imposed by this chapter, or for the collection thereof, shall keep such records, render such statements, make such returns, and comply with such rules, as the commissioner may from time to time prescribe.

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

ARTICLE 14
DEPARTMENT OF REVENUE; TOBACCO TAXES;
TECHNICAL CHANGES

Section 1. Minnesota Statutes 2016, section 297F.01, subdivision 19, is amended to read:

Subd. 19. **Tobacco products.** (a) "Tobacco products" means any product containing, made, or derived from tobacco that is intended for human consumption, whether chewed, smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, or any component, part, or accessory of a tobacco product, including, but not limited to, cigars; cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking tobacco; snuff; snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing tobacco; shorts; refuse scraps, clippings, cuttings and sweepings of tobacco, and other kinds and forms of tobacco; but does not include cigarettes as defined in this section. Tobacco products includes vapor products. Tobacco products excludes any tobacco product that has been approved by the United States Food and Drug Administration for sale as a tobacco cessation product, as a tobacco dependence product, or for other medical purposes, and is being marketed and sold solely for such an approved purpose.

(b) Except for the imposition of tax under section 297F.05, subdivisions 3 and 4, tobacco products includes a premium cigar, as defined in subdivision 13a.

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

Sec. 2. Minnesota Statutes 2016, section 297F.01, is amended by adding a subdivision to read:

Subd. 22b. **Vapor products.** (a) "Vapor products" means any cartridge, bottle, or other package that contains nicotine made or derived from tobacco, that is in a solution that is consumed, or meant to be consumed, through the use of a heating element, power source, electronic circuit, or other electronic, chemical, or mechanical means that produces vapor from the nicotine. This paragraph expires December 31, 2018.

(b) Beginning January 1, 2019, "vapor products" means any cartridge, bottle, or other package that contains nicotine, including nicotine produced from sources other than tobacco, that is in a solution that is consumed, or meant to be consumed, through the use of a heating element, power source, electronic circuit, or other electronic, chemical, or mechanical means that produces vapor from the nicotine.

(c) Vapor products includes any electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device, and any batteries, heating elements, or other components, parts, or accessories sold with and meant to be used in the consumption of the nicotine solution.

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

Sec. 3. Minnesota Statutes 2016, section 297F.01, subdivision 23, is amended to read:

Subd. 23. **Wholesale sales price.** "Wholesale sales price" means the price at which a distributor purchases a tobacco product. Wholesale sales price includes the applicable federal excise tax, freight charges, or packaging costs, regardless of whether they were included in the purchase price. Wholesale sales price of a vapor product does not include the cost of a product, device, component, part, or accessory described in subdivision 22b that is sold with a nicotine solution if the distributor sells the cartridge of nicotine solution separately and can isolate the cost of the product, device, component, part, or accessory.

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

ARTICLE 15
DEPARTMENT OF REVENUE; PROPERTY TAXES;
TECHNICAL CHANGES

Section 1. Minnesota Statutes 2016, section 270C.85, subdivision 2, is amended to read:

Subd. 2. **Powers and duties.** The commissioner shall have and exercise the following powers and duties in administering the property tax laws:;

~~(a)~~ (1) confer with, advise, and give the necessary instructions and directions to local assessors and local boards of review throughout the state as to their duties under the laws of the state:;

~~(b)~~ (2) direct proceedings, actions, and prosecutions to be instituted to enforce the laws relating to the liability and punishment of public officers and officers and agents of corporations for failure or negligence to comply with the provisions of the property tax laws, and cause complaints to be made against local assessors, members of boards of equalization, members of boards of review, or any other assessing or taxing officer, to the proper authority, for their removal from office for misconduct or negligence of duty:;

~~(c)~~ (3) require county attorneys to assist in the commencement of prosecutions in actions or proceedings for removal, forfeiture, and punishment, for violation of the property tax laws in their respective districts or counties:;

~~(d)~~ (4) require town, city, county, and other public officers to report and certify information, at the parcel level or in the aggregate, as to the assessment and taxation of real and personal property, and such other information as may be needful in the work of the commissioner, ~~in such form as the commissioner may prescribe.~~ The commissioner shall prescribe the content, format, manner, and time of filing of all required reports and certifications;

~~(e)~~ (5) transmit to the governor, on or before the third Monday in December of each even-numbered year, and to each member of the legislature, on or before November 15 of each even-numbered year, the report of the department for the preceding years, showing all the taxable property subject to the property tax laws and the value of the same, in tabulated form;

~~(f)~~ (6) inquire into the methods of assessment and taxation and ascertain whether the assessors faithfully discharge their duties; and

~~(g)~~ (7) assist local assessors in determining the estimated market value of industrial special-use property. For purposes of this ~~paragraph~~ clause, "industrial special-use property" means property that:

~~(1)~~ (i) is designed and equipped for a particular type of industry;

~~(2)~~ (ii) is not easily adapted to some other use due to the unique nature of the facilities;

~~(3)~~ (iii) has facilities totaling at least 75,000 square feet in size; and

~~(4)~~ (iv) has a total estimated market value of \$10,000,000 or greater based on the assessor's preliminary determination.

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

Sec. 2. Minnesota Statutes 2017 Supplement, section 270C.89, subdivision 1, is amended to read:

Subdivision 1. **Initial report.** Each county assessor shall file ~~by April 1~~ with the commissioner a copy of ~~the abstract preliminary assessment information that the commissioner may require under section 270C.85, subdivision 2, clause (4), that will be acted upon by the local and county boards of review. The abstract must list the real and personal property in the county itemized by assessment districts.~~ The assessor of each county in the state shall file with the commissioner, within ten working days following final action of the local board of review or equalization and within five days following final action of the county board of equalization, any changes made by the local or county board. ~~The information must be filed in the manner prescribed by the commissioner.~~

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

Sec. 3. Minnesota Statutes 2016, section 270C.89, subdivision 2, is amended to read:

Subd. 2. **Final report.** The final ~~abstract of assessments~~ assessment information after adjustments by the State Board of Equalization and inclusion of any omitted property shall be ~~submitted~~ reported to the commissioner ~~on or before September 1 of each calendar year under section 270C.85, subdivision 2, clause (4). The final abstract must separately report the captured tax capacity of tax increment financing districts under section 469.177, subdivision 2, the areawide net tax capacity contribution values determined under sections 276A.05, subdivision 1, and 473F.07, subdivision 1, and the value subject to the power line credit under section 273.42.~~

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

Sec. 4. Minnesota Statutes 2016, section 270C.91, is amended to read:

270C.91 RECORD OF PROCEEDINGS CHANGING NET TAX CAPACITY; DUTIES OF COUNTY AUDITOR.

A record of all proceedings of the commissioner affecting any change in the net tax capacity of any property, as revised by the State Board of Equalization, shall be kept by the commissioner and a copy thereof, duly certified, shall be mailed each year to the auditor of each county wherein such property is situated, on or before June 30 ~~or 30 days after submission of the abstract required by section 270C.89, whichever is later.~~ This record shall specify the amounts or amount, or both, added to or deducted from the net tax capacity of the real property of each of the several towns and cities, and of the real property not in towns or cities, also the percent or amount of both, added to or deducted from the several classes of personal property in each of the towns and cities, and also the amount added to or deducted from the assessment of any person. The county auditor shall add to or deduct from such tract or lot, or portion thereof, of any real property in the county the required percent or amount, or both, on the net tax capacity thereof as it stood after equalized by the county board, adding in each case a fractional sum of 50 cents or more, and deducting in each case any fractional sum of less than 50 cents, so that no net tax capacity of any separate tract or lot shall contain any fraction of a dollar; and add to, or deduct from, the several classes of personal property in the county the required percent or amount, or both, on the net tax capacity thereof as it stood after equalized by the county board, adding or deducting in manner aforesaid any fractional sum so that no net tax capacity of any separate class of personal property shall contain a fraction of a dollar, and add to or deduct from assessment of any person, as they stood after equalization by the county board, the required amounts to agree with the assessments as returned by the commissioner.

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

Sec. 5. Minnesota Statutes 2016, section 273.061, subdivision 9, is amended to read:

Subd. 9. **Additional general duties.** Additional duties of the county assessor ~~shall be~~ are as follows:

(1) to make all assessments, based upon the appraised values reported by the local assessors or assistants and the county assessor's own knowledge of the value of the property assessed;

(2) to personally view and determine the value of any property ~~which~~ that because of its type or character may be difficult for the local assessor to appraise;

(3) to make all changes ordered by the local boards of review, relative to the net tax capacity of the property of any individual, firm or corporation after notice has been given and hearings held as provided by law;

(4) to enter all assessments in the assessment books, furnished by the county auditor, with each book and the tabular statements for each book in correct balance;

(5) to prepare all assessment cards, charts, maps and any other forms prescribed by the commissioner of revenue;

(6) to attend the meeting of the county board of equalization; to investigate and report on any assessment ordered by said board; to enter all changes made by said board in the assessment books and ~~prepare the abstract of assessments for the commissioner of revenue~~ information reported to the commissioner under section 270C.85, subdivision 2, clause (4); to enter all changes made by the State Board of Equalization in the assessment books; to deduct all exemptions authorized by law from each assessment and certify to the county auditor the taxable value of each parcel of land, as described and listed in the assessment books by the county auditor, and the taxable value of the personal property of each person, firm, or corporation assessed;

(7) to investigate and make recommendations relative to all applications for the abatement of taxes or applications for the reduction of the net tax capacity of any property; and

(8) to perform all other duties relating to the assessment of property for the purpose of taxation which may be required by the commissioner of revenue.

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

Sec. 6. Minnesota Statutes 2017 Supplement, section 273.0755, is amended to read:

273.0755 TRAINING AND EDUCATION OF PROPERTY TAX PERSONNEL.

(a) Beginning with the four-year period starting on July 1, 2000, every person licensed by the state Board of Assessors at the Accredited Minnesota Assessor level or higher, shall successfully complete a weeklong Minnesota laws course sponsored by the Department of Revenue at least once in every four-year period. An assessor need not attend the course if they successfully pass the test for the course.

(b) The commissioner of revenue may require that each county, and each city for which the city assessor performs the duties of county assessor, have ~~(i) (1)~~ (1) a person on the assessor's staff who is certified by the Department of Revenue in sales ratio calculations, ~~(ii) (2)~~ (2) an officer or employee who is certified by the Department of Revenue in tax calculations, and ~~(iii) (3)~~ (3) an officer or employee who is certified by the Department of Revenue in the proper preparation of abstracts of assessment. ~~The commissioner of revenue may require that each county have an officer or employee who is certified by the Department of Revenue in the proper preparation of abstracts of tax lists~~ information reported to the commissioner under section 270C.85, subdivision 2, clause (4). Certifications under this paragraph expire after four years.

(c) Beginning with the four-year educational licensing period starting on July 1, 2004, every Minnesota assessor licensed by the State Board of Assessors must attend and participate in a seminar that focuses on ethics, professional conduct and the need for standardized assessment practices developed and presented by the commissioner of revenue. This requirement must be met at least once in every subsequent four-year period. This requirement applies to all assessors licensed for one year or more in the four-year period.

(d) When the commissioner of revenue determines that an individual or board that performs functions related to property tax administration has performed those functions in a manner that is not uniform or equitable, the commissioner may require that the individual or members of the board complete supplemental training. The commissioner may not require that an individual complete more than 32 hours of supplemental training pursuant to this paragraph. If the individual is required to complete supplemental training due to that individual's membership on a local or county board of appeal and equalization, the commissioner may not require that the individual complete more than two hours of supplemental training.

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

Sec. 7. Minnesota Statutes 2016, section 273.113, subdivision 3, is amended to read:

Subd. 3. **Reimbursement for lost revenue.** The county auditor shall certify to the commissioner of revenue, ~~as part of the abstracts of tax lists required to be filed with the commissioner~~ under section 275.29 270C.85, subdivision 2, clause (4), the amount of tax lost to the county from the property tax credit under subdivision 2. Any prior year adjustments must also be certified ~~in the abstracts of tax lists.~~ The commissioner of revenue shall review the certifications to determine their accuracy. The commissioner may make the changes in the certification that are considered necessary or return a certification to the county auditor for corrections. The commissioner shall reimburse each taxing district, other than school districts, for the taxes lost. The payments must be made at the time

provided in section 473H.10 for payment to taxing jurisdictions in the same proportion that the ad valorem tax is distributed. Reimbursements to school districts must be made as provided in section 273.1392. The amount necessary to make the reimbursements under this section is annually appropriated from the general fund to the commissioner of revenue.

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

Sec. 8. Minnesota Statutes 2016, section 273.119, subdivision 2, is amended to read:

Subd. 2. **Reimbursement for lost revenue.** The county may transfer money from the county conservation account created in section 40A.152 to the county revenue fund to reimburse the fund for the cost of the property tax credit. The county auditor shall certify to the commissioner of revenue, ~~as part of the abstracts of tax lists required to be filed with the commissioner~~ under section ~~275.29~~ 270C.85, subdivision 2, clause (4), the amount of tax lost to the county from the property tax credit under subdivision 1 and the extent that the tax lost exceeds funds available in the county conservation account. Any prior year adjustments must also be certified ~~in the abstracts of tax lists~~. The commissioner of revenue shall review the certifications to determine their accuracy. The commissioner may make the changes in the certification that are considered necessary or return a certification to the county auditor for corrections. The commissioner shall reimburse each taxing district, other than school districts, from the Minnesota conservation fund under section 40A.151 for the taxes lost in excess of the county account. The payments must be made at the time provided in section 473H.10, subdivision 3, for payment to taxing jurisdictions in the same proportion that the ad valorem tax is distributed.

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

Sec. 9. Minnesota Statutes 2016, section 273.1231, subdivision 3, is amended to read:

Subd. 3. **Disaster or emergency area.** (a) "Disaster or emergency area" means a geographic area for which:

(1)(i) the president of the United States, the secretary of agriculture, or the administrator of the Small Business Administration has determined that a disaster exists pursuant to federal law, or

(ii) a local emergency has been declared pursuant to section 12.29; and

(2) an application by the local unit of government requesting property tax relief under this section has been received by the governor and approved by the executive council.

(b) The executive council must not approve an application unless:

(1) a completed disaster survey is included; and

(2) within the boundaries of the applicant, (i) the average damage for the buildings that are damaged is at least \$5,000, and (ii) either at least 25 taxable buildings were damaged, or the total dollar amount of damage to all taxable buildings equals or exceeds one percent of the total taxable market value of buildings for the applicant as reported to the commissioner of revenue under section ~~270C.89, subdivision 2~~ 270C.85, subdivision 2, clause (4), for the assessment in the year prior to the year of the damage.

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

Sec. 10. Minnesota Statutes 2016, section 273.136, subdivision 2, is amended to read:

Subd. 2. **Reduction amounts submitted to county.** The commissioner of revenue shall determine, not later than April 1 of each year, the amount of reduction resulting from section 273.135 in each county containing a tax relief area as defined by section 273.134, paragraph (b), basing determinations on a review of ~~abstracts of tax lists submitted by the county auditors pursuant to section 275.29~~ information reported to the commissioner under section 270C.85, subdivision 2, clause (4). The commissioner may make changes ~~in the abstracts of tax lists~~ as deemed necessary. The commissioner of revenue, after such review, shall submit to the St. Louis County auditor, on or before April 15, the amount of the first half payment payable hereunder and on or before September 15 the amount of the second half payment.

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

Sec. 11. Minnesota Statutes 2017 Supplement, section 273.1384, subdivision 2, is amended to read:

Subd. 2. **Agricultural homestead market value credit.** Property classified as agricultural homestead under section 273.13, subdivision 23, paragraph (a), is eligible for an agricultural credit. The credit is computed using the property's agricultural credit market value, defined for this purpose as the property's market value excluding the market value of the house, garage, and immediately surrounding one acre of land. The credit is equal to 0.3 percent of the first \$115,000 of the property's agricultural credit market value plus 0.1 percent of the property's agricultural credit market value in excess of \$115,000, subject to a maximum credit of \$490 for a full agricultural homestead. In the case of property that is classified as part homestead and part nonhomestead solely because not all the owners occupy or farm the property, not all the owners have qualifying relatives occupying or farming the property, or solely because not all the spouses of owners occupy the property, the credit is computed on the amount of agricultural credit market value corresponding to the percentage of homestead, and the maximum credit equals \$490 multiplied by the percentage of homestead. The percentage of homestead is equal to 100 divided by the number of owners of the property, or, in the case of a trust, the number of grantors of the trust that owns the property.

EFFECTIVE DATE. This section is effective for taxes payable in 2019 and thereafter.

Sec. 12. Minnesota Statutes 2016, section 273.1384, subdivision 3, is amended to read:

Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions allowed under subdivision 2 within the county for each taxes payable year and shall certify that amount to the commissioner of revenue ~~as a part of the abstracts of tax lists submitted by the county auditors under section 275.29~~ under section 270C.85, subdivision 2, clause (4). Any prior year adjustments shall also be certified ~~on the abstracts of tax lists.~~ The commissioner shall review the certifications for accuracy, and may make such changes as are deemed necessary, or return the certification to the county auditor for correction. The credit under this section must be used to proportionately reduce the net tax capacity-based property tax payable to each local taxing jurisdiction as provided in section 273.1393.

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

Sec. 13. Minnesota Statutes 2017 Supplement, section 273.1387, subdivision 3, is amended to read:

Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions allowed under this section within the county for each taxes payable year and shall certify that amount to the commissioner of revenue ~~as a part of the abstracts of tax lists submitted under section 275.29~~ under section 270C.85, subdivision 2, clause (4). Any prior year adjustments shall also be certified ~~on the abstracts of tax lists.~~ The commissioner shall review the

certifications for accuracy, and may make such changes as are deemed necessary, or return the certification to the county auditor for correction. The credit under this section must be used to reduce the school district net tax capacity-based property tax as provided in section 273.1393.

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

Sec. 14. Minnesota Statutes 2016, section 273.18, is amended to read:

273.18 LISTING, VALUATION, AND ASSESSMENT OF EXEMPT PROPERTY BY COUNTY AUDITORS.

(a) In every sixth year after the year 2010, the county auditor shall enter the description of each tract of real property exempt by law from taxation, with the name of the owner, and the assessor shall value and assess the same in the same manner that other real property is valued and assessed, and shall designate in each case the purpose for which the property is used.

(b) ~~For purposes of the apportionment of fire state aid under section 69.021, subdivision 7,~~ The county auditor shall include ~~on the abstract of assessment of exempt real property filed under this section~~ in the exempt property information that the commissioner may require under section 270C.85, subdivision 2, clause (4), the total number of acres of all natural resources lands for which in lieu payments are made under sections 477A.11 to 477A.14. The assessor shall estimate its market value, provided that if the assessor is not able to estimate the market value of the land on a per parcel basis, the assessor shall furnish the commissioner of revenue with an estimate of the average value per acre of this land within the county.

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

Sec. 15. Minnesota Statutes 2016, section 274.14, is amended to read:

274.14 LENGTH OF SESSION; RECORD.

The board must meet after the second Friday in June on at least one meeting day and may meet for up to ten consecutive meeting days. The actual meeting dates must be contained on the valuation notices mailed to each property owner in the county as provided in section 273.121. For this purpose, "meeting days" is defined as any day of the week excluding Sunday. At the board's discretion, "meeting days" may include Saturday. No action taken by the county board of review after June 30 is valid, except for corrections permitted in sections 273.01 and 274.01. The county auditor shall keep an accurate record of the proceedings and orders of the board. The record must be published like other proceedings of county commissioners. A copy of the published record must be sent to the commissioner of revenue, ~~with the abstract of assessment required by section 274.16~~ within five days following final action of the county board of equalization.

For counties that conduct either regular board of review meetings or open book meetings, at least one of the meeting days must include a meeting that does not end before 7:00 p.m. For counties that require taxpayer appointments for the board of review, appointments must include some available times that extend until at least 7:00 p.m. The county may have a Saturday meeting in lieu of, or in addition to, the extended meeting times under this paragraph.

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

Sec. 16. Minnesota Statutes 2016, section 274.16, is amended to read:

274.16 CORRECTED LISTS, ~~ABSTRACTS~~.

The county assessor or, in Ramsey County, the official designated by the board of county commissioners shall calculate the changes of the assessment lists determined by the county board of equalization, and make corrections accordingly, in the real or personal lists, or both, and shall make ~~duplicate abstracts~~ duplicates of them. One must be filed in the assessor's office, and one must be forwarded to the commissioner of revenue as provided in section 270C.89.

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

Sec. 17. Minnesota Statutes 2017 Supplement, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **Levy amount.** The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined in this section. The state general levy for commercial-industrial property is \$784,590,000 for taxes payable in 2018 and thereafter. The state general levy for seasonal-recreational property is \$44,190,000 for taxes payable in 2018 and thereafter. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F.

The commissioner shall increase or decrease the preliminary or final rate for a year as necessary to account for errors and tax base changes that affected a preliminary or final rate for either of the two preceding years. Adjustments are allowed to the extent that the necessary information is available to the commissioner at the time the rates for a year must be certified, and for the following reasons:

- (1) an erroneous report of taxable value by a local official;
- (2) an erroneous calculation by the commissioner; and
- (3) an increase or decrease in taxable value for commercial-industrial or seasonal residential recreational property reported ~~on the abstracts of tax lists submitted under section 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89~~ to the commissioner under section 270C.85, subdivision 2, clause (4), for the same year.

The commissioner may, but need not, make adjustments if the total difference in the tax levied for the year would be less than \$100,000.

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

Sec. 18. Minnesota Statutes 2016, section 290B.09, subdivision 1, is amended to read:

Subdivision 1. **Determination; payment.** The county auditor shall determine the total current year's deferred amount of property tax under this chapter in the county, and ~~submit report those amounts as part of the abstracts of tax lists submitted by the county auditors under section 275.29 to the commissioner under section 270C.85, subdivision 2, clause (4).~~ The commissioner may make changes ~~in the abstracts of tax lists~~ as deemed necessary. The commissioner of revenue, after such review, shall pay the deferred amount of property tax to each county treasurer on or before August 31.

The county treasurer shall distribute as part of the October settlement the funds received as if they had been collected as a part of the property tax.

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

Sec. 19. Minnesota Statutes 2016, section 469.177, subdivision 1, is amended to read:

Subdivision 1. **Original net tax capacity.** (a) Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original net tax capacity of the tax increment financing district and that portion of the district overlying any subdistrict as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original net tax capacity has increased or decreased as a result of a change in tax exempt status of property within the district and any subdistrict, reduction or enlargement of the district or changes pursuant to subdivision 4. The auditor shall certify the amount within 30 days after receipt of the request and sufficient information to identify the parcels included in the district. The certification relates to the taxes payable year as provided in subdivision 6.

(b) If the classification under section 273.13 of property located in a district changes to a classification that has a different assessment ratio, the original net tax capacity of that property must be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed.

(c) The amount to be added to the original net tax capacity of the district as a result of previously tax exempt real property within the district becoming taxable equals the net tax capacity of the real property as most recently assessed pursuant to ~~section 273.18~~ information reported to the commissioner under section 270C.85, subdivision 2, clause (4), or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If improvements are made to tax exempt property after the municipality approves the district and before the parcel becomes taxable, the assessor shall, at the request of the authority, separately assess the estimated market value of the improvements. If the property becomes taxable, the county auditor shall add to original net tax capacity, the net tax capacity of the parcel, excluding the separately assessed improvements. If substantial taxable improvements were made to a parcel after certification of the district and if the property later becomes tax exempt, in whole or part, as a result of the authority acquiring the property through foreclosure or exercise of remedies under a lease or other revenue agreement or as a result of tax forfeiture, the amount to be added to the original net tax capacity of the district as a result of the property again becoming taxable is the amount of the parcel's value that was included in original net tax capacity when the parcel was first certified. The amount to be added to the original net tax capacity of the district as a result of enlargements equals the net tax capacity of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4.

(d) If the net tax capacity of a property increases because the property no longer qualifies under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act, chapter 473H, the Rural Preserve Property Tax Program under section 273.114, or because platted, unimproved property is improved or market value is increased after approval of the plat under section 273.11, subdivision 14a or 14b, the increase in net tax capacity must be added to the original net tax capacity. If the net tax capacity of a property increases because the property no longer qualifies for the homestead market value exclusion under section 273.13, subdivision 35, the increase in net tax capacity must be added to original net tax capacity if the original construction of the affected home was completed before the date the assessor certified the original net tax capacity of the district.

(e) The amount to be subtracted from the original net tax capacity of the district as a result of previously taxable real property within the district becoming tax exempt or qualifying in whole or part for an exclusion from taxable market value, or a reduction in the geographic area of the district, shall be the amount of original net tax capacity initially attributed to the property becoming tax exempt, being excluded from taxable market value, or being removed from the district. If the net tax capacity of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original net tax capacity of

the district when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured net tax capacity of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

(f) If a parcel of property contained a substandard building or improvements described in section 469.174, subdivision 10, paragraph (e), that were demolished or removed and if the authority elects to treat the parcel as occupied by a substandard building under section 469.174, subdivision 10, paragraph (b), or by improvements under section 469.174, subdivision 10, paragraph (e), the auditor shall certify the original net tax capacity of the parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated market value of the parcel for the year in which the building or other improvements were demolished or removed, but applying the classification rates for the current year.

(g) For a redevelopment district qualifying under section 469.174, subdivision 10, paragraph (a), clause (4), as a qualified disaster area, the auditor shall certify the value of the land as the original tax capacity for any parcel in the district that contains a building that suffered substantial damage as a result of the disaster or emergency.

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

Sec. 20. **REPEALER.**

Minnesota Statutes 2016, section 275.29, is repealed.

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

ARTICLE 16
DEPARTMENT OF REVENUE; MISCELLANEOUS;
TECHNICAL CHANGES

Section 1. Minnesota Statutes 2016, section 272.02, subdivision 27, is amended to read:

Subd. 27. **Superior National Forest; recreational property for use by ~~disabled~~ veterans with a disability.** Real and personal property is exempt if it is located in the Superior National Forest, and owned or leased and operated by a nonprofit organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code and primarily used to provide recreational opportunities for ~~disabled~~ veterans with a disability and their families.

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

Sec. 2. Minnesota Statutes 2016, section 272.02, subdivision 81, is amended to read:

Subd. 81. **Certain recreational property for ~~disabled~~ veterans with a disability.** Real and personal property is exempt if it is located in a county in the metropolitan area with a population of less than 500,000 according to the 2000 federal census, and owned or leased and operated by a nonprofit organization, and primarily used to provide recreational opportunities for ~~disabled~~ veterans with a disability and their families.

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

Sec. 3. Minnesota Statutes 2016, section 273.032, is amended to read:

273.032 MARKET VALUE DEFINITION.

(a) Unless otherwise provided, for the purpose of determining any property tax levy limitation based on market value or any limit on net debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market value, any qualification to receive state aid based on market value, or any state aid amount based on market value, the terms "market value," "estimated market value," and "market valuation," whether equalized or unequalized, mean the estimated market value of taxable property within the local unit of government before any of the following or similar adjustments for:

(1) the market value exclusions under:

- (i) section 273.11, subdivisions 14a and 14c (vacant platted land);
- (ii) section 273.11, subdivision 16 (certain improvements to homestead property);
- (iii) section 273.11, subdivisions 19 and 20 (certain improvements to business properties);
- (iv) section 273.11, subdivision 21 (homestead property damaged by mold);
- (v) section 273.13, subdivision 34 (homestead of a ~~disabled~~ veteran with a disability or family caregiver); or
- (vi) section 273.13, subdivision 35 (homestead market value exclusion); or

(2) the deferment of value under:

- (i) the Minnesota Agricultural Property Tax Law, section 273.111;
- (ii) the Aggregate Resource Preservation Law, section 273.1115;
- (iii) the Minnesota Open Space Property Tax Law, section 273.112;
- (iv) the rural preserves property tax program, section 273.114; or
- (v) the Metropolitan Agricultural Preserves Act, section 473H.10; or

(3) the adjustments to tax capacity for:

- (i) tax increment financing under sections 469.174 to 469.1794;
- (ii) fiscal disparities under chapter 276A or 473F; or
- (iii) powerline credit under section 273.425.

(b) Estimated market value under paragraph (a) also includes the market value of tax-exempt property if the applicable law specifically provides that the limitation, qualification, or aid calculation includes tax-exempt property.

(c) Unless otherwise provided, "market value," "estimated market value," and "market valuation" for purposes of property tax levy limitations and calculation of state aid, refer to the estimated market value for the previous assessment year and for purposes of limits on net debt, the issuance of bonds, certificates of indebtedness, or capital notes refer to the estimated market value as last finally equalized.

(d) For purposes of a provision of a home rule charter or of any special law that is not codified in the statutes and that imposes a levy limitation based on market value or any limit on debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market value, the terms "market value," "taxable market value," and "market valuation," whether equalized or unequalized, mean "estimated market value" as defined in paragraph (a).

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

Sec. 4. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 22, is amended to read:

Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. In the case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first \$500,000 of market value of class 1a property has a net classification rate of one percent of its market value; and the market value of class 1a property that exceeds \$500,000 has a classification rate of 1.25 percent of its market value.

(b) Class 1b property includes homestead real estate or homestead manufactured homes used for the purposes of a homestead by:

(1) any person who is blind as defined in section 256D.35, or the ~~blind~~ person who is blind and the ~~blind person's~~ spouse of the person who is blind;

(2) any person who is permanently and totally disabled or by the ~~disabled~~ person with a disability and the ~~disabled person's~~ spouse of the person with a disability; or

(3) the surviving spouse of a veteran who was permanently and totally disabled ~~veteran~~ homesteading a property classified under this paragraph for taxes payable in 2008.

Property is classified and assessed under clause (2) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph, and that the property is not eligible for the valuation exclusion under subdivision 34.

Property is classified and assessed under paragraph (b) only if the commissioner of revenue or the county assessor certifies that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$50,000 market value of class 1b property has a net classification rate of .45 percent of its market value. The remaining market value of class 1b property is classified as class 1a or class 2a property, whichever is appropriate.

(c) Class 1c property is commercial use real and personal property that abuts public water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by the Department of Natural Resources, and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead

by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort even if the title to the homestead is held by the corporation, partnership, or limited liability company. For purposes of this paragraph, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. Class 1c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 1c property must provide recreational activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may remain available for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. If the same owner owns two separate parcels that are located in the same township, and one of those properties is classified as a class 1c property and the other would be eligible to be classified as a class 1c property if it was used as the homestead of the owner, both properties will be assessed as a single class 1c property; for purposes of this sentence, properties are deemed to be owned by the same owner if each of them is owned by a limited liability company, and both limited liability companies have the same membership. The portion of the property used as a homestead is class 1a property under paragraph (a). The remainder of the property is classified as follows: the first \$600,000 of market value is tier I, the next \$1,700,000 of market value is tier II, and any remaining market value is tier III. The classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes in which all or a portion of the property was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated as class 1c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located must be designated as class 3a commercial. The owner of property desiring designation as class 1c property must provide guest registers or other records demonstrating that the units for which class 1c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

(d) Class 1d property includes structures that meet all of the following criteria:

- (1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;
- (2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;
- (3) the structure meets all applicable health and safety requirements for the appropriate season; and
- (4) the structure is not salable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

The market value of class 1d property has the same classification rates as class 1a property under paragraph (a).

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

Sec. 5. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 34, is amended to read:

Subd. 34. **Homestead of ~~disabled~~ veteran with a disability or family caregiver.** (a) All or a portion of the market value of property owned by a veteran and serving as the veteran's homestead under this section is excluded in determining the property's taxable market value if the veteran has a service-connected disability of 70 percent or more as certified by the United States Department of Veterans Affairs. To qualify for exclusion under this subdivision, the veteran must have been honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers.

(b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded, except as provided in clause (2); and

(2) for a total (100 percent) and permanent disability, \$300,000 of market value is excluded.

(c) If a ~~disabled~~ veteran with a disability qualifying for a valuation exclusion under paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion shall carry over to the benefit of the veteran's spouse for the current taxes payable year and for eight additional taxes payable years or until such time as the spouse remarries, or sells, transfers, or otherwise disposes of the property, whichever comes first. Qualification under this paragraph requires an application under paragraph (h), and a spouse must notify the assessor if there is a change in the spouse's marital status, ownership of the property, or use of the property as a permanent residence.

(d) If the spouse of a member of any branch or unit of the United States armed forces who dies due to a service-connected cause while serving honorably in active service, as indicated on United States Government Form DD1300 or DD2064, holds the legal or beneficial title to a homestead and permanently resides there, the spouse is entitled to the benefit described in paragraph (b), clause (2), for eight taxes payable years, or until such time as the spouse remarries or sells, transfers, or otherwise disposes of the property, whichever comes first.

(e) If a veteran meets the disability criteria of paragraph (a) but does not own property classified as homestead in the state of Minnesota, then the homestead of the veteran's primary family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify for under paragraph (b).

(f) In the case of an agricultural homestead, only the portion of the property consisting of the house and garage and immediately surrounding one acre of land qualifies for the valuation exclusion under this subdivision.

(g) A property qualifying for a valuation exclusion under this subdivision is not eligible for the market value exclusion under subdivision 35, or classification under subdivision 22, paragraph (b).

(h) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by July 1 of the first assessment year for which the exclusion is sought. For an application received after July 1, the exclusion shall become effective for the following assessment year. Except as provided in paragraph (c), the owner of a property that has been accepted for a valuation exclusion must notify the assessor if there is a change in ownership of the property or in the use of the property as a homestead.

(i) A first-time application by a qualifying spouse for the market value exclusion under paragraph (d) must be made any time within two years of the death of the service member.

(j) For purposes of this subdivision:

(1) "active service" has the meaning given in section 190.05;

(2) "own" means that the person's name is present as an owner on the property deed;

(3) "primary family caregiver" means a person who is approved by the secretary of the United States Department of Veterans Affairs for assistance as the primary provider of personal care services for an eligible veteran under the Program of Comprehensive Assistance for Family Caregivers, codified as United States Code, title 38, section 1720G; and

(4) "veteran" has the meaning given the term in section 197.447.

(k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit under paragraph (b), clause (2), for eight taxes payable years or until the spouse remarries or sells, transfers, or otherwise disposes of the property if:

(1) the spouse files a first-time application within two years of the death of the service member or by June 1, 2019, whichever is later;

(2) upon the death of the veteran, the spouse holds the legal or beneficial title to the homestead and permanently resides there;

(3) the veteran met the honorable discharge requirements of paragraph (a); and

(4) the United States Department of Veterans Affairs certifies that:

(i) the veteran met the total (100 percent) and permanent disability requirement under paragraph (b), clause (2); or

(ii) the spouse has been awarded dependency and indemnity compensation.

(l) The purpose of this provision of law providing a level of homestead property tax relief for ~~gravely disabled~~ veterans with a disability, their primary family caregivers, and their surviving spouses is to help ease the burdens of war for those among our state's citizens who bear those burdens most heavily.

(m) By July 1, the county veterans service officer must certify the disability rating and permanent address of each veteran receiving the benefit under paragraph (b) to the assessor.

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

Sec. 6. Minnesota Statutes 2016, section 289A.08, subdivision 6, is amended to read:

Subd. 6. **Returns of married persons.** ~~A husband and wife~~ Individuals who are married to each other must file a joint Minnesota income tax return if they filed a joint federal income tax return. If the ~~husband and wife~~ spouses have elected to file separate federal income tax returns, they must file separate Minnesota income tax returns. This election to file a joint or separate return must be changed if they change their election for federal purposes. In the event taxpayers desire to change their election, the change must be done in the manner and on the form prescribed by the commissioner.

The determination of whether an individual is married shall be made under the provisions of section 7703 of the Internal Revenue Code.

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

Sec. 7. Minnesota Statutes 2016, section 289A.25, subdivision 1, is amended to read:

Subdivision 1. **Requirements to pay.** An individual, trust, S corporation, or partnership must, when prescribed in subdivision 3, paragraph (b), make payments of estimated tax. For individuals, the term "estimated tax" means the amount the taxpayer estimates is the sum of the taxes imposed by chapter 290 for the taxable year. For trusts, S corporations, and partnerships, the term estimated tax means the amount the taxpayer estimates is the sum of the taxes for the taxable year imposed by chapter 290 and the composite income tax imposed by section 289A.08, subdivision 7. If the individual is an infant or incompetent person, the payments must be made by the individual's guardian. If joint payments on estimated tax are made but a joint return is not made for the taxable year, the estimated tax for that year may be treated as the estimated tax of either ~~the husband or the wife~~ spouse or may be divided between them.

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

Sec. 8. Minnesota Statutes 2016, section 289A.31, subdivision 2, is amended to read:

Subd. 2. **Joint income tax returns.** (a) If a joint income tax return is made by ~~a husband and wife~~ spouses, the liability for the tax is joint and several. A spouse who qualifies for relief from a liability attributable to an underpayment under section 6015(b) of the Internal Revenue Code is relieved of the state income tax liability on the underpayment.

(b) In the case of individuals who were ~~a husband and wife~~ married as determined in section 7703 of the Internal Revenue Code prior to the dissolution of their marriage or their legal separation, or prior to the death of one of the individuals, for tax liabilities reported on a joint or combined return, the liability of each person is limited to the proportion of the tax due on the return that equals that person's proportion of the total tax due if ~~the husband and wife~~ each spouse filed separate returns for the taxable year. This provision is effective only when the commissioner receives written notice of the marriage dissolution, legal separation, or death of a spouse from the ~~husband or wife~~ surviving spouse. No refund may be claimed by an ex-spouse, legally separated or widowed spouse for any taxes paid more than 60 days before receipt by the commissioner of the written notice.

(c) A request for calculation of separate liability pursuant to paragraph (b) for taxes reported on a return must be made within six years after the due date of the return. For calculation of separate liability for taxes assessed by the commissioner under section 289A.35 or 289A.37, the request must be made within six years after the date of assessment. The commissioner is not required to calculate separate liability if the remaining unpaid liability for which recalculation is requested is \$100 or less.

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

Sec. 9. Minnesota Statutes 2016, section 289A.37, subdivision 6, is amended to read:

Subd. 6. **Order of assessment if joint income tax return.** If a joint income tax return is filed by ~~a husband and wife~~ spouses, an order of assessment may be a single joint notice. If the commissioner has been notified by either spouse that that spouse's address has changed and if that spouse requests it, then, instead of the single joint notice mailed to the last known address of the ~~husband and wife~~ spouses, a duplicate or original of the joint notice must be sent to the requesting spouse at the address designated by the requesting spouse. The other joint notice must be mailed to the other spouse at that spouse's last known address. An assessment is not invalid for failure to send it to a spouse if the spouse actually receives the notice in the same period as if it had been mailed to that spouse at the correct address or if the spouse has failed to provide an address to the commissioner other than the last known address.

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

Sec. 10. Minnesota Statutes 2016, section 290.0802, subdivision 2, is amended to read:

Subd. 2. **Subtraction.** (a) A qualified individual is allowed a subtraction from federal taxable income of the individual's subtraction base amount. The excess of the subtraction base amount over the taxable net income computed without regard to the subtraction for the elderly or ~~disabled~~ a person with a disability under section 290.0132, subdivision 5, may be used to reduce the amount of a lump sum distribution subject to tax under section 290.032.

(b)(1) The initial subtraction base amount equals

(i) \$12,000 for a married taxpayer filing a joint return if a spouse is a qualified individual,

(ii) \$9,600 for a single taxpayer, and

(iii) \$6,000 for a married taxpayer filing a separate federal return.

(2) The qualified individual's initial subtraction base amount, then, must be reduced by the sum of nontaxable retirement and disability benefits and one-half of the amount of adjusted gross income in excess of the following thresholds:

(i) \$18,000 for a married taxpayer filing a joint return if both spouses are qualified individuals,

(ii) \$14,500 for a single taxpayer or for a married couple filing a joint return if only one spouse is a qualified individual, and

(iii) \$9,000 for a married taxpayer filing a separate federal return.

(3) In the case of a qualified individual who is under the age of 65, the maximum amount of the subtraction base may not exceed the taxpayer's disability income.

(4) The resulting amount is the subtraction base amount.

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

Sec. 11. Minnesota Statutes 2016, section 290.0802, subdivision 3, is amended to read:

Subd. 3. **Restrictions; married couples.** Except in the case of ~~a husband and wife~~ spouses who live apart at all times during the taxable year, if the taxpayer is married at the close of the taxable year, the subtraction under subdivision 2 is allowable only if the taxpayers file joint federal and state income tax returns for the taxable year.

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

Sec. 12. Minnesota Statutes 2017 Supplement, section 290.091, subdivision 2, is amended to read:

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

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

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

- (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;
- (ii) the medical expense deduction;
- (iii) the casualty, theft, and disaster loss deduction; and
- (iv) the impairment-related work expenses of a ~~disabled~~ person with a disability;

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

(4) to the extent not included in federal alternative minimum taxable income, the amount of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue Code determined without regard to subparagraph (E);

(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.0131, subdivision 2; and

(6) the amount of addition required by section 290.0131, subdivisions 9 to 11;

less the sum of the amounts determined under the following:

- (i) interest income as defined in section 290.0132, subdivision 2;
- (ii) an overpayment of state income tax as provided by section 290.0132, subdivision 3, to the extent included in federal alternative minimum taxable income;
- (iii) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income;
- (iv) amounts subtracted from federal taxable income as provided by section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, and 26; and
- (v) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c).

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code.

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

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

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

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

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

Sec. 13. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 3, is amended to read:

Subd. 3. **Income.** (a) "Income" means the sum of the following:

(1) federal adjusted gross income as defined in the Internal Revenue Code; and

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

(i) all nontaxable income;

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

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

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, Supplemental Security Income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

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

(vii) workers' compensation;

(viii) nontaxable strike benefits;

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

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

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for the claimant and spouse;

(xii) to the extent not included in federal adjusted gross income, distributions received by the claimant or spouse from a traditional or Roth style retirement account or plan;

- (xiii) nontaxable scholarship or fellowship grants;
- (xiv) the amount of deduction allowed under section 199 of the Internal Revenue Code;
- (xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;
- (xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue Code; and
- (xvii) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code.

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

(b) "Income" does not include:

- (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;
- (2) amounts of any pension or annuity which was exclusively funded by the claimant or spouse and which funding payments were not excluded from federal adjusted gross income in the years when the payments were made;
- (3) to the extent included in federal adjusted gross income, amounts contributed by the claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed the retirement base amount reduced by the amount of contributions excluded from federal adjusted gross income, but not less than zero;
- (4) surplus food or other relief in kind supplied by a governmental agency;
- (5) relief granted under this chapter;
- (6) child support payments received under a temporary or final decree of dissolution or legal separation; or
- (7) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16.

(c) The sum of the following amounts may be subtracted from income:

- (1) for the claimant's first dependent, the exemption amount multiplied by 1.4;
- (2) for the claimant's second dependent, the exemption amount multiplied by 1.3;
- (3) for the claimant's third dependent, the exemption amount multiplied by 1.2;
- (4) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;
- (5) for the claimant's fifth dependent, the exemption amount; and
- (6) if the claimant or claimant's spouse ~~was disabled~~ had a disability or attained the age of 65 on or before December 31 of the year for which the taxes were levied or rent paid, the exemption amount.

(d) For purposes of this subdivision, the "exemption amount" means the exemption amount under section 151(d) of the Internal Revenue Code for the taxable year for which the income is reported; "retirement base amount" means the deductible amount for the taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for inflation as provided in section 219(b)(5)(C) of the Internal Revenue Code, without regard to whether the claimant or spouse claimed a deduction; and "traditional or Roth style retirement account or plan" means retirement plans under sections 401, 403, 408, 408A, and 457 of the Internal Revenue Code.

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

Sec. 14. Minnesota Statutes 2016, section 290A.03, subdivision 4, is amended to read:

Subd. 4. **Household.** "Household" means a claimant and an individual related to the claimant as ~~husband or wife~~ the claimant's spouse who are domiciled in the same homestead.

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

Sec. 15. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 8, is amended to read:

Subd. 8. **Claimant.** (a) "Claimant" means a person, other than a dependent, as defined under sections 151 and 152 of the Internal Revenue Code disregarding section 152(b)(3) of the Internal Revenue Code, who filed a claim authorized by this chapter and who was a resident of this state as provided in chapter 290 during the calendar year for which the claim for relief was filed.

(b) In the case of a claim relating to rent constituting property taxes, the claimant shall have resided in a rented or leased unit on which ad valorem taxes or payments made in lieu of ad valorem taxes, including payments of special assessments imposed in lieu of ad valorem taxes, are payable at some time during the calendar year covered by the claim.

(c) "Claimant" shall not include a resident of a nursing home, intermediate care facility, long-term residential facility, or a facility that accepts housing support payments whose rent constituting property taxes is paid pursuant to the Supplemental Security Income program under title XVI of the Social Security Act, the Minnesota supplemental aid program under sections 256D.35 to 256D.54, the medical assistance program pursuant to title XIX of the Social Security Act, or the housing support program under chapter 256I.

If only a portion of the rent constituting property taxes is paid by these programs, the resident shall be a claimant for purposes of this chapter, but the refund calculated pursuant to section 290A.04 shall be multiplied by a fraction, the numerator of which is income as defined in subdivision 3, paragraphs (a) and (b), reduced by the total amount of income from the above sources other than vendor payments under the medical assistance program and the denominator of which is income as defined in subdivision 3, paragraphs (a) and (b), plus vendor payments under the medical assistance program, to determine the allowable refund pursuant to this chapter.

(d) Notwithstanding paragraph (c), if the claimant was a resident of the nursing home, intermediate care facility, long-term residential facility, or facility for which the rent was paid for the claimant by the housing support program for only a portion of the calendar year covered by the claim, the claimant may compute rent constituting property taxes by disregarding the rent constituting property taxes from the nursing home or facility and use only that amount of rent constituting property taxes or property taxes payable relating to that portion of the year when the claimant was not in the facility. The claimant's household income is the income for the entire calendar year covered by the claim.

(e) In the case of a claim for rent constituting property taxes of a part-year Minnesota resident, the income and rental reflected in this computation shall be for the period of Minnesota residency only. Any rental expenses paid which may be reflected in arriving at federal adjusted gross income cannot be utilized for this computation. When two individuals of a household are able to meet the qualifications for a claimant, they may determine among them as to who the claimant shall be. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. If a homestead property owner was a part-year Minnesota resident, the income reflected in the computation made pursuant to section 290A.04 shall be for the entire calendar year, including income not assignable to Minnesota.

(f) If a homestead is occupied by two or more renters, who are not ~~husband and wife~~ married to each other, the rent shall be deemed to be paid equally by each, and separate claims shall be filed by each. The income of each shall be each renter's household income for purposes of computing the amount of credit to be allowed.

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

Sec. 16. Minnesota Statutes 2016, section 290A.05, is amended to read:

290A.05 COMBINED HOUSEHOLD INCOME.

If a person occupies a homestead with another person ~~or persons~~ not related to the person as ~~husband and wife~~ the person's spouse, excluding dependents, roomers or boarders on contract, and has property tax payable with respect to the homestead, the household income of the claimant or claimants for the purpose of computing the refund allowed by section 290A.04 shall include the total income received by the other persons residing in the homestead. For purposes of this section, "dependent" includes a parent of the claimant or spouse who lives in the claimant's homestead and does not have an ownership interest in the homestead. If a person occupies a homestead with another person or persons not related to the person as ~~husband and wife~~ the person's spouse or as dependents, the property tax payable or rent constituting property tax shall be reduced as follows.

If the other person or persons are residing at the homestead under rental or lease agreement, the amount of property tax payable or rent constituting property tax shall be that portion not covered by the rental agreement.

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

Sec. 17. Minnesota Statutes 2016, section 290A.08, is amended to read:

290A.08 ONE CLAIMANT PER HOUSEHOLD.

Only one claimant per household per year is entitled to relief under this chapter. Payment of the claim for relief may be made payable to the ~~husband and wife~~ spouses as one claimant. The commissioner, upon written request, may issue separate checks, to the ~~husband and wife~~ spouses for one-half of the relief provided the original check has not been issued or has been returned. Individuals related as ~~husband and wife~~ spouses who were married during the year may elect to file a joint claim which shall include each spouse's income, rent constituting property taxes, and property taxes payable. ~~Husbands and wives~~ Spouses who were married for the entire year and were domiciled in the same household for the entire year must file a joint claim. The maximum dollar amount allowable for a joint claim shall not exceed the amount that one person could receive.

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

Sec. 18. Minnesota Statutes 2016, section 290A.09, is amended to read:

290A.09 PROOF OF CLAIM.

Every claimant shall supply to the commissioner of revenue, in support of the claim, proof of eligibility under this chapter, including but not limited to amount of rent paid or property taxes accrued, name and address of owner or managing agent of property rented, changes in homestead, household membership, household income, size and nature of property claimed as a homestead.

~~Disabled~~ Persons with a disability filing claims shall submit proof of disability in the form and manner as the commissioner may prescribe. The department may require examination and certification by the claimant's physician or by a physician designated by the commissioner. The cost of any examination shall be borne by the claimant, unless the examination proves the disability, in which case the cost of the examination shall be borne by the commissioner.

A determination of disability of a claimant by the Social Security Administration under Title II or Title XVI of the Social Security Act shall constitute presumptive proof of disability.

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

Sec. 19. Minnesota Statutes 2016, section 297A.61, subdivision 18, is amended to read:

Subd. 18. **Disabled Person with a disability.** "~~Disabled~~ Person with a disability" means an individual who has a permanent and total disability as defined in section 273.13, subdivision 22.

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

Sec. 20. Minnesota Statutes 2017 Supplement, section 297A.67, subdivision 6, is amended to read:

Subd. 6. **Other exempt meals.** (a) Prepared food, candy, and soft drinks purchased for and served exclusively to individuals who are 60 years of age or over and their spouses or to ~~disabled~~ persons with a disability and their spouses by governmental agencies, nonprofit organizations, or churches, or pursuant to any program funded in whole or in part through United States Code, title 42, sections 3001 through 3045, wherever delivered, prepared, or served, are exempt. Taxable food sold through vending machines is not exempt.

(b) Prepared food, candy, and soft drinks purchased for and served exclusively to children who are less than 14 years of age or ~~disabled~~ children with a disability who are less than 16 years of age and who are attending a child care or early childhood education program, are exempt if they are:

(1) purchased by a nonprofit child care facility that is exempt under section 297A.70, subdivision 4, and that primarily serves families with income of 250 percent or less of federal poverty guidelines; and

(2) prepared at the site of the child care facility.

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

Sec. 21. Minnesota Statutes 2016, section 297A.67, subdivision 12, is amended to read:

Subd. 12. **Parts and accessories used to make a motor vehicle ~~disabled~~ accessible to a person with a disability.** Parts, accessories, and labor charges that are used solely to modify a motor vehicle to make it ~~disabled~~ accessible to persons with a disability are exempt.

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

Sec. 22. Minnesota Statutes 2016, section 297A.70, subdivision 3, is amended to read:

Subd. 3. **Sales of certain goods and services to government.** (a) The following sales to or use by the specified governments and political subdivisions of the state are exempt:

(1) repair and replacement parts for emergency rescue vehicles, fire trucks, and fire apparatus to a political subdivision;

(2) machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10;

(3) chore and homemaking services to a political subdivision of the state to be provided to elderly individuals or ~~disabled individuals~~ persons with a disability;

(4) telephone services to the Office of MN.IT Services that are used to provide telecommunications services through the MN.IT services revolving fund;

(5) firefighter personal protective equipment as defined in paragraph (b), if purchased or authorized by and for the use of an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or a political subdivision;

(6) bullet-resistant body armor that provides the wearer with ballistic and trauma protection, if purchased by a law enforcement agency of the state or a political subdivision of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

(7) motor vehicles purchased or leased by political subdivisions of the state if the vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b), exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax under section 297B.03, clause (12);

(8) equipment designed to process, dewater, and recycle biosolids for wastewater treatment facilities of political subdivisions, and materials incidental to installation of that equipment;

(9) the removal of trees, bushes, or shrubs for the construction and maintenance of roads, trails, or firebreaks when purchased by an agency of the state or a political subdivision of the state;

(10) purchases by the Metropolitan Council or the Department of Transportation of vehicles and repair parts to equip operations provided for in section 174.90, including, but not limited to, the Northstar Corridor Rail project; and

(11) purchases of water used directly in providing public safety services by an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or a political subdivision.

(b) For purposes of this subdivision, "firefighters personal protective equipment" means helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls; goggles; self-contained breathing apparatus; canister filter masks; personal alert safety systems; spanner belts; optical or thermal imaging search devices; and all safety equipment required by the Occupational Safety and Health Administration.

(c) For purchases of items listed in paragraph (a), clause (10), the tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

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

Sec. 23. Minnesota Statutes 2017 Supplement, section 297A.70, subdivision 4, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 24. Minnesota Statutes 2016, section 297A.70, subdivision 16, is amended to read:

Subd. 16. **Camp fees.** Fees to camps or other recreation facilities are exempt for:

- (1) services primarily for children, adults accompanying children, or persons with ~~disabilities~~ a disability; or
- (2) educational or religious activities;

~~and~~ if the camp or facilities are owned and operated by an exempt organization under section 501(c)(3) of the Internal Revenue Code.

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

Sec. 25. Minnesota Statutes 2016, section 297A.71, subdivision 22, is amended to read:

Subd. 22. **Materials used to make residential property ~~disabled~~ accessible to persons with a disability.** Building materials and equipment sold to, or stored, used, or consumed by, a nonprofit organization are exempt if:

- (1) the materials and equipment are used or incorporated into modifying an existing residential structure to make it ~~disabled~~ accessible to persons with a disability; and
- (2) the materials and equipment used in the modification would qualify for an exemption under either subdivision 11 or 12 if made by the current owner of the residence.

For purposes of this subdivision, "nonprofit organization" means any nonprofit corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, educational, or civic purposes; or a veterans' group exempt from federal taxation under section 501(c), clause (19), of the Internal Revenue Code.

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

Sec. 26. Minnesota Statutes 2017 Supplement, section 297A.75, subdivision 1, is amended to read:

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

- (1) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;
- (2) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;
- (3) building materials for correctional facilities under section 297A.71, subdivision 3;
- (4) building materials used in a residence for ~~disabled~~ veterans with a disability exempt under section 297A.71, subdivision 11;
- (5) elevators and building materials exempt under section 297A.71, subdivision 12;

- (6) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;
- (7) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;
- (8) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37;
- (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph (a), clause (10);
- (10) materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivision 40;
- (11) materials, supplies, and equipment for construction, improvement, or expansion of:
 - (i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 42;
 - (ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision 45;
 - (iii) a research and development facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 46; and
 - (iv) an industrial measurement manufacturing and controls facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 47;
- (12) enterprise information technology equipment and computer software for use in a qualified data center exempt under section 297A.68, subdivision 42;
- (13) materials, supplies, and equipment for qualifying capital projects under section 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);
- (14) items purchased for use in providing critical access dental services exempt under section 297A.70, subdivision 7, paragraph (c);
- (15) items and services purchased under a business subsidy agreement for use or consumption primarily in greater Minnesota exempt under section 297A.68, subdivision 44;
- (16) building materials, equipment, and supplies for constructing or replacing real property exempt under section 297A.71, subdivision 49; and
- (17) building materials, equipment, and supplies for constructing or replacing real property exempt under section 297A.71, subdivision 50, paragraph (b).

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

Sec. 27. Minnesota Statutes 2016, section 297B.01, subdivision 14, is amended to read:

Subd. 14. **Purchase price.** (a) "Purchase price" means the total consideration valued in money for a sale, whether paid in money or otherwise. The purchase price excludes the amount of a manufacturer's rebate paid or payable to the purchaser. If a motor vehicle is taken in trade as a credit or as part payment on a motor vehicle taxable under this chapter, the credit or trade-in value allowed by the person selling the motor vehicle shall be

deducted from the total selling price to establish the purchase price of the vehicle being sold and the trade-in allowance allowed by the seller shall constitute the purchase price of the motor vehicle accepted as a trade-in. The purchase price in those instances where the motor vehicle is acquired by gift or by any other transfer for a nominal or no monetary consideration shall also include the average value of similar motor vehicles, established by standards and guides as determined by the motor vehicle registrar. The purchase price in those instances where a motor vehicle is manufactured by a person who registers it under the laws of this state shall mean the manufactured cost of such motor vehicle and manufactured cost shall mean the amount expended for materials, labor, and other properly allocable costs of manufacture, except that in the absence of actual expenditures for the manufacture of a part or all of the motor vehicle, manufactured costs shall mean the reasonable value of the completed motor vehicle.

(b) The term "purchase price" shall not include the portion of the value of a motor vehicle due solely to modifications necessary to make the motor vehicle ~~disability~~ accessible to persons with a disability.

(c) The term "purchase price" shall not include the transfer of a motor vehicle by way of gift between ~~a husband and wife~~ spouses or parent and child, or to a nonprofit organization as provided under subdivision 16, paragraph (c), clause (6), nor shall it include the transfer of a motor vehicle by a guardian to a ward when there is no monetary consideration and the title to such vehicle was registered in the name of the guardian, as guardian, only because the ward was a minor.

(d) The term "purchase price" shall not include the transfer of a motor vehicle as a gift between a foster parent and foster child. For purposes of this subdivision, a foster relationship exists, regardless of the age of the child, if (1) a foster parent's home is or was licensed as a foster family home under Minnesota Rules, parts 2960.3000 to 2960.3340, and (2) the county verifies that the child was a state ward or in permanent foster care.

(e) There shall not be included in "purchase price" the amount of any tax imposed by the United States upon or with respect to retail sales whether imposed upon the retailer or the consumer.

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

Sec. 28. Minnesota Statutes 2017 Supplement, section 297B.01, subdivision 16, is amended to read:

Subd. 16. **Sale, sells, selling, purchase, purchased, or acquired.** (a) "Sale," "sells," "selling," "purchase," "purchased," or "acquired" means any transfer of title of any motor vehicle, whether absolutely or conditionally, for a consideration in money or by exchange or barter for any purpose other than resale in the regular course of business.

(b) Any motor vehicle utilized by the owner only by leasing such vehicle to others or by holding it in an effort to so lease it, and which is put to no other use by the owner other than resale after such lease or effort to lease, shall be considered property purchased for resale.

(c) The terms also shall include any transfer of title or ownership of a motor vehicle by other means, for or without consideration, except that these terms shall not include:

(1) the acquisition of a motor vehicle by inheritance from or by bequest of, or transfer-on-death of title by, a decedent who owned it;

(2) the transfer of a motor vehicle which was previously licensed in the names of two or more joint tenants and subsequently transferred without monetary consideration to one or more of the joint tenants;

(3) the transfer of a motor vehicle by way of gift from a limited used vehicle dealer licensed under section 168.27, subdivision 4a, to an individual, when the transfer is with no monetary or other consideration or expectation of consideration and the parties to the transfer submit an affidavit to that effect at the time the title transfer is recorded;

(4) the transfer of a motor vehicle by gift between:

(i) spouses;

(ii) parents and a child; or

(iii) grandparents and a grandchild;

(5) the voluntary or involuntary transfer of a motor vehicle between ~~a husband and wife~~ spouses in a divorce proceeding; or

(6) the transfer of a motor vehicle by way of a gift to an organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code when the motor vehicle will be used exclusively for religious, charitable, or educational purposes.

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

Sec. 29. Laws 2017, First Special Session chapter 1, article 8, section 3, the effective date, is amended to read:

EFFECTIVE DATE. This section is effective for (1) petitions and appeals filed after June 30, 2017, for which notices of entry of order are mailed before July 1, 2018, and (2) notices of entry of order mailed after June 30, 2018.

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

Delete the title and insert:

"A bill for an act relating to taxation; making changes to conform with certain federal tax law changes; adopting federal adjusted gross income as the starting point for calculating individual income tax; making policy and technical changes to various tax-related provisions including provisions related to the individual income tax, corporate franchise tax, estate tax, sales and use tax, gross revenues tax, gross receipts tax, property tax, partnership tax, tobacco tax, minerals tax, and other miscellaneous tax provisions; making changes to the property tax refund program; providing for registration and taxation of unmanned aircraft; modifying provisions related to local government aid and credits; modifying referendum dates; appropriating money; amending Minnesota Statutes 2016, sections 116J.8737, subdivisions 5, 12; 123A.455, subdivision 1; 126C.01, subdivision 3; 162.145, subdivision 3; 174.03, subdivision 1b; 197.603, subdivision 2; 216B.36; 237.19; 270.12, subdivisions 2, 3; 270.41, subdivision 3; 270.96, subdivision 1; 270A.03, subdivision 7; 270B.08, subdivision 2; 270C.85, subdivision 2; 270C.89, subdivision 2; 270C.91; 272.02, subdivisions 27, 49, 81, by adding a subdivision; 272.025, subdivision 3; 273.032; 273.061, subdivision 9; 273.11, subdivision 12; 273.1115, subdivision 2; 273.112, subdivision 6; 273.113, subdivision 3; 273.119, subdivision 2; 273.1231, subdivisions 3, 4; 273.124, subdivisions 1, 3a, 8, 9, 14, 17, 21, by adding a subdivision; 273.1245, subdivision 2; 273.125, subdivision 3; 273.128, subdivision 1; 273.13, subdivision 35, by adding a subdivision; 273.136, subdivision 2; 273.1384, subdivision 3; 273.18; 274.14; 274.16; 275.025, subdivision 3, by adding subdivisions; 276A.01, subdivision 4; 282.01, subdivision 6; 287.21, subdivision 1; 289A.08, subdivisions 1, 6, 7; 289A.25, subdivision 1; 289A.31, subdivision 2; 289A.37, subdivision 6; 289A.38, subdivisions 7, 10; 289A.42; 289A.50, subdivision 1; 289A.60, subdivision 24; 290.01, subdivisions 6, 22, by adding subdivisions; 290.0131, subdivisions 1, 3, by adding subdivisions; 290.0132, subdivisions 1, 7, by adding subdivisions; 290.0133, subdivision 6, by adding a subdivision; 290.0134, by adding subdivisions; 290.0136;

290.05, subdivision 3; 290.06, subdivisions 1, 2c, 2d, by adding a subdivision; 290.067, subdivision 2a; 290.0671, subdivision 7; 290.0672, subdivision 2; 290.0681, subdivisions 3, 4; 290.0685, subdivision 1, by adding a subdivision; 290.0802, subdivisions 2, 3; 290.091, subdivision 3; 290.0921, subdivision 8; 290.0922, subdivision 1; 290.095, subdivision 4; 290.21, by adding a subdivision; 290.34, by adding a subdivision; 290.92, subdivisions 1, 28; 290A.03, subdivisions 4, 12; 290A.04, subdivisions 2h, 4, by adding a subdivision; 290A.05; 290A.08; 290A.09; 290B.04, subdivision 1; 290B.09, subdivision 1; 291.03, subdivisions 8, 10; 295.50, subdivisions 4, 9b, by adding subdivisions; 297A.61, subdivision 18; 297A.67, subdivision 12, by adding subdivisions; 297A.68, subdivisions 17, 25, 29, 44; 297A.70, subdivisions 3, 7, 16, by adding subdivisions; 297A.71, subdivisions 22, 45, by adding subdivisions; 297A.77, by adding a subdivision; 297A.84; 297A.85; 297A.993, by adding a subdivision; 297B.01, subdivision 14; 297B.03; 297F.01, subdivisions 19, 23, by adding a subdivision; 297F.17, subdivision 6; 297G.16, subdivision 7; 298.225, subdivision 1; 298.28, subdivision 3; 360.013, by adding subdivisions; 360.55, by adding a subdivision; 360.62; 412.221, subdivision 2; 426.19, subdivision 2; 447.045, subdivisions 2, 3, 4, 6, 7; 452.11; 455.24; 455.29; 469.171, subdivision 4; 469.177, subdivision 1; 469.1812, subdivision 1, by adding subdivisions; 469.190, subdivisions 1, 5; 469.316, subdivision 1; 469.317; 469.319, subdivision 4; 471.57, subdivision 3; 471.571, subdivision 3; 471.572, subdivision 4; 473F.02, subdivision 4; 473F.05; 473H.05, subdivision 1; 473H.08, subdivisions 1, 4, by adding a subdivision; 474A.02, subdivision 22b; 477A.013, subdivision 13; 477A.016; Minnesota Statutes 2017 Supplement, sections 126C.17, subdivision 9; 205.10, subdivision 3a; 205A.05, subdivision 1a; 270A.03, subdivision 5; 270C.445, subdivision 6; 270C.89, subdivision 1; 271.21, subdivision 2; 272.115, subdivision 1; 273.0755; 273.13, subdivisions 22, 23, 25, 34; 273.1384, subdivision 2; 273.1387, subdivision 3; 274.01, subdivision 1; 275.025, subdivision 1; 276.04, subdivision 3; 278.01, subdivision 1; 289A.02, subdivision 7; 289A.12, subdivision 14; 289A.31, subdivision 1; 289A.35; 289A.37, subdivision 2; 290.01, subdivisions 4a, 19, 31; 290.0131, subdivision 10; 290.0132, subdivisions 21, 26; 290.0133, subdivision 12; 290.0137; 290.05, subdivision 1; 290.067, subdivisions 1, 2b; 290.0671, subdivision 1; 290.0672, subdivision 1; 290.0681, subdivisions 1, 2; 290.0684, subdivisions 1, 2; 290.0686, subdivision 1; 290.091, subdivision 2; 290.17, subdivisions 2, 4; 290.31, subdivision 1; 290A.03, subdivisions 3, 8, 13, 15; 291.005, subdivision 1; 291.03, subdivisions 9, 11; 297A.61, subdivision 3; 297A.67, subdivisions 6, 34; 297A.70, subdivisions 4, 20; 297A.75, subdivisions 1, 2, 3; 297B.01, subdivision 16; 297E.02, subdivision 3; 462D.03, subdivision 2; 462D.06, subdivisions 1, 2; 475.59, subdivision 2; 477A.015; 477A.03, subdivision 2a; Laws 1986, chapter 379, sections 1, subdivision 1; 2, subdivision 1; Laws 2008, chapter 366, article 5, sections 26, as amended; 33, as amended; Laws 2011, First Special Session chapter 7, article 4, section 10, subdivision 3; Laws 2017, First Special Session chapter 1, article 3, section 32; article 8, section 3; article 10, section 4; proposing coding for new law in Minnesota Statutes, chapters 16A; 16B; 117; 222; 289A; 290; 416; 459; 469; repealing Minnesota Statutes 2016, sections 10A.322, subdivision 4; 13.4967, subdivision 2; 273.1315; 275.29; 289A.38, subdivisions 7, 8, 9; 290.01, subdivision 29a; 290.0131, subdivisions 7, 11, 12, 13; 290.0132, subdivisions 8, 19, 20; 290.0133, subdivisions 13, 14; 290.06, subdivision 23; 290.0921, subdivisions 1, 2, 3a, 4, 6; 290.10, subdivision 2; 477A.085; Minnesota Statutes 2017 Supplement, sections 327C.01, subdivision 13; 327C.16; Minnesota Rules, part 4503.1400, subpart 4."

With the recommendation that when so amended the bill be re-referred to the Committee on Ways and Means.

The report was adopted.

SECOND READING OF HOUSE BILLS

H. F. Nos. 2856 and 4167 were read for the second time.

SECOND READING OF SENATE BILLS

S. F. No. 3306 was read for the second time.

INTRODUCTION AND FIRST READING OF HOUSE BILLS

The following House Files were introduced:

Koznick introduced:

H. F. No. 4463, A bill for an act relating to liquor; providing for the sale of malt beverages; amending Minnesota Statutes 2016, section 340A.403, by adding a subdivision.

The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform.

Christensen introduced:

H. F. No. 4464, A bill for an act relating to higher education; requiring the Office of Higher Education to inform students of postsecondary education options for those with intellectual and developmental disabilities; appropriating money for a grant to Minnesota Life College; amending Minnesota Statutes 2016, section 136A.87.

The bill was read for the first time and referred to the Committee on Higher Education and Career Readiness Policy and Finance.

Peppin moved that the House recess subject to the call of the Chair. The motion prevailed.

RECESS

RECONVENED

The House reconvened and was called to order by the Speaker.

MESSAGES FROM THE SENATE

The following message was received from the Senate:

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned, as amended by the Senate, in which amendments the concurrence of the House is respectfully requested:

H. F. No. 3157, A bill for an act relating to public safety; establishing a crime for misrepresenting an animal as a service animal; proposing coding for new law in Minnesota Statutes, chapter 609.

CAL R. LUDEMAN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Green moved that the House concur in the Senate amendments to H. F. No. 3157 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 3157, A bill for an act relating to public safety; establishing a crime for misrepresenting an animal as a service animal; specifying immunity from liability for real property owners required to provide access to assistance animals; proposing coding for new law in Minnesota Statutes, chapters 604A; 609.

The bill was read for the third time, as amended by the Senate, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 125 yeas and 1 nay as follows:

Those who voted in the affirmative were:

Albright	Dettmer	Hertaus	Loeffler	Newberger	Sauke
Allen	Drazkowski	Hilstrom	Lohmer	Nornes	Schomacker
Anderson, P.	Ecklund	Hoppe	Loon	O'Driscoll	Schultz
Anderson, S.	Erickson	Hornstein	Loonan	Olson	Scott
Anselmo	Fabian	Hortman	Lucero	Omar	Smith
Backer	Fenton	Howe	Lueck	O'Neill	Sundin
Bahr, C.	Fischer	Jessup	Mahoney	Pelowski	Swedzinski
Baker	Flanagan	Johnson, B.	Mariani	Peppin	Theis
Bennett	Franson	Johnson, C.	Marquart	Petersburg	Torkelson
Bernardy	Freiberg	Jurgens	Masin	Peterson	Uglen
Bliss	Garofalo	Kiel	Maye Quade	Pierson	Urdahl
Bly	Green	Knoblach	McDonald	Pinto	Vogel
Carlson, A.	Grossell	Koegel	Metsa	Poppe	Wagenius
Carlson, L.	Gruenhagen	Koznick	Miller	Poston	Ward
Christensen	Gunther	Kresha	Moran	Pryor	West
Clark	Haley	Kunesh-Podein	Munson	Pugh	Whelan
Considine	Halverson	Layman	Murphy, E.	Quam	Wills
Daniels	Hamilton	Lee	Murphy, M.	Rarick	Youakim
Davids	Hansen	Lesch	Nash	Rosenthal	Zerwas
Davnie	Hausman	Liebling	Nelson	Runbeck	Spk. Daudt
Dehn, R.	Heintzeman	Lien	Neu	Sandstede	

Those who voted in the negative were:

Dean, M.

The bill was repassed, as amended by the Senate, and its title agreed to.

CALENDAR FOR THE DAY

H. F. No. 2743 was reported to the House.

Smith moved to amend H. F. No. 2743, the first engrossment, as follows:

Page 2, line 1, after "of" insert "determining only when the statute of limitations begins to run pursuant to"

Page 2, line 3, delete "shall" and insert "does"

Page 2, line 4, delete "upon"

Page 2, line 5, delete ", whichever occurs first"

The motion prevailed and the amendment was adopted.

H. F. No. 2743, A bill for an act relating to civil actions; regulating actions for damages based on services or construction to improve real property; providing for a limitation on actions; amending Minnesota Statutes 2016, section 541.051, subdivision 1.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 126 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Albright	Dehn, R.	Heintzeman	Lien	Neu	Sandstede
Allen	Dettmer	Hertaus	Loeffler	Newberger	Sauke
Anderson, P.	Drazkowski	Hilstrom	Lohmer	Nornes	Schomacker
Anderson, S.	Ecklund	Hoppe	Loon	O'Driscoll	Schultz
Anselmo	Erickson	Hornstein	Loonan	Olson	Scott
Backer	Fabian	Hortman	Lucero	Omar	Smith
Bahr, C.	Fenton	Howe	Lueck	O'Neill	Sundin
Baker	Fischer	Jessup	Mahoney	Pelowski	Swedzinski
Bennett	Flanagan	Johnson, B.	Mariani	Peppin	Theis
Bernardy	Franson	Johnson, C.	Marquart	Petersburg	Torkelson
Bliss	Freiberg	Jurgens	Masin	Peterson	Uglen
Bly	Garofalo	Kiel	Maye Quade	Pierson	Urdahl
Carlson, A.	Green	Knoblach	McDonald	Pinto	Vogel
Carlson, L.	Grossell	Koegel	Metsa	Poppe	Wagenius
Christensen	Gruenhagen	Koznick	Miller	Poston	Ward
Clark	Gunther	Kresha	Moran	Pryor	West
Considine	Haley	Kunesh-Podein	Munson	Pugh	Whelan
Daniels	Halverson	Layman	Murphy, E.	Quam	Wills
Davids	Hamilton	Lee	Murphy, M.	Rarick	Youakim
Davnie	Hansen	Lesch	Nash	Rosenthal	Zerwas
Dean, M.	Hausman	Liebling	Nelson	Runbeck	Spk. Daudt

The bill was passed, as amended, and its title agreed to.

H. F. No. 3225 was reported to the House.

Fenton moved to amend H. F. No. 3225 as follows:

Page 1, delete lines 14 to 22 and insert:

"(2) in addition to the requirements of subdivision 6, captures and stores in a manner consistent with subdivision 6 images of (i) the identification required by this section, and (ii) the wireless communications device;

(3) electronically reports all transactions to law enforcement;

(4) is located within the physical store of a retailer partner;

(5) otherwise complies with all requirements of this section; and

(6) only buys wireless communications devices.

(c) Local law enforcement may require an automated kiosk to close for repairs if for any reason the kiosk is unable to comply with the requirements of this section."

Page 2, delete line 1

The motion prevailed and the amendment was adopted.

H. F. No. 3225, A bill for an act relating to commerce; regulating wireless communications device dealer payments for used devices; amending Minnesota Statutes 2016, section 325E.319, subdivision 4.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 122 yeas and 3 nays as follows:

Those who voted in the affirmative were:

Albright	Davids	Gunther	Koegel	McDonald	Peterson
Allen	Davnie	Haley	Koznick	Metsa	Pierson
Anderson, P.	Dean, M.	Halverson	Kresha	Miller	Pinto
Anderson, S.	Dehn, R.	Hamilton	Kunesh-Podein	Moran	Poppe
Anselmo	Dettmer	Hansen	Layman	Munson	Poston
Backer	Drazkowski	Hausman	Lee	Murphy, E.	Pryor
Bahr, C.	Ecklund	Heintzeman	Lesch	Murphy, M.	Pugh
Baker	Erickson	Hertaus	Liebling	Nash	Quam
Bennett	Fabian	Hoppe	Lien	Nelson	Rarick
Bernardy	Fenton	Hornstein	Loeffler	Neu	Rosenthal
Bliss	Fischer	Hortman	Lohmer	Newberger	Runbeck
Bly	Flanagan	Howe	Loon	Nornes	Sandstede
Carlson, A.	Franson	Jessup	Loonan	O'Driscoll	Sauke
Carlson, L.	Freiberg	Johnson, B.	Lucero	Olson	Schomacker
Christensen	Garofalo	Johnson, C.	Lueck	O'Neill	Schultz
Clark	Green	Jurgens	Mahoney	Pelowski	Scott
Considine	Grossell	Kiel	Marquart	Peppin	Smith
Daniels	Gruenhagen	Knoblach	Maye Quade	Petersburg	Sundin

Swedzinski	Uglen	Wagenius	Whelan	Zerwas
Theis	Urdahl	Ward	Wills	Spk. Daudt
Torkelson	Vogel	West	Youakim	

Those who voted in the negative were:

Hilstrom	Mariani	Masin
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The bill was passed, as amended, and its title agreed to.

H. F. No. 3210, A bill for an act relating to local government; modifying county authorization for storm and sanitary sewer systems; amending Minnesota Statutes 2016, section 444.075, subdivision 1a.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 126 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Albright	Dehn, R.	Heintzeman	Lien	Neu	Sandstede
Allen	Dettmer	Hertaus	Loeffler	Newberger	Sauke
Anderson, P.	Drazkowski	Hilstrom	Lohmer	Nornes	Schomacker
Anderson, S.	Ecklund	Hoppe	Loon	O'Driscoll	Schultz
Anselmo	Erickson	Hornstein	Loonan	Olson	Scott
Backer	Fabian	Hortman	Lucero	Omar	Smith
Bahr, C.	Fenton	Howe	Lueck	O'Neill	Sundin
Baker	Fischer	Jessup	Mahoney	Pelowski	Swedzinski
Bennett	Flanagan	Johnson, B.	Mariani	Peppin	Theis
Bernardy	Franson	Johnson, C.	Marquart	Petersburg	Torkelson
Bliss	Freiberg	Jurgens	Masin	Peterson	Uglen
Bly	Garofalo	Kiel	Maye Quade	Pierson	Urdahl
Carlson, A.	Green	Knoblach	McDonald	Pinto	Vogel
Carlson, L.	Grossell	Koegel	Metsa	Poppe	Wagenius
Christensen	Gruenhagen	Koznick	Miller	Poston	Ward
Clark	Gunther	Kresha	Moran	Pryor	West
Considine	Haley	Kunesh-Podein	Munson	Pugh	Whelan
Daniels	Halverson	Layman	Murphy, E.	Quam	Wills
Davids	Hamilton	Lee	Murphy, M.	Rarick	Youakim
Davnie	Hansen	Lesch	Nash	Rosenthal	Zerwas
Dean, M.	Hausman	Liebling	Nelson	Runbeck	Spk. Daudt

The bill was passed and its title agreed to.

MOTIONS AND RESOLUTIONS

Dehn, R., moved that the name of Hansen be added as an author on H. F. No. 2139. The motion prevailed.

Torkelson moved that the name of Gruenhagen be added as an author on H. F. No. 2840. The motion prevailed.

Moran moved that the name of Pugh be added as an author on H. F. No. 3246. The motion prevailed.

Layman moved that the name of Gruenhagen be added as an author on H. F. No. 3527. The motion prevailed.

Whelan moved that her name be stricken as an author on H. F. No. 3586. The motion prevailed.

Anderson, S., moved that the name of Heintzeman be added as an author on H. F. No. 3893. The motion prevailed.

Ward moved that the name of Flanagan be added as an author on H. F. No. 4020. The motion prevailed.

Fenton moved that the name of Baker be added as an author on H. F. No. 4047. The motion prevailed.

Davids moved that the name of Christensen be added as an author on H. F. No. 4385. The motion prevailed.

Anderson, P., moved that the names of Johnson, C.; Poppe and Drazkowski be added as authors on H. F. No. 4395. The motion prevailed.

Drazkowski moved that the names of Lucero; McDonald; Green; Grossell; Dean, M.; Zerwas; Loonan; Newberger; Franson; Bahr, C.; Gruenhagen and Poston be added as authors on H. F. No. 4403. The motion prevailed.

Hansen moved that the names of Schultz and Maye Quade be added as authors on H. F. No. 4460. The motion prevailed.

ADJOURNMENT

Peppin moved that when the House adjourns today it adjourn until 10:00 a.m., Thursday, April 26, 2018. The motion prevailed.

Peppin moved that the House adjourn. The motion prevailed, and the Speaker declared the House stands adjourned until 10:00 a.m., Thursday, April 26, 2018.

PATRICK D. MURPHY, Chief Clerk, House of Representatives