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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 1938

J2/16/2023

Authored by Gomez

The bill was read for the first time and referred to the Committee on Rules and Legislative Administration

For reference and coding, the first
page of the bill has been provided.

For a complete copy of the bill, visit the
House website at: www.house.mn.gov

1.1 A bill for an act

1.2 relating to taxation; modifying individual income and corporate franchise taxes,

1.3 sales and use taxes, property taxes, local government aids, and other miscellaneous

1.4 taxes and tax provisions; modifying income tax additions, subtractions, and credits;

1.5 modifying taxes on capital gains; proposing a child tax credit; proposing an advance

1.6 payment and one-time refundable tax credit; modifying cannabis-related sales and

1.7 use tax provisions; proposing sales tax exemptions for certain entities; modifying

1.8 eligibility for certain property tax programs; modifying the formula and adding

1.9 definitions for the calculation of local government aids; proposing new forms of

1.10 local government aids; appropriating money; amending Minnesota Statutes 2022,

1.11 sections 116J.8737, subdivisions 5, 12; 270C.52, subdivision 2; 273.124,

1.12 subdivisions 6, 13, 13a, 13c, 13d, 14; 273.1245, subdivision 1; 273.1315,

1.13 subdivision 2; 273.1387, subdivision 2; 289A.08, subdivisions 7, as amended, 7a,

1.14 as amended; 290.0131, by adding a subdivision; 290.0132, subdivision 26; 290.06,

1.15 subdivision 2c, as amended; 290.067; 290.0671, subdivision 1; 290.0674,

1.16 subdivisions 2, 2a, by adding a subdivision; 290.0677, subdivision 1; 290.0681,

1.17 subdivisions 3, 10; 290.091, subdivision 2, as amended; 290B.03, subdivision 1;

1.18 290B.04, subdivisions 3, 4; 290B.05, subdivision 1; 297A.61, by adding

1.19 subdivisions; 297A.67, subdivisions 2, 7; 297A.70, subdivisions 2, 4, 18; 297A.71,

1.20 by adding a subdivision; 297A.75, subdivisions 1, 2, 3; 477A.011, subdivision 34,

1.21 by adding subdivisions; 477A.0124, subdivision 2; 477A.013, subdivisions 8, 9;

1.22 477A.03, subdivisions 2a, 2b; Laws 2006, chapter 259, article 11, section 3, as

1.23 amended; Laws 2023, chapter 1, section 15; proposing coding for new law in

1.24 Minnesota Statutes, chapters 290; 477A; repealing Minnesota Statutes 2022,

1.25 sections 290.0132, subdivision 33; 477A.011, subdivisions 30a, 38, 42, 45;

1.26 477A.013, subdivision 13.

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

1.28 ARTICLE 1

1.29 INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES

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

1.31 Subd. 5. **Credit allowed.** (a) A qualified investor or qualified fund is eligible for a credit

1.32 equal to 25 percent of the qualified investment in a qualified small business. Investments

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

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

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

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

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

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

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

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