

**SENATE  
STATE OF MINNESOTA  
NINETY-SECOND SESSION**

**S.F. No. 3220**

(SENATE AUTHORS: NELSON and by request)

**DATE**  
02/17/2022

**D-PG**  
5050 Introduction and first reading  
Referred to Taxes

**OFFICIAL STATUS**

1.1 A bill for an act  
1.2 relating to taxation; making various policy and technical changes to partnership  
1.3 taxes, sales and use taxes, special taxes, certain state aids, property tax refunds,  
1.4 and other miscellaneous taxes and tax provisions; amending Minnesota Statutes  
1.5 2020, sections 6.495, subdivision 3; 290A.03, subdivision 13; 290A.19; 296A.083,  
1.6 subdivision 3; 297A.61, subdivision 29; 297F.05, subdivisions 4, 4a; 477B.01,  
1.7 subdivisions 5, 10, 11, by adding subdivisions; 477B.02, subdivisions 2, 3, 5, 8,  
1.8 9, by adding a subdivision; 477B.03, subdivisions 2, 3, 4, 5, 7; 477B.04, subdivision  
1.9 1, by adding a subdivision; 477C.03, subdivisions 2, 5; 477C.04, by adding a  
1.10 subdivision; Minnesota Statutes 2021 Supplement, sections 289A.08, subdivision  
1.11 7a; 289A.382, subdivision 2; repealing Minnesota Statutes 2020, sections 477B.02,  
1.12 subdivision 4; 477B.03, subdivision 6.

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

1.14 **ARTICLE 1**  
1.15 **PARTNERSHIP TAXES**

1.16 Section 1. Minnesota Statutes 2021 Supplement, section 289A.08, subdivision 7a, is  
1.17 amended to read:

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

1.20 (1) "income" has the meaning given in subdivision 7, paragraph (j), modified by the  
1.21 addition provided in section 290.0131, subdivision 5, and the subtraction provided in section  
1.22 290.0132, subdivision 3, except that the provisions that apply to a partnership apply to a  
1.23 qualifying entity and the provisions that apply to a partner apply to a qualifying owner. The  
1.24 income of both a resident and nonresident qualifying owner is allocated and assigned to  
1.25 this state as provided for nonresident partners and shareholders under sections 290.17,  
1.26 290.191, and 290.20;

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

2.7 (3) "qualifying owner" means:

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

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

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

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

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

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

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

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

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

2.28 (1) nonbusiness deductions, standard deductions, or personal exemptions are not allowed;  
2.29 and

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

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

3.4 (f) This subdivision does not negate the requirement that a qualifying owner pay estimated  
3.5 tax if the qualifying owner's tax liability would exceed the requirements set forth in section  
3.6 289A.25. The qualifying owner's liability to pay estimated tax on the qualifying owner's  
3.7 tax liability as determined under paragraph (d) is, however, satisfied when the qualifying  
3.8 entity pays estimated tax in the manner prescribed in section 289A.25 for composite estimated  
3.9 tax.

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

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

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

3.19 (j) If a nonresident qualifying owner of a qualifying entity making the election to file  
3.20 and pay the tax under this subdivision has no other Minnesota source income, filing of the  
3.21 pass-through entity tax return is a return for purposes of subdivision 1, provided that the  
3.22 nonresident qualifying owner must not have any Minnesota source income other than the  
3.23 income from the qualifying entity, other electing qualifying entities, and other partnerships  
3.24 electing to file a composite return under subdivision 7. If it is determined that the nonresident  
3.25 qualifying owner has other Minnesota source income, the inclusion of the income and tax  
3.26 liability for that owner under this provision will not constitute a return to satisfy the  
3.27 requirements of subdivision 1. The tax paid for the qualifying owner as part of the  
3.28 pass-through entity tax return is allowed as a payment of the tax by the qualifying owner  
3.29 on the date on which the pass-through entity tax return payment was made.

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

4.1 Sec. 2. Minnesota Statutes 2021 Supplement, section 289A.382, subdivision 2, is amended  
4.2 to read:

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

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

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

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

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

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

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

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

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

4.32 (2) pay any additional amount of tax due as if the final federal adjustment had been  
4.33 properly reported, plus any penalty and interest due under this chapter, and less any credit

5.1 for related amounts paid or withheld and remitted on behalf of the direct partner under  
5.2 paragraph (b), clauses (3) and (4).

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

## 5.5 **ARTICLE 2**

### 5.6 **SALES AND USE TAXES AND SPECIAL TAXES**

5.7 Section 1. Minnesota Statutes 2020, section 296A.083, subdivision 3, is amended to read:

5.8 Subd. 3. **Surcharge rate.** (a) By ~~July 16, 2008, and each April 1 thereafter~~ May 1 each  
5.9 year, the commissioner of revenue shall calculate and publish a surcharge as provided in  
5.10 ~~paragraphs~~ paragraph (b) and (e). The surcharge is imposed ~~from August 1, 2008, through~~  
5.11 ~~June 30, 2009, and each new surcharge thereafter is imposed the following~~ beginning July  
5.12 1 of the year it is published through June 30 of the following year.

5.13 ~~(b) For fiscal years 2009 through 2012, the commissioner shall set the surcharge as~~  
5.14 ~~specified in the following surcharge rate schedule.~~

#### 5.15 **Surcharge Rate Schedule**

5.16	Fiscal Year	Rate (in cents per gallon)
5.17	<del>2009</del>	<del>0.5</del>
5.18	<del>2010</del>	<del>2.1</del>
5.19	<del>2011</del>	<del>2.5</del>
5.20	<del>2012</del>	<del>3.0</del>

5.21 ~~(e) For fiscal year 2013 and thereafter,~~ (b) The commissioner shall set the surcharge at  
5.22 the lesser of (1) 3.5 cents, or (2) an amount calculated so that the total proceeds from the  
5.23 surcharge deposited in the trunk highway fund from fiscal year 2009 to the upcoming fiscal  
5.24 year equals the total amount of debt service from fiscal years 2009 to 2039, and the surcharge  
5.25 is rounded to the nearest 0.1 cent.

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

5.27 Sec. 2. Minnesota Statutes 2020, section 297A.61, subdivision 29, is amended to read:

5.28 Subd. 29. **State.** Unless specifically provided otherwise, "state" means any state of the  
5.29 United States, ~~the Commonwealth of Puerto Rico, and the District of Columbia,~~ and any  
5.30 territory of the United States, including American Samoa, Guam, Northern Mariana Islands,  
5.31 Puerto Rico, and the U.S. Virgin Islands.

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

6.1 Sec. 3. Minnesota Statutes 2020, section 297F.05, subdivision 4, is amended to read:

6.2 Subd. 4. **Use tax; tobacco products.** (a) Except as provided in subdivision 4a, a tax is  
 6.3 imposed upon the use or storage by consumers of tobacco products in this state, and upon  
 6.4 such consumers, at the rate of 95 percent of the cost to the consumer of the tobacco products  
 6.5 or the minimum tax under subdivision 3, paragraph (b) or (c), whichever is greater.

6.6 (b) For the purposes of this subdivision, "cost to the consumer" means the total amount  
 6.7 paid by the consumer for a tobacco product, including but not limited to delivery charges  
 6.8 and packaging costs. Cost to the consumer does not include any taxes imposed directly on  
 6.9 the consumer that are separately stated on the invoice, bill of sale, or similar document given  
 6.10 to the consumer.

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

6.12 Sec. 4. Minnesota Statutes 2020, section 297F.05, subdivision 4a, is amended to read:

6.13 Subd. 4a. **Use tax; premium cigars.** (a) A tax is imposed upon the use or storage by  
 6.14 consumers of all premium cigars in this state, and upon such consumers, at the lesser of:

6.15 (1) the rate of 95 percent of the cost to the consumer of the premium cigars; or

6.16 (2) \$0.50 per premium cigar.

6.17 (b) For the purposes of this subdivision, "cost to the consumer" means the total amount  
 6.18 paid by the consumer for a premium cigar, including but not limited to delivery charges  
 6.19 and packaging costs. Cost to the consumer does not include any taxes imposed directly on  
 6.20 the consumer that are separately stated on the invoice, bill of sale, or similar document given  
 6.21 to the consumer.

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

### 6.23 ARTICLE 3

#### 6.24 FIRE AND POLICE STATE AIDS

6.25 Section 1. Minnesota Statutes 2020, section 6.495, subdivision 3, is amended to read:

6.26 Subd. 3. **~~Report~~ Reports to commissioner of revenue.** (a) On or before September 15,  
 6.27 November 1, March 1, and June 1, the state auditor shall must file with the commissioner  
 6.28 of revenue a financial compliance report certifying for each relief association:

6.29 (1) the completion of the annual financial report required under section 424A.014 and  
 6.30 the auditing or certification of those financial reports under subdivision 1; and

7.1 (2) the receipt of any actuarial valuations required under section 424A.093 or Laws  
7.2 2013, chapter 111, article 5, sections 31 to 42.

7.3 (b) The commissioner of revenue shall prescribe the content, format, and manner of the  
7.4 financial compliance reports required by paragraph (a), pursuant to section 270C.30.

7.5 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023  
7.6 and thereafter.

7.7 Sec. 2. Minnesota Statutes 2020, section 477B.01, is amended by adding a subdivision to  
7.8 read:

7.9 Subd. 1a. **Apportionment agreement.** "Apportionment agreement" means an agreement  
7.10 between two or more fire departments that provide contracted fire protection service to the  
7.11 same municipality and establishes the percentage of the population and the percentage of  
7.12 the estimated market value within the municipality serviced by each fire department.

7.13 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023  
7.14 and thereafter.

7.15 Sec. 3. Minnesota Statutes 2020, section 477B.01, subdivision 5, is amended to read:

7.16 Subd. 5. **Fire department.** (a) "Fire department" ~~includes~~ means:

7.17 (1) a municipal fire department ~~and~~;

7.18 (2) an independent nonprofit firefighting corporation;

7.19 (3) a fire department established as or operated by a joint powers entity; or

7.20 (4) a fire protection special taxing district established under chapter 144F or special law.

7.21 (b) This subdivision only applies to this chapter.

7.22 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023  
7.23 and thereafter.

7.24 Sec. 4. Minnesota Statutes 2020, section 477B.01, is amended by adding a subdivision to  
7.25 read:

7.26 Subd. 7a. **Joint powers entity.** "Joint powers entity" means a joint powers entity created  
7.27 under section 471.59.

7.28 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023  
7.29 and thereafter.

8.1 Sec. 5. Minnesota Statutes 2020, section 477B.01, subdivision 10, is amended to read:

8.2 Subd. 10. **Municipality.** (a) "Municipality" means:

8.3 (1) a home rule charter or statutory city;

8.4 (2) an organized town;

8.5 (3) ~~a park district subject to chapter 398~~ a joint powers entity;

8.6 (4) ~~the University of Minnesota~~ a fire protection special taxing district; and or

8.7 (5) an American Indian tribal government entity located within a federally recognized

8.8 American Indian reservation.

8.9 (b) This subdivision only applies to this chapter ~~477B~~.

8.10 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023

8.11 and thereafter.

8.12 Sec. 6. Minnesota Statutes 2020, section 477B.01, subdivision 11, is amended to read:

8.13 Subd. 11. **Secretary.** (a) "Secretary" means:

8.14 (1) the secretary of an independent nonprofit firefighting corporation that has a subsidiary  
8.15 incorporated firefighters' relief association or whose firefighters participate in the statewide  
8.16 volunteer firefighter plan; or

8.17 (2) the secretary of a joint powers entity or fire protection special taxing district or, if  
8.18 there is no such person, the person primarily responsible for managing the finances of a  
8.19 joint powers entity or fire protection special taxing district.

8.20 (b) This subdivision only applies to this chapter.

8.21 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023

8.22 and thereafter.

8.23 Sec. 7. Minnesota Statutes 2020, section 477B.02, subdivision 2, is amended to read:

8.24 Subd. 2. **Establishment of fire department.** (a) An independent nonprofit firefighting  
8.25 corporation must be created under the nonprofit corporation act of this state operating for  
8.26 the exclusive purpose of firefighting, or the governing body of a municipality must officially  
8.27 establish a fire department.



9.1 (b) The fire department must have provided firefighting services for at least one calendar  
 9.2 year, and must have a current fire department identification number issued by the state fire  
 9.3 marshal.

9.4 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023  
 9.5 and thereafter.

9.6 Sec. 8. Minnesota Statutes 2020, section 477B.02, subdivision 3, is amended to read:

9.7 Subd. 3. ~~Personnel and Benefits requirements. (a) A fire department must have a~~  
 9.8 ~~minimum of ten paid or volunteer firefighters, including a fire chief and assistant fire chief.~~

9.9 ~~(b) The fire department must have regular scheduled meetings and frequent drills that~~  
 9.10 ~~include instructions in firefighting tactics and in the use, care, and operation of all fire~~  
 9.11 ~~apparatus and equipment.~~

9.12 ~~(c)~~ (a) The fire department must have a separate subsidiary incorporated firefighters'  
 9.13 relief association that provides retirement benefits or must participate in the statewide  
 9.14 volunteer firefighter plan; or if the municipality solely employs full-time firefighters as  
 9.15 defined in section 299N.03, subdivision 5, retirement coverage must be provided by the  
 9.16 public employees police and fire retirement plan. For purposes of retirement benefits, a fire  
 9.17 department may be associated with only one volunteer firefighters' relief association or one  
 9.18 account in the voluntary statewide volunteer firefighter retirement plan at one time.

9.19 ~~(d)~~ (b) Notwithstanding paragraph ~~(c)~~ (a), a municipality without a relief association as  
 9.20 described under section 424A.08, paragraph (a), may still qualify to receive fire state aid if  
 9.21 all other requirements of this section are met.

9.22 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023  
 9.23 and thereafter.

9.24 Sec. 9. Minnesota Statutes 2020, section 477B.02, is amended by adding a subdivision to  
 9.25 read:

9.26 Subd. 4a. **Public safety answering point requirement.** The fire department must be  
 9.27 dispatched by a public safety answering point as defined in section 403.02, subdivision 19.

9.28 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023  
 9.29 and thereafter.

10.1 Sec. 10. Minnesota Statutes 2020, section 477B.02, subdivision 5, is amended to read:

10.2 Subd. 5. **Fire service contract or agreement; apportionment agreement filing**  
10.3 ~~requirement requirements.~~ (a) Every municipality or independent nonprofit firefighting  
10.4 corporation must file ~~a copy of any duly executed and valid fire service contract or agreement~~  
10.5 with the commissioner (1) a copy of any duly executed and valid fire service contracts, (2)  
10.6 written notification of any fire service contract terminations, and (3) written notification of  
10.7 any dissolution of a fire department, within 60 days of contract execution or termination,  
10.8 or department dissolution.

10.9 (b) If more than one fire department provides service to a municipality, the fire  
10.10 departments furnishing service must ~~enter into an agreement apportioning among themselves~~  
10.11 ~~the percentage of the population and the percentage of the estimated market value of each~~  
10.12 ~~shared service fire department service area. The agreement must be in writing and must be~~  
10.13 ~~filed~~ file an apportionment agreement with the commissioner.

10.14 (c) When a municipality is a joint powers entity, it must file its joint powers agreement  
10.15 with the commissioner. If the joint powers agreement does not include sufficient information  
10.16 defining the fire department service area of the joint powers entity for the purposes of  
10.17 calculating fire state aid, the secretary must file a written statement with the commissioner  
10.18 defining the fire department service area.

10.19 (d) When a municipality is a fire protection special taxing district, it must file its  
10.20 resolution establishing the fire protection special taxing district, and any agreements required  
10.21 for the establishment of the fire protection special taxing district, with the commissioner.  
10.22 If the resolution or agreement does not include sufficient information defining the fire  
10.23 department service area of the fire protection special taxing district, the secretary must file  
10.24 a written statement with the commissioner defining the fire department service area.

10.25 (e) The commissioner shall prescribe the content, format, and manner of the notifications,  
10.26 apportionment agreements, and written statements under paragraphs (a) to (d), pursuant to  
10.27 section 270C.30, except that copies of fire service contracts, joint powers agreements, and  
10.28 resolutions establishing fire protection special taxing districts shall be filed in their existing  
10.29 form.

10.30 (f) A document filed with the commissioner under this subdivision must be refiled any  
10.31 time it is updated within 60 days of the update. An apportionment agreement must be refiled  
10.32 only when a change in the averaged sum of the percentage of population and percentage of  
10.33 estimated market value serviced by a fire department subject to the apportionment agreement

11.1 is at least one percent. The percentage amount must be rounded to the nearest whole  
 11.2 percentage.

11.3 (g) Upon the request of the commissioner, the county auditor must provide information  
 11.4 that the commissioner requires to accurately apportion the estimated market value of a fire  
 11.5 department service area for a fire department providing service to an unorganized territory  
 11.6 located in the county.

11.7 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023  
 11.8 and thereafter.

11.9 Sec. 11. Minnesota Statutes 2020, section 477B.02, subdivision 8, is amended to read:

11.10 Subd. 8. **PERA certification to commissioner.** On or before February 1 each year, if  
 11.11 ~~retirement coverage for a fire department is provided by the statewide volunteer firefighter~~  
 11.12 ~~plan,~~ the executive director of the Public Employees Retirement Association must certify  
 11.13 ~~the existence of retirement coverage.~~ to the commissioner the fire departments that transferred  
 11.14 retirement coverage to, or terminated participation in, the voluntary statewide volunteer  
 11.15 firefighter retirement plan since the previous certification under this paragraph. This  
 11.16 certification must include the number of active volunteer firefighters under section 477B.03,  
 11.17 subdivision 5, paragraph (e).

11.18 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023  
 11.19 and thereafter.

11.20 Sec. 12. Minnesota Statutes 2020, section 477B.02, subdivision 9, is amended to read:

11.21 Subd. 9. **Fire department certification to commissioner.** On or before March 15 of  
 11.22 each year, the municipal clerk or the secretary, ~~and the fire chief,~~ must jointly certify to the  
 11.23 commissioner ~~that the fire department exists and meets the qualification requirements of~~  
 11.24 ~~this section~~ the fire department service area as of December 31 of the previous year, and  
 11.25 that the fire department meets the qualification requirements of this section. The municipal  
 11.26 clerk or the secretary must provide the commissioner with documentation that the  
 11.27 commissioner deems necessary for determining eligibility for fire state aid or for calculating  
 11.28 and apportioning fire state aid under section 477B.03. The commissioner shall prescribe  
 11.29 the content, format, and manner of the certification ~~must be on a form prescribed by the~~  
 11.30 ~~commissioner and must include all other information that the commissioner requires pursuant~~  
 11.31 to section 270C.30. The municipal clerk or the secretary must send a copy of the certification  
 11.32 filed under this subdivision to the fire chief within five business days of the date the  
 11.33 certification was filed with the commissioner.

12.1 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023  
 12.2 and thereafter.

12.3 Sec. 13. Minnesota Statutes 2020, section 477B.03, subdivision 2, is amended to read:

12.4 Subd. 2. **Apportionment of fire state aid.** (a) The amount of fire state aid available for  
 12.5 apportionment, before the addition of the minimum fire state aid allocation amount under  
 12.6 subdivision 5, is equal to 107 percent of the amount of premium taxes paid to the state upon  
 12.7 the fire, lightning, sprinkler leakage, and extended coverage premiums reported to the  
 12.8 commissioner by companies or insurance companies on the Minnesota Fire Premium Report,  
 12.9 except that credits claimed under section 297I.20, subdivisions 3, 4, and 5, do not affect the  
 12.10 calculation of the amount of fire state aid available for apportionment. This amount must  
 12.11 be reduced by the amount required to pay the state auditor's costs and expenses of the audits  
 12.12 or exams of the firefighters' relief associations.

12.13 (b) The total amount available for apportionment must not be less than two percent of  
 12.14 the premiums less return premiums reported to the commissioner by companies or insurance  
 12.15 companies on the Minnesota Fire Premium Report after subtracting the following amounts:

12.16 (1) the amount required to pay the state auditor's costs and expenses of the audits or  
 12.17 exams of the firefighters' relief associations; and

12.18 (2) one percent of the premiums reported by township mutual insurance companies and  
 12.19 mutual property and casualty companies with total assets of \$5,000,000 or less.

12.20 (c) The commissioner must apportion the fire state aid to each municipality or independent  
 12.21 nonprofit firefighting corporation qualified under section 477B.02 relative to the premiums  
 12.22 reported on the Minnesota Fire Premium Reports filed under this chapter.

12.23 (d) The commissioner must calculate the percentage of increase or decrease reflected in  
 12.24 the apportionment over or under the previous year's available state aid using the same  
 12.25 premiums as a basis for comparison.

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

12.27 Sec. 14. Minnesota Statutes 2020, section 477B.03, subdivision 3, is amended to read:

12.28 Subd. 3. **Population and estimated market value.** (a) ~~Official statewide federal census~~  
 12.29 ~~figures~~ The most recent population estimates made by the state demographer pursuant to  
 12.30 section 4A.02, paragraph (d), must be used in calculations requiring the use of population  
 12.31 figures under this chapter. ~~Increases or decreases in population disclosed by reason of any~~  
 12.32 ~~special census must not be taken into consideration.~~

13.1 (b) The ~~latest available~~ estimated market value property figures for the assessment year  
13.2 immediately preceding the year the aid is distributed must be used in calculations requiring  
13.3 the use of estimated market value property figures under this chapter.

13.4 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023  
13.5 and thereafter.

13.6 Sec. 15. Minnesota Statutes 2020, section 477B.03, subdivision 4, is amended to read:

13.7 Subd. 4. **Initial fire state aid allocation amount.** (a) The initial fire state aid allocation  
13.8 amount is the amount available for apportionment as fire state aid under subdivision 2,  
13.9 without the inclusion of any additional funding amount to support a minimum fire state aid  
13.10 amount under section 423A.02, subdivision 3. The initial fire state aid allocation amount  
13.11 is allocated one-half in proportion to the population for each fire department service area  
13.12 and one-half in proportion to the estimated market value of each fire department service  
13.13 area, including (1) the estimated market value of tax-exempt property, and (2) the estimated  
13.14 market value of natural resources lands receiving in lieu payments under sections 477A.11  
13.15 to 477A.14 and 477A.17. The estimated market value of minerals is excluded.

13.16 (b) In the case of a municipality or independent nonprofit firefighting corporation  
13.17 furnishing fire protection to other municipalities as evidenced by valid fire service contracts,  
13.18 joint powers agreements, resolutions, and other supporting documents filed with the  
13.19 commissioner under section 477B.02, subdivision 5, the distribution must be adjusted  
13.20 proportionately to take into consideration the crossover fire protection service. Necessary  
13.21 adjustments must be made to subsequent apportionments.

13.22 (c) In the case of municipalities or independent nonprofit firefighting corporations  
13.23 qualifying for aid, the commissioner must calculate the state aid for the municipality or  
13.24 independent nonprofit firefighting corporation on the basis of the population and the estimated  
13.25 market value of the area furnished fire protection service by the fire department as evidenced  
13.26 by valid fire service agreements contracts, joint powers agreements, resolutions, and other  
13.27 supporting documents filed with the commissioner under section 477B.02, subdivision 5.

13.28 (d) In the case of more than one fire department furnishing contracted fire service to a  
13.29 municipality, the population and estimated market value in the apportionment agreement  
13.30 filed with the commissioner under section 477B.02, subdivision 5, must be used in calculating  
13.31 the state aid.

13.32 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023  
13.33 and thereafter.

14.1 Sec. 16. Minnesota Statutes 2020, section 477B.03, subdivision 5, is amended to read:

14.2 Subd. 5. **Minimum fire state aid allocation amount.** (a) The minimum fire state aid  
14.3 allocation amount is the amount derived from any additional funding amount to support a  
14.4 minimum fire state aid amount under section 423A.02, subdivision 3. The minimum fire  
14.5 state aid allocation amount is allocated to municipalities or independent nonprofit firefighting  
14.6 corporations with volunteer firefighters' relief associations or covered by the statewide  
14.7 volunteer firefighter plan. The amount is based on the number of active volunteer firefighters  
14.8 who are (1) members of the relief association as reported to the Office of the State Auditor  
14.9 in a specific annual financial reporting year as specified in paragraphs (b) to (d), or (2)  
14.10 covered by the statewide volunteer firefighter plan as specified in paragraph (e).

14.11 (b) For relief associations established in calendar year 1993 or a prior year, the number  
14.12 of active volunteer firefighters equals the number of active volunteer firefighters who were  
14.13 members of the relief association as reported in the annual financial reporting for calendar  
14.14 year 1993, but not to exceed 30 active volunteer firefighters.

14.15 (c) For relief associations established in calendar year 1994 through calendar year 1999,  
14.16 the number of active volunteer firefighters equals the number of active volunteer firefighters  
14.17 who were members of the relief association as reported in the annual financial reporting for  
14.18 calendar year 1998 to the Office of the State Auditor, but not to exceed 30 active volunteer  
14.19 firefighters.

14.20 (d) For relief associations established after calendar year 1999, the number of active  
14.21 volunteer firefighters equals the number of active volunteer firefighters who are members  
14.22 of the relief association as reported in the first annual financial reporting submitted to the  
14.23 Office of the State Auditor, but not to exceed 20 active volunteer firefighters.

14.24 (e) ~~If a relief association is terminated as a result of~~ For a municipality or independent  
14.25 nonprofit firefighting corporation that is providing retirement coverage for volunteer  
14.26 firefighters by the statewide volunteer firefighter plan under chapter 353G, the number of  
14.27 active volunteer firefighters equals the number of active volunteer firefighters of the  
14.28 municipality or independent nonprofit firefighting corporation covered by the statewide  
14.29 plan as certified by the executive director of the Public Employees Retirement Association  
14.30 to the commissioner and the state auditor by February 1 immediately following the date the  
14.31 municipality or independent nonprofit firefighting corporation begins coverage in the plan,  
14.32 but not to exceed 30 active firefighters.

14.33 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023  
14.34 and thereafter.

15.1 Sec. 17. Minnesota Statutes 2020, section 477B.03, subdivision 7, is amended to read:

15.2 Subd. 7. **Appeal.** A municipality, an independent nonprofit firefighting corporation, a  
15.3 fire relief association, or the statewide volunteer firefighter plan may object to the amount  
15.4 of fire state aid apportioned to it by filing a written request with the commissioner to review  
15.5 and adjust the apportionment of funds within the state. The objection of a municipality, an  
15.6 independent nonprofit firefighting corporation, a fire relief association, or the voluntary  
15.7 statewide volunteer firefighter retirement plan must be filed with the commissioner within  
15.8 60 days of the date the amount of apportioned fire state aid is paid. The decision of the  
15.9 commissioner is subject to appeal, review, and adjustment by the district court in the county  
15.10 in which the applicable municipality or independent nonprofit firefighting corporation is  
15.11 located or by the Ramsey County District Court with respect to the statewide volunteer  
15.12 firefighter plan.

15.13 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023  
15.14 and thereafter.

15.15 Sec. 18. Minnesota Statutes 2020, section 477B.04, subdivision 1, is amended to read:

15.16 Subdivision 1. **Payments.** (a) The commissioner must make payments to the Public  
15.17 Employees Retirement Association for deposit in the statewide volunteer firefighter fund  
15.18 on behalf of a municipality or independent nonprofit firefighting corporation that is a member  
15.19 of the statewide volunteer firefighter plan under chapter 353G, ~~or directly to a municipality~~  
15.20 ~~or county designated by an independent nonprofit firefighting corporation.~~ The commissioner  
15.21 must directly pay all other municipalities qualifying for fire state aid, except as provided in  
15.22 paragraph (d). The payment is equal to the amount of fire state aid apportioned to the  
15.23 applicable fire state aid recipient under section 477B.03.

15.24 (b) Fire state aid is payable on October 1 annually. The amount of state aid due and not  
15.25 paid by October 1 accrues interest payable to the recipient at the rate of one percent for each  
15.26 month or part of a month that the amount remains unpaid after October 1.

15.27 (c) If the commissioner of revenue does not receive a financial compliance report  
15.28 described in section 6.495, subdivision 3, for a relief association, the amount of fire state  
15.29 aid apportioned to a municipality or independent nonprofit firefighting corporation under  
15.30 section 477B.03 for that relief association must be withheld from payment to the Public  
15.31 Employees Retirement Association or the municipality. The commissioner of revenue must  
15.32 issue a withheld payment within ten business days of receipt of a financial compliance report  
15.33 under section 6.495, subdivision 3. The interest under paragraph (b) does not apply ~~when~~

16.1 ~~to a payment has not been made by October 1 due to noncompliance with sections 424A.014~~  
16.2 ~~and 477B.02, subdivision 7 withheld under this paragraph.~~

16.3 (d) The commissioner must make payments directly to the largest municipality in  
16.4 population located within any area included in a joint powers entity that does not have a  
16.5 designated agency under section 471.59, subdivision 3, or within the fire department service  
16.6 area of an eligible independent nonprofit firefighting corporation. If there is no city or town  
16.7 within the fire department service area of an eligible independent nonprofit firefighting  
16.8 corporation, fire state aid must be paid to the county where the independent nonprofit  
16.9 firefighting corporation is located.

16.10 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023  
16.11 and thereafter.

16.12 Sec. 19. Minnesota Statutes 2020, section 477B.04, is amended by adding a subdivision  
16.13 to read:

16.14 Subd. 4. **Aid amount corrections.** (a) An adjustment needed to correct a fire state aid  
16.15 overpayment or underpayment due to a clerical error must be made to subsequent fire state  
16.16 aid payments as provided in paragraphs (b) and (c). The authority to correct an aid payment  
16.17 under this subdivision is limited to three years after the payment was issued.

16.18 (b) If an overpayment equals more than ten percent of the most recently paid aid amount,  
16.19 the commissioner must reduce the aid a municipality or independent nonprofit firefighting  
16.20 corporation is to receive by the amount overpaid over a period of no more than three years.  
16.21 If an overpayment equals or is less than ten percent of the most recently paid aid amount,  
16.22 the commissioner must reduce the next aid payment occurring in 30 days or more by the  
16.23 amount overpaid.

16.24 (c) In the event of an underpayment, the commissioner must distribute the amount of  
16.25 underpaid funds to the municipality or independent nonprofit firefighting corporation over  
16.26 a period of no more than three years. An additional distribution to a municipality or  
16.27 independent nonprofit firefighting corporation must be paid from the general fund and must  
16.28 not diminish the payments made to other municipalities or independent nonprofit firefighting  
16.29 corporations under this chapter.

16.30 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023  
16.31 and thereafter.



17.1 Sec. 20. Minnesota Statutes 2020, section 477C.03, subdivision 2, is amended to read:

17.2 Subd. 2. **Apportionment of police state aid.** (a) The total amount available for  
17.3 apportionment as police state aid is equal to 104 percent of the amount of premium taxes  
17.4 paid to the state on the premiums reported to the commissioner by companies or insurance  
17.5 companies on the Minnesota Aid to Police Premium Report, except that credits claimed  
17.6 under section 297I.20, subdivisions 3, 4, and 5, do not affect the calculation of the total  
17.7 amount of police state aid available for apportionment. The total amount for apportionment  
17.8 for the police state aid program must not be less than two percent of the amount of premiums  
17.9 reported to the commissioner by companies or insurance companies on the Minnesota Aid  
17.10 to Police Premium Report.

17.11 (b) The commissioner must calculate the percentage of increase or decrease reflected in  
17.12 the apportionment over or under the previous year's available state aid using the same  
17.13 premiums as a basis for comparison.

17.14 (c) In addition to the amount for apportionment of police state aid under paragraph (a),  
17.15 each year \$100,000 must be apportioned for police state aid. An amount sufficient to pay  
17.16 this increase is annually appropriated from the general fund.

17.17 (d) The commissioner must apportion police state aid to all municipalities in proportion  
17.18 to the relationship that the total number of peace officers employed by that municipality for  
17.19 the prior calendar year and the proportional or fractional number who were employed less  
17.20 than a calendar year as credited under section 477C.02, subdivision 1, paragraph (c), bears  
17.21 to the total number of peace officers employed by all municipalities subject to any reduction  
17.22 under subdivision 3.

17.23 ~~(e) Any necessary additional adjustments must be made to subsequent police state aid~~  
17.24 ~~apportionments.~~

17.25 **EFFECTIVE DATE.** (a) The amendment to paragraph (a) is effective the day following  
17.26 final enactment.

17.27 (b) The amendment striking paragraph (e) is effective for aids payable in calendar year  
17.28 2023 and thereafter.

17.29 Sec. 21. Minnesota Statutes 2020, section 477C.03, subdivision 5, is amended to read:

17.30 Subd. 5. **Appeal.** A municipality may object to the amount of police state aid apportioned  
17.31 to it by filing a written request with the commissioner to review and adjust the apportionment  
17.32 of funds to the municipality. The objection of a municipality must be filed with the  
17.33 commissioner within 60 days of the date the amount of apportioned police state aid is paid.

18.1 The decision of the commissioner is subject to appeal, review, and adjustment by the district  
18.2 court in the county in which the applicable municipality is located or by the Ramsey County  
18.3 District Court with respect to the Departments of Natural Resources or Public Safety.

18.4 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023  
18.5 and thereafter.

18.6 Sec. 22. Minnesota Statutes 2020, section 477C.04, is amended by adding a subdivision  
18.7 to read:

18.8 Subd. 4. **Aid amount corrections.** (a) An adjustment needed to correct a police state  
18.9 aid overpayment or underpayment due to a clerical error must be made to subsequent police  
18.10 state aid payments as provided in paragraphs (b) and (c). The authority to correct an aid  
18.11 payment under this subdivision is limited to three years after the payment was issued.

18.12 (b) If an overpayment equals more than ten percent of the most recently paid aid amount,  
18.13 the commissioner must reduce the aid a municipality is to receive by the amount overpaid  
18.14 over a period of no more than three years. If an overpayment equals or is less than ten  
18.15 percent of the most recently paid aid amount, the commissioner must reduce the next aid  
18.16 payment occurring in 30 days or more by the amount overpaid.

18.17 (c) In the event of an underpayment, the commissioner must distribute the amount of  
18.18 underpaid funds to the municipality over a period of no more than three years. An additional  
18.19 distribution to a municipality must be paid from the general fund and must not diminish the  
18.20 payments made to other municipalities under this chapter.

18.21 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023  
18.22 and thereafter.

18.23 Sec. 23. **REPEALER.**

18.24 Minnesota Statutes 2020, sections 477B.02, subdivision 4; and 477B.03, subdivision 6,  
18.25 are repealed.

18.26 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023  
18.27 and thereafter.

19.1

**ARTICLE 4**

19.2

**MISCELLANEOUS TAX PROVISIONS**

19.3 Section 1. Minnesota Statutes 2020, section 290A.03, subdivision 13, is amended to read:

19.4 Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax  
19.5 exclusive of special assessments, penalties, and interest payable on a claimant's homestead  
19.6 after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2,  
19.7 and any other state paid property tax credits in any calendar year, and after any refund  
19.8 claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the  
19.9 year that the property tax is payable. In the case of a claimant who makes ground lease  
19.10 payments, "property taxes payable" includes the amount of the payments directly attributable  
19.11 to the property taxes assessed against the parcel on which the house is located. Regardless  
19.12 of the limitations in section 280A(c)(5) of the Internal Revenue Code, "property taxes  
19.13 payable" must be apportioned or reduced for the use of a portion of the claimant's homestead  
19.14 for a business purpose if the claimant deducts any business depreciation expenses for the  
19.15 use of a portion of the homestead or deducts expenses under section 280A of the Internal  
19.16 Revenue Code for a business operated in the claimant's homestead. For homesteads which  
19.17 are manufactured homes as defined in section 273.125, subdivision 8, including manufactured  
19.18 homes located in a manufactured home community owned by a cooperative organized under  
19.19 chapter 308A or 308B, and park trailers taxed as manufactured homes under section 168.012,  
19.20 subdivision 9, "property taxes payable" shall also include 17 percent of the gross rent paid  
19.21 in the preceding year for the site on which the homestead is located. When a homestead is  
19.22 owned by two or more persons as joint tenants or tenants in common, such tenants shall  
19.23 determine between them which tenant may claim the property taxes payable on the  
19.24 homestead. If they are unable to agree, the matter shall be referred to the commissioner of  
19.25 revenue whose decision shall be final. Property taxes are considered payable in the year  
19.26 prescribed by law for payment of the taxes.

19.27 In the case of a claim relating to "property taxes payable," the claimant must have owned  
19.28 and occupied the homestead on January 2 of the year in which the tax is payable and (i) the  
19.29 property must have been classified as homestead property pursuant to section 273.124, on  
19.30 or before December ~~15~~ 31 of the assessment year to which the "property taxes payable"  
19.31 relate; or (ii) the claimant must provide documentation from the local assessor that application  
19.32 for homestead classification has been made on or before December ~~15~~ 31 of the year in  
19.33 which the "property taxes payable" were payable and that the assessor has approved the  
19.34 application.

20.1 **EFFECTIVE DATE.** This section is effective for refund claims based on property taxes  
20.2 payable in 2022 and thereafter.

20.3 Sec. 2. Minnesota Statutes 2020, section 290A.19, is amended to read:

20.4 **290A.19 OWNER OR MANAGING AGENT TO FURNISH RENT CERTIFICATE.**

20.5 (a) The owner or managing agent of any property for which rent is paid for occupancy  
20.6 as a homestead must furnish a certificate of rent paid to a person who is a renter on December  
20.7 31, in the form prescribed by the commissioner. If the renter moves before December 31,  
20.8 the owner or managing agent may give the certificate to the renter at the time of moving,  
20.9 or mail the certificate to the forwarding address if an address has been provided by the  
20.10 renter. The certificate must be made available to the renter before February 1 of the year  
20.11 following the year in which the rent was paid. The owner or managing agent must retain a  
20.12 duplicate of each certificate or an equivalent record showing the same information for a  
20.13 period of three years. The duplicate or other record must be made available to the  
20.14 commissioner upon request.

20.15 (b) The commissioner may require the owner or managing agent, through a simple  
20.16 process, to furnish to the commissioner on or before March 1 a copy of each certificate of  
20.17 rent paid furnished to a renter for rent paid in the prior year. The commissioner shall prescribe  
20.18 the content, format, and manner of the form pursuant to section 270C.30. The commissioner  
20.19 may require the Social Security number, individual taxpayer identification number, federal  
20.20 employer identification number, or Minnesota taxpayer identification number of the owner  
20.21 or managing agent who is required to furnish a certificate of rent paid under this paragraph.  
20.22 Prior to implementation, the commissioner, after consulting with representatives of owners  
20.23 or managing agents, shall develop an implementation and administration plan for the  
20.24 requirements of this paragraph that attempts to minimize financial burdens, administration  
20.25 and compliance costs, and takes into consideration existing systems of owners and managing  
20.26 agents.

20.27 (c) For the purposes of this section, "owner" includes a park owner as defined under  
20.28 section 327C.01, subdivision 6, and "property" includes a lot as defined under section  
20.29 327C.01, subdivision 3.

20.30 **EFFECTIVE DATE.** This section is effective for refund claims based on rent paid in  
20.31 2022 and thereafter.

**477B.02 QUALIFYING FOR FIRE STATE AID.**

Subd. 4. **Equipment requirements.** The fire department must have all of the following equipment, or the equivalent as determined by the state fire marshal, by December 31 of the year preceding the certification required in subdivision 8:

- (1) a motorized fire truck equipped with:
  - (i) a motorized pump;
  - (ii) a 250-gallon or larger water tank;
  - (iii) 300 feet of one inch or larger fire hose in two lines with combination spray and straight stream nozzles;
  - (iv) five-gallon hand pumps - tank extinguisher or equivalent;
  - (v) a dry chemical extinguisher or equivalent;
  - (vi) ladders;
  - (vii) extension ladders;
  - (viii) pike poles;
  - (ix) crowbars;
  - (x) axes;
  - (xi) lanterns; and
  - (xii) fire coats, helmets, and boots;
- (2) the items in clause (1) suitably housed in a building of good construction with facilities for care of hoses and equipment;
- (3) a reliable and adequate method of receiving fire alarms by telephone or with electric siren and suitable means of sounding an alarm; and
- (4) if response is to be provided outside the corporate limits of the municipality where the fire department is located, another piece of motorized apparatus to make the response.

**477B.03 CALCULATION OF FIRE STATE AID; APPEAL.**

Subd. 6. **Corrective aid adjustments.** Any adjustments needed to correct prior misallocations must be made to subsequent fire state aid apportionments.