

Policy and Technical Bill

February 23, 2022

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
 Analysis of S.F. 3220 (Nelson), As Proposed to be Amended (A22-0329)

	Fund Impact			
	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

EXPLANATION OF THE BILL

A summary of the bill prepared by the Appeals and Legal Services Division of the Department of Revenue is attached.

REVENUE ANALYSIS DETAIL

The bill contains technical clarifications that do not change tax liability, so the bill has no revenue impact.

Minnesota Department of Revenue
 Tax Research Division
<https://www.revenue.state.mn.us/revenue-analyses>

**2022 DEPARTMENT OF REVENUE
POLICY/TECHNICAL BILL SUMMARY**



Appeals and Legal Services Division
600 North Robert Street
Saint Paul, Minnesota 55146-2220

SF3220, As Proposed to be Amended

ARTICLE 1: PARTNERSHIP TAXES

Section 1. Pass-through Entity Tax Clarification. Minn. Stat. § 289A.08, subd. 7a, is amended to make clear that only business entities that are organized for tax purposes to be taxed as a partnership or S corporation, constitute qualifying entities. Effective retroactively for taxable years beginning after December 31, 2020.

Section 2. Reporting and payment requirements. Minn. Stat. § 289A.382, subd. 2, para. (b), is amended to require that if a partnership is audited in a year where the pass-through entity tax is elected under § 289A.08, subd. 7a, that the pass-through entity report is amended to reflect the federal adjustments report and the additional amount paid that would have been due had the federal adjustments been reported properly as required. Effective retroactively for taxable years beginning after December 31, 2020.

ARTICLE 2: SALES AND USE AND SPECIAL TAXES

Section 1. Surcharge publication date. Amends Minn. Stat. § 296A.083, subd. 3, to move the annual deadline for publication of the debt service surcharge from April 1 to May 1. This change is necessary because the Department cannot publish the debt service surcharge until Minnesota Management and Budget publishes its debt service forecast, which is due on April 1 of each year. The amendment also removes outdated language from the subdivision. Effective the day following final enactment.

Section 2. Definition of “State.” Amends Minn. Stat. § 297A.61, subd. 29, to conform with the recently amended Streamlined Sales Tax definition of “state.” This amendment provides that for sales and use tax purposes “state” also includes any territory of the United States. Effective the day following final enactment.

ARTICLE 3: FIRE AND POLICE STATE AIDS

Section 1. Compliance report due dates. Amends Minn. Stat. § 6.495, subd. 3, to provide due dates for financial compliance reports submitted by the state auditor to the commissioner of revenue. The reports certify which relief associations are eligible to receive fire state aid. Effective for aids payable in calendar year 2023 and thereafter.

Section 2. Apportionment agreement definition. Amends Minn. Stat. § 477B.01 by adding a new subd. 1a, to define “apportionment agreement” for the purposes of fire state aid. Effective for aids payable in calendar year 2023 and thereafter.

Section 3. Fire department definition. Amends Minn. Stat. § 477B.01, subd. 5, to add joint powers entities and fire protection special taxing districts to the definition of “fire department” for purposes of Chapter 477B. The latter is cross-referenced with Chapter 144F, that added authority to create fire protection special taxing districts in 2021. Effective for aids payable in calendar year 2023 and thereafter.

Section 4. Joint powers entity definition. Amends Minn. Stat. § 477B.01 by adding a new subd. 7a, that defines a joint powers entity for purposes of fire state aid. Effective for aids payable in calendar year 2023 and thereafter.

Section 5. Municipality definition. Amends Minn. Stat. § 477B.01, subd. 10, to include joint powers entities and fire protection special taxing districts in the definition of “municipality” for purposes of fire state aid. Park districts and the University of Minnesota are eliminated from the definition. These two entities do not receive fire state aid, have not received it in the past, and are not anticipated to qualify for fire state aid in the future. Effective for aids payable in calendar year 2023 and thereafter.

Section 6. Secretary definition. Amends Minn. Stat. § 477B.01, subd. 11, to include the secretary or financial manager of a joint powers board or fire protection special taxing district board in the definition of “secretary” for purposes of fire state aid. Effective for aids payable in calendar year 2023 and thereafter.

Section 7. Fire department criteria. Amends Minn. Stat. § 477B.02, subd. 2, to require a fire department to have a fire department identification number issued by the state fire marshal to receive fire state aid. Effective for aids payable in calendar year 2023 and thereafter.

Section 8. Fire department personnel and benefits criteria. Amends Minn. Stat. § 477B.02, subd. 3, to eliminate outdated personnel criteria for fire departments to receive fire state aid. Language is also added to clarify that a fire department may not be associated with more than one retirement benefit plan at the same time. Effective for aids payable in calendar year 2023 and thereafter.

Section 9. Public safety answering point requirement. Amends Minn. Stat. § 477B.02 by adding a new subd. 4a, requiring a fire department to be dispatched by a public safety answering point to qualify for fire state aid. Effective for aids payable in calendar year 2023 and thereafter.

Sections 10, 15. Documentation filing requirements. Amends Minn. Stat. § 477B.02, subd. 5, to clarify the documentation required to be filed with the commissioner by municipalities and independent nonprofit firefighting corporations already receiving fire state aid, and those applying for the first time. For those already receiving aid, notifications of contract formation and termination, and notice of fire department dissolution, must be provided to the commissioner within 60 days of the event. For departments applying for fire state aid for the first time, notice of apportionment agreements, joint powers agreements, and fire protection special taxing district resolutions or agreements must be filed with the commissioner. If any of the above-listed documents are updated, the updated version must also be filed with the commissioner within 60 days of the update. In the event a fire department is located in an unorganized territory, the county auditor is also required to provide information that the commissioner needs to apportion the estimated market value of the fire department service area. Also amends Minn. Stat. § 477B.03, subd. 4, which determines initial calculations for fire state aid, to reflect the

documentation requirements above. Effective for aids payable in calendar year 2023 and thereafter.

Section 11, 16. PERA certification. Amends Minn. Stat. § 477B.02, subd. 8, to provide that the executive director of the Public Employees Retirement Association (PERA) only needs to certify to the commissioner of revenue which fire departments began or terminated participation in the voluntary statewide volunteer firefighter retirement plan since the previous certification. Requires the certifications to include the number of active volunteer firefighters under section 477B.03, subd. 5, information required for aid calculation. Also amends Minn. Stat. 477B.03, subd. 5, to provide the due date for PERA to certify the number of active firefighters to the commissioner of revenue and to the state auditor, and clarifies that the certification requirement applies to all municipalities and independent nonprofit firefighting corporations participating in the voluntary statewide volunteer firefighter retirement plan, not just to relief associations that were recently terminated because benefits started being provided by the statewide plan. Effective for aids payable in calendar year 2023 and thereafter.

Section 12. Fire department certification to commissioner. Amends Minn. Stat. § 477B.02, subd. 9, to require the municipal clerk or the secretary to annually certify a fire department's service area and whether all the qualification criteria for fire state aid are met. The municipal clerk or secretary must send a copy of the certification to the fire chief within five business days of filing with the commissioner. Effective for aids payable in calendar year 2023 and thereafter.

Sections 13 and 20. Certain tax credits and calculation of amount of fire and police state aid available for apportionment. Amends Minn. Stat. § 477B.03, subd. 2 and § 477C.03, subd. 2, to clarify that when the Department annually calculates the amount of fire and police state aid available for apportionment based on insurance premium data, the calculation is not affected by premium tax credits received under 297I.20, subd. 3 (historic structure insurance premium tax credit), subd. 4 (film production insurance premium tax credit), and subd. 5 (Minnesota housing insurance premium tax credit). This change aligns Chapters 477B and 477C with Minn. Stat. § 297I.20, subsd. 3, 4, and 5, which state that the credits do not affect the calculation. These amendments are effective the day following final enactment. Minn. Stat. § 477C.03, subd. 2, is also amended to delete vague language describing adjustments to aid payments. This amendment is effective for aids payable in calendar year 2023 and thereafter.

Section 14. Population data. Amends Minn. Stat. § 477B.03, subd. 3, to require the commissioner to use the most recent population estimates from the state demographer, rather than federal census data, to calculate fire state aid. Also requires the commissioner to use the estimated market value (EMV) property figures for the assessment year immediately prior to aid distribution in any calculations requiring EMV figures. Effective for aids payable in calendar year 2023 and thereafter.

Section 17. Fire state aid appeal. Amends Minn. Stat. § 477B.03, subd. 7, to provide that objections to fire state aid apportionments may only be raised within 60 days after the apportioned fire state aid is paid. There was previously no timeline for objections. Effective for aids payable in calendar year 2023 and thereafter.

Section 18. Timing and direction of fire state aid payments. Amends Minn. Stat. § 477B.04, subd. 1, to clarify that aid is withheld for noncompliance with financial reporting requirements. If the Office of the State Auditor certifies that the requirements have been met, the commissioner of revenue must make the payments within ten business days of receipt of the certification.

Language also clarifies that fire state aid payments will be distributed to the largest municipality in population located within a joint powers entity and within the fire department service area of independent nonprofit firefighting corporations. If a joint powers entity has designated an agency as its fiscal agent, however, the payments will be distributed to that agency regardless of population size. Effective for aids payable in calendar year 2023 and thereafter.

Section 19. Fire state aid amount corrections. Amends Minn. Stat. § 477B.04 by adding a new subd. 4, which specifies how clerical errors that resulted in incorrect overpayments or underpayments of fire state aid are adjusted. Adjustments must occur within three years after a payment is issued. Effective for aids payable in calendar year 2023 and thereafter.

Section 21. Police state aid appeal. Amends Minn. Stat. § 477C.03, subd. 5, to provide that objections to police state aid apportionments may only be raised within 60 days after the apportioned police state aid is paid. There was previously no timeline for objections. Effective for aids payable in calendar year 2023 and thereafter.

Sections 22. Police state aid amount corrections. Amends Minn. Stat. § 477C.04 by adding a new subd. 4 which specifies how clerical errors that resulted in incorrect overpayments and underpayments of police state aid are adjusted. Adjustments must occur within three years after a payment issued. Effective for aids payable in calendar year 2023 and thereafter.

Section 23. Repealer. An uncodified provision repeals Minn. Stat. § 477B.02, subd. 4. This subdivision details outdated equipment requirements for fire departments that are no longer used in determining qualification for fire state aid. Minn. Stat. § 477B.03, subd. 6 is also repealed. This subdivision contained vague language describing aid payment adjustments. It is no longer needed with the fire state aid correction language added to Minn. Stat. § 477B.04. Effective for aids payable in calendar year 2023 and thereafter.

ARTICLE 4: MISCELLANEOUS TAX PROVISIONS

Section 1. Property tax refund, homestead application. Amends Minn. Stat. § 290A.03, subd. 13, by changing the deadline for filing of a homestead application, and for the property to be classified as homestead, from December 15 to December 31, for purposes of the property tax refund, to match the deadlines for homestead applications for purposes of the homestead market value exclusion. Effective for refund claims based on property taxes payable in 2022 and thereafter.

Section 2. Owner or managing agent to furnish rent certificate. Amends Minn. Stat. § 290A.19. The Department, after consulting with affected representatives, can require owners and managing agents to e-file copies of certificates of rent paid (CRPs) issued to renters. The change supplements that authority by letting the Department require CRP issuers to submit their taxpayer identification number to the Department when e-filing the CRPs. Effective for refund claims based on rent paid in 2022 and thereafter.