

SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION

S.F. No. 2374

(SENATE AUTHORS: REST and Klein)

DATE	D-PG	OFFICIAL STATUS
03/10/2025	715	Introduction and first reading Referred to Taxes

1.1A bill for an act

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

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

1.4tax-related provisions; repealing the assignability of the education credit; making

1.5the research credit partially refundable; modifying transfer provisions for the short

1.6line railroad credit; modifying the airline flight property tax; modifying provisions

1.7related to attachments and appurtenances for property taxes; modifying provisions

1.8for leased tax-exempt property; reducing the appropriation for aquatic invasive

1.9species prevention aid; lowering the sales and use tax rate and expanding the tax

1.10base to include sales of certain professional services; modifying provisions for

1.11certificates of rent paid; modifying calculations for payments and other provisions

1.12under the Sustainable Forest Incentive Act; repealing local government cannabis

1.13aid and partial cannabis tax revenue dedication; repealing provisions related to tax

1.14filing modernization; canceling amounts; making related clarifying changes;

1.15requiring a report; appropriating money; amending Minnesota Statutes 2024,

1.16sections 41A.30, subdivisions 1, 2, 5, 7; 270.075, by adding a subdivision;

1.17270C.445, subdivision 3; 272.02, subdivision 19; 273.19, subdivision 1; 273.38;

1.18273.41; 289A.60, subdivision 12; 290.068, subdivision 3, by adding subdivisions;

1.19290.0693, subdivision 4; 290.0695, subdivisions 1, 3; 290A.19; 290C.07; 295.81,

1.20subdivision 10; 297A.61, subdivision 3; 297A.62, subdivision 1; 297A.65; 297F.25,

1.21subdivision 1; 477A.19, subdivision 5; repealing Minnesota Statutes 2024, sections

1.2213.4967, subdivision 2a; 270.075, subdivision 1; 290.0679; 477A.32; Laws 2023,

1.23chapter 64, article 15, section 24.

1.24BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.25ARTICLE 1

1.26INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES

1.27Section 1. Minnesota Statutes 2024, section 41A.30, subdivision 1, is amended to read:

1.28Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have

1.29the meanings given.

1.30(b) "Aircraft" has the meaning given in section 296A.01, subdivision 3.

2.1 (c) "Aviation gasoline" has the meaning given in section 296A.01, subdivision 7.

2.2 (d) "Commissioner" means the commissioner of agriculture.

2.3 (e) "Jet fuel" has the meaning given in section 296A.01, subdivision 8.

2.4 (f) "Qualifying taxpayer" means a taxpayer, as defined in section 290.01, subdivision
2.5 6, that is engaged in the business of:

2.6 (1) producing sustainable aviation fuel; or

2.7 (2) blending sustainable aviation fuel with aviation gasoline or jet fuel.

2.8 (g) "Sustainable aviation fuel" means liquid fuel that:

2.9 (1) is derived from biomass, as defined in section 41A.15, subdivision 2e, or gaseous
2.10 carbon oxides;

2.11 (2) is not derived from palm fatty acid distillates; and

2.12 (3) achieves at least a 50 percent life cycle greenhouse gas emissions reduction in
2.13 comparison with petroleum-based aviation gasoline, aviation turbine fuel, and jet fuel as
2.14 determined by a test that shows:

2.15 (i) that the fuel production pathway achieves at least a 50 percent life cycle greenhouse
2.16 gas emissions reduction in comparison with petroleum-based aviation gasoline, aviation
2.17 turbine fuel, and jet fuel utilizing the most recent version of Argonne National Laboratory's
2.18 Greenhouse Gases, Regulated Emissions, and Energy Use in Technologies (GREET) model
2.19 that accounts for reduced emissions throughout the fuel production process; or

2.20 (ii) that the fuel production pathway achieves at least a 50 percent reduction of the
2.21 aggregate attributional core life cycle emissions and the positive induced land use change
2.22 values under the life cycle methodology for sustainable aviation fuels adopted by the
2.23 International Civil Aviation Organization with the agreement of the United States.

2.24 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
2.25 after December 31, 2023, for sustainable aviation fuel sold after June 30, 2024.

2.26 Sec. 2. Minnesota Statutes 2024, section 41A.30, subdivision 2, is amended to read:

2.27 Subd. 2. **Tax credit establishment.** (a) A qualifying taxpayer may claim a tax credit
2.28 against the tax due under chapter 290 equal to \$1.50 for each gallon of sustainable aviation
2.29 fuel that is:

2.30 (1) produced in Minnesota or blended with aviation or gasoline or jet fuel in Minnesota;
2.31 and

(2) sold in Minnesota to a purchaser who certifies that the sustainable aviation fuel is for use as fuel in an aircraft departing from an airport in Minnesota.

(b) The credit may be claimed only after approval and certification by the commissioner and is limited to the amount stated on the credit certificate issued under subdivision 3. A qualifying taxpayer must apply to the commissioner for certification and allocation of a credit in a form and manner prescribed by the commissioner.

(c) A qualifying taxpayer may claim a credit for blending or producing sustainable aviation fuel, but not both. If sustainable aviation fuel is blended with aviation gasoline or jet fuel, the credit is allowed only for the portion of sustainable aviation fuel that is included in the blended fuel.

(d) If the amount of credit that the taxpayer is eligible to receive under this section exceeds the liability for tax under chapter 290, the commissioner of revenue must refund the excess to the taxpayer.

(e) A qualifying taxpayer may claim a supplemental tax credit against the tax due under chapter 290 equal to the rate of \$0.02 per gallon for each additional whole percentage carbon intensity reduction beyond 50 percent, but capped at \$0.50 per gallon.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2023, for sustainable aviation fuel sold after June 30, 2024.

Sec. 3. Minnesota Statutes 2024, section 41A.30, subdivision 5, is amended to read:

Subd. 5. **Allocation limits.** (a) For tax credits allowed under subdivision 2, the commissioner must not issue credit certificates for more than:

(1) \$7,400,000 for each of fiscal year years 2025 to 2027; and

(2) \$2,100,000 for each of fiscal years ~~2026 and 2027~~ 2028 to 2035.

(b) If the entire amount authorized under paragraph (a) is not allocated in that fiscal year ~~2025 or 2026~~, any remaining amount is carried forward into the next fiscal year and is available for allocation through fiscal year ~~2030~~ 2035 until the entire allocation has been made. The commissioner must not issue any credit certificates for fiscal years beginning after June 30, ~~2030~~ 2035, and any unallocated amounts cancel on that date.

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

4.1 Sec. 4. Minnesota Statutes 2024, section 41A.30, subdivision 7, is amended to read:

4.2 Subd. 7. **Expiration.** This section expires for taxable years beginning after December
4.3 31, ~~2030~~ 2035.

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

4.5 Sec. 5. Minnesota Statutes 2024, section 270C.445, subdivision 3, is amended to read:

4.6 Subd. 3. **Standards of conduct.** No tax preparer shall:

4.7 (1) without good cause fail to promptly, diligently, and without unreasonable delay
4.8 complete a client's return;

4.9 (2) obtain the signature of a client to a return or authorizing document that contains
4.10 blank spaces to be filled in after it has been signed;

4.11 (3) fail to sign a client's return when compensation for services rendered has been made;

4.12 (4) fail to provide on a client's return the preparer tax identification number when required
4.13 under section 6109(a)(4) of the Internal Revenue Code or section 289A.60, subdivision 28;

4.14 (5) fail or refuse to give a client a copy of any document requiring the client's signature
4.15 within a reasonable time after the client signs the document;

4.16 (6) fail to retain for at least four years a copy of a client's returns;

4.17 (7) fail to maintain a confidential relationship with clients or former clients;

4.18 (8) fail to take commercially reasonable measures to safeguard a client's nonpublic
4.19 personal information;

4.20 (9) make, authorize, publish, disseminate, circulate, or cause to make, either directly or
4.21 indirectly, any false, deceptive, or misleading statement or representation relating to or in
4.22 connection with the offering or provision of tax preparation services;

4.23 (10) require a client to enter into a loan arrangement in order to complete a client's return;

4.24 (11) claim credits or deductions on a client's return for which the tax preparer knows or
4.25 reasonably should know the client does not qualify;

4.26 (12) report a household income on a client's claim filed under chapter 290A that the tax
4.27 preparer knows or reasonably should know is not accurate;

4.28 (13) engage in any conduct that is subject to a penalty under section 289A.60, subdivision
4.29 13, 20, 20a, 26, or 28;

(14) whether or not acting as a taxpayer representative, fail to conform to the standards of conduct required by Minnesota Rules, part 8052.0300, subpart 4;

(15) whether or not acting as a taxpayer representative, engage in any conduct that is incompetent conduct under Minnesota Rules, part 8052.0300, subpart 5;

(16) whether or not acting as a taxpayer representative, engage in any conduct that is disreputable conduct under Minnesota Rules, part 8052.0300, subpart 6;

(17) charge, offer to accept, or accept a fee based upon a percentage of an anticipated refund for tax preparation services;

(18) under any circumstances, withhold or fail to return to a client a document provided by the client for use in preparing the client's return;

(19) take control or ownership of a client's refund by any means, including:

(i) directly or indirectly endorsing or otherwise negotiating a check or other refund instrument, including an electronic version of a check;

(ii) directing an electronic or direct deposit of the refund into an account unless the client's name is on the account; and

(iii) establishing or using an account in the preparer's name to receive a client's refund through a direct deposit or any other instrument unless the client's name is also on the account, ~~except that a taxpayer may assign the portion of a refund representing the Minnesota education credit available under section 290.0674 to a bank account without the client's name, as provided under section 290.0679;~~

(20) fail to act in the best interests of the client;

(21) fail to safeguard and account for any money handled for the client;

(22) fail to disclose all material facts of which the preparer has knowledge which might reasonably affect the client's rights and interests;

(23) violate any provision of section 332.37;

(24) include any of the following in any document provided or signed in connection with the provision of tax preparation services:

(i) a hold harmless clause;

(ii) a confession of judgment or a power of attorney to confess judgment against the client or appear as the client in any judicial proceeding;

(iii) a waiver of the right to a jury trial, if applicable, in any action brought by or against a debtor;

(iv) an assignment of or an order for payment of wages or other compensation for services;

(v) a provision in which the client agrees not to assert any claim or defense otherwise available;

(vi) a waiver of any provision of this section or a release of any obligation required to be performed on the part of the tax preparer; or

(vii) a waiver of the right to injunctive, declaratory, or other equitable relief or relief on a class basis; or

(25) if making, providing, or facilitating a refund anticipation loan, fail to provide all disclosures required by the federal Truth in Lending Act, United States Code, title 15, in a form that may be retained by the client.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2025.

Sec. 6. Minnesota Statutes 2024, section 290.068, subdivision 3, is amended to read:

Subd. 3. **Limitation; carryover.** (a) The credit for taxable years beginning before January 1, 2025, shall not exceed the liability for tax.

(b) If the amount of the credit allowed for the taxable year exceeds the liability for tax of the taxpayer, but is allowed as a result of the liability for tax of other members of the unitary group ~~for the taxable year~~, the taxpayer must allocate the excess as a research credit to another member of the unitary group.

~~(b)~~ (c) In the case of a corporation which is a partner in a partnership, the credit allowed for the taxable year shall not exceed the lesser of the amount determined under paragraph (a) for the taxable year or an amount (separately computed with respect to the corporation's interest in the trade or business or entity) equal to the amount of tax attributable to that portion of taxable income which is allocable or apportionable to the corporation's interest in the trade or business or entity.

~~(c)~~ (d) If the amount of the credit determined under this section for any taxable year exceeds the limitation under ~~paragraph (a) or (b)~~ paragraphs (a) to (c), including amounts allocated to other members of the unitary group, the excess shall be a research credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused

credit for the taxable year shall 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 which may be added under this clause shall not exceed the taxpayer's liability for tax less the research credit for the taxable year.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2024.

Sec. 7. Minnesota Statutes 2024, section 290.068, is amended by adding a subdivision to read:

Subd. 6b. Credit partially refundable. (a) For an allowed credit claimed on a tax return filed on or before the due date or extended due date, if the amount of credit allowed in this section for qualified research expenses incurred in taxable years beginning after December 31, 2024, exceeds the taxpayer's liability for tax, the commissioner shall refund 25 percent of the excess amount.

(b) The refundable amount allowed under paragraph (a) equals 25 percent of the excess, if any, of the credit amount remaining after the liability for tax has been reduced to zero, without any research credit carryover.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2024.

Sec. 8. Minnesota Statutes 2024, section 290.068, is amended by adding a subdivision to read:

Subd. 7a. Appropriation. An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2024.

Sec. 9. Minnesota Statutes 2024, section 290.068, is amended by adding a subdivision to read:

Subd. 8. Purpose statement. The purpose of the research credit provided under this section is to: (1) create or retain jobs in the state; (2) increase research activity in the state; and (3) attract or retain business in the state.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2024.

8.1 Sec. 10. Minnesota Statutes 2024, section 290.0695, subdivision 1, is amended to read:

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

8.4 (b) "Credit certificate" means the certificate issued by the commissioner of transportation
8.5 under subdivision 3, paragraph (a).

8.6 ~~(b)~~ (c) "Eligible taxpayer" means any railroad that is classified by the United States
8.7 Surface Transportation Board as a Class II or Class III railroad.

8.8 ~~(e)~~ (d) "Eligible transferee" means any taxpayer subject to tax under this chapter or
8.9 chapter 297I.

8.10 ~~(d)~~ (e) "Qualified railroad reconstruction or replacement expenditures" means gross
8.11 expenditures in the taxable year for maintenance, reconstruction, or replacement of railroad
8.12 infrastructure, including track, roadbed, bridges, industrial leads and sidings, and track-related
8.13 structures owned or leased by a Class II or Class III railroad in Minnesota as of January 1,
8.14 2021. Qualified railroad reconstruction or replacement expenditures also includes new
8.15 construction of industrial leads, switches, spurs and sidings and extensions of existing sidings
8.16 in Minnesota by a Class II or Class III railroad.

8.17 (f) "Transfer credit certificate" means the certificate issued to a transferee by the
8.18 commissioner under subdivision 3, paragraph (d).

8.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
8.20 31, 2024.

8.21 Sec. 11. Minnesota Statutes 2024, section 290.0695, subdivision 3, is amended to read:

8.22 Subd. 3. ~~Transferability~~ **Credit certificates; written agreement required; credit**
8.23 **certificate transferability.** (a) To qualify for a credit under this section, an eligible taxpayer
8.24 must apply to the commissioner of transportation for a credit certificate. The application
8.25 for the credit certificate must be in the form and manner prescribed by the commissioner
8.26 of transportation, in consultation with the commissioner. If the application is approved, the
8.27 commissioner of transportation must issue the credit certificate to the eligible taxpayer
8.28 within 30 days of receipt of the application. The credit certificate must state the number of
8.29 miles of qualified railroad reconstruction or replacement expenditures in the taxable year
8.30 and the total amount of credit calculated under subdivision 2, paragraph (a). The
8.31 commissioner of transportation must provide a copy of the credit certificate to the
8.32 commissioner of revenue. The commissioner of transportation must not issue more than
8.33 one credit certificate to an eligible taxpayer in a taxable year.

(b) By written agreement, an eligible taxpayer may transfer the credit allowed under this section ~~by written agreement~~ to an eligible transferee. ~~The amount of the transferred credit is limited to the unused, remaining portion of the credit.~~ as follows:

(1) any amount of the credit allowed that is stated in the credit certificate before any of the credit is claimed; or

(2) the entire amount of the credit carryover in each of the five succeeding taxable years.

~~(b)~~ (c) The eligible taxpayer and the eligible transferee must jointly file a copy of the written transfer agreement with the commissioner within 30 days of the transfer. The written agreement must contain the name, address, and taxpayer identification number of the parties to the transfer; the taxable year the eligible taxpayer incurred the qualified expenditures; the amount of credit being transferred; and the taxable year or years for which the transferred credit may be claimed.

~~(e)~~ (d) The commissioner must issue a transfer credit certificate to the transferee within 30 days of the joint filing of a copy of the written transfer agreement with the commissioner.

~~(d) In the case of an audit or assessment, the transferee is liable for repayment of credits claimed in excess of the allowed amount.~~

(e) An eligible taxpayer must not transfer a credit to an eligible transferee more than once in a taxable year.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2024.

Sec. 12. **RESEARCH CREDIT; REPORT TO LEGISLATURE.**

Subdivision 1. **Report required.** For taxable year 2025, the commissioner of revenue must determine the economic impact to the state from the increased research activities for which credits are provided under Minnesota Statutes, section 290.068, and provide a written report on the impact to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes, in compliance with Minnesota Statutes, sections 3.195 and 3.197. The report must be submitted by February 1, 2027.

Subd. 2. **Appropriation.** \$50,000 in fiscal year 2026 and \$50,000 in fiscal year 2027 are appropriated from the general fund to the commissioner of revenue for the costs associated with preparing the report required under subdivision 1. These are onetime appropriations.

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

10.1 Sec. 13. **REPEALER.**

10.2 Minnesota Statutes 2024, sections 13.4967, subdivision 2a; and 290.0679, are repealed.

10.3 **EFFECTIVE DATE.** This section is effective for assignments after December 31, 2025.

10.4 **ARTICLE 2**

10.5 **PROPERTY TAXES**

10.6 Section 1. Minnesota Statutes 2024, section 270.075, is amended by adding a subdivision
10.7 to read:

10.8 Subd. 1a. **Amount of tax.** The commissioner shall levy and collect a total annual tax of
10.9 \$8,050,000 from all airline companies engaged in air commerce in this state. The
10.10 commissioner shall apportion the tax to each airline company based on the valuation and
10.11 net tax capacity of all flight property calculated pursuant to section 270.074.

10.12 **EFFECTIVE DATE.** This section is effective for property taxes payable in 2026 and
10.13 thereafter.

10.14 Sec. 2. Minnesota Statutes 2024, section 272.02, subdivision 19, is amended to read:

10.15 Subd. 19. **Property used to distribute electricity to farmers.** Electric power distribution
10.16 ~~lines and their attachments and appurtenances~~ systems, not including substations, or
10.17 transmission or generation equipment, that are used primarily for supplying electricity to
10.18 farmers at retail, are exempt.

10.19 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2025
10.20 and thereafter.

10.21 Sec. 3. Minnesota Statutes 2024, section 273.19, subdivision 1, is amended to read:

10.22 Subdivision 1. **Tax-exempt property; lease.** (a) Except as provided in subdivision 3 or
10.23 4, tax-exempt property held under a lease for a term of at least one year, and not taxable
10.24 under section 272.01, subdivision 2, or under a contract for the purchase thereof, shall be
10.25 considered, for all purposes of taxation, as the property of the person holding it. In this
10.26 subdivision, "tax-exempt property" means property owned by the United States, the state
10.27 or any of its political subdivisions, a school, or any religious, scientific, or benevolent society
10.28 or institution, incorporated or unincorporated, or any corporation whose property is not
10.29 taxed in the same manner as other property.

10.30 ~~This subdivision~~ (b) Paragraph (a) does not apply to:

11.1 (1) property exempt from taxation under section 272.01, subdivision 2, paragraph (b),
 11.2 clauses (2), (3), and (4), or to;

11.3 (2) property exempt from taxation under section 272.0213; or

11.4 (3) a lease of any term of residential rental housing property exempt from taxation under
 11.5 section 272.02, subdivision 7.

11.6 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2025
 11.7 and thereafter.

11.8 Sec. 4. Minnesota Statutes 2024, section 273.38, is amended to read:

11.9 **273.38 PERCENTAGE OF ASSESSMENTS; EXCEPTIONS.**

11.10 The distribution lines and the attachments and appurtenances thereto systems, not
 11.11 including substations, or transmission or generation equipment, of cooperative associations
 11.12 organized under the provisions of Laws 1923, chapter 326, and laws amendatory thereof
 11.13 and supplemental thereto, and engaged in the electrical heat, light and power business, upon
 11.14 a mutual, nonprofit and cooperative plan, shall be assessed and taxed as provided in sections
 11.15 273.40 and 273.41.

11.16 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2025
 11.17 and thereafter.

11.18 Sec. 5. Minnesota Statutes 2024, section 273.41, is amended to read:

11.19 **273.41 AMOUNT OF TAX; DISTRIBUTION.**

11.20 There is hereby imposed upon each such cooperative association on December 31 of
 11.21 each year a tax of \$10 for each 100 members, or fraction thereof, of such association. The
 11.22 tax, when paid, shall be in lieu of all personal property taxes, state, county, or local, upon
 11.23 ~~distribution lines and the attachments and appurtenances thereto of such associations~~ that
 11.24 part of the association's distribution system, not including substations, or transmission or
 11.25 generation equipment, located in rural areas. The tax shall be payable on or before March
 11.26 1 of the next succeeding year, to the commissioner of revenue. If the tax, or any portion
 11.27 thereof, is not paid within the time herein specified for the payment thereof, there shall be
 11.28 added thereto a specific penalty equal to ten percent of the amount so remaining unpaid.
 11.29 Such penalty shall be collected as part of said tax, and the amount of said tax not timely
 11.30 paid, together with said penalty, shall bear interest at the rate specified in section 270C.40
 11.31 from the time such tax should have been paid until paid. The commissioner shall deposit
 11.32 the amount so received in the general fund of the state treasury.

12.1 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2025
12.2 and thereafter.

12.3 Sec. 6. Minnesota Statutes 2024, section 477A.19, subdivision 5, is amended to read:

12.4 Subd. 5. **Appropriation.** ~~\$10,000,000~~ \$5,000,000 each year is appropriated from the
12.5 general fund to the commissioner of revenue to make the payments required under this
12.6 section.

12.7 **EFFECTIVE DATE.** This section is effective for aids payable in 2026 and thereafter.

12.8 Sec. 7. **REPEALER.**

12.9 Minnesota Statutes 2024, section 270.075, subdivision 1, is repealed.

12.10 **EFFECTIVE DATE.** This section is effective for property taxes payable in 2026 and
12.11 thereafter.

12.12 **ARTICLE 3**

12.13 **SALES AND USE TAXES**

12.14 Section 1. Minnesota Statutes 2024, section 297A.61, subdivision 3, is amended to read:

12.15 Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited to,
12.16 each of the transactions listed in this subdivision. In applying the provisions of this chapter,
12.17 the terms "tangible personal property" and "retail sale" include the taxable services listed
12.18 in paragraph (g), clause (6), items (i) to (vi) and (viii), and the provision of these taxable
12.19 services, unless specifically provided otherwise. Services performed by an employee for
12.20 an employer are not taxable. Services performed by a partnership or association for another
12.21 partnership or association are not taxable if one of the entities owns or controls more than
12.22 80 percent of the voting power of the equity interest in the other entity. Services performed
12.23 between members of an affiliated group of corporations are not taxable. For purposes of
12.24 the preceding sentence, "affiliated group of corporations" means those entities that would
12.25 be classified as members of an affiliated group as defined under United States Code, title
12.26 26, section 1504, disregarding the exclusions in section 1504(b).

12.27 (b) Sale and purchase include:

12.28 (1) any transfer of title or possession, or both, of tangible personal property, whether
12.29 absolutely or conditionally, for a consideration in money or by exchange or barter; and

13.1 (2) the leasing of or the granting of a license to use or consume, for a consideration in
13.2 money or by exchange or barter, tangible personal property, other than a manufactured
13.3 home used for residential purposes for a continuous period of 30 days or more.

13.4 (c) Sale and purchase include the production, fabrication, printing, or processing of
13.5 tangible personal property for a consideration for consumers who furnish either directly or
13.6 indirectly the materials used in the production, fabrication, printing, or processing.

13.7 (d) Sale and purchase include the preparing for a consideration of food. Notwithstanding
13.8 section 297A.67, subdivision 2, taxable food includes, but is not limited to, the following:

13.9 (1) prepared food sold by the retailer;

13.10 (2) soft drinks;

13.11 (3) candy; and

13.12 (4) dietary supplements.

13.13 (e) A sale and a purchase includes the furnishing for a consideration of electricity, gas,
13.14 water, or steam for use or consumption within this state.

13.15 (f) A sale and a purchase includes the transfer for a consideration of prewritten computer
13.16 software whether delivered electronically, by load and leave, or otherwise.

13.17 (g) A sale and a purchase includes the furnishing for a consideration of the following
13.18 services:

13.19 (1) the privilege of admission to places of amusement, recreational areas, or athletic
13.20 events, and the making available of amusement devices, tanning facilities, reducing salons,
13.21 steam baths, health clubs, and spas or athletic facilities;

13.22 (2) lodging and related services by a hotel, rooming house, resort, campground, motel,
13.23 or trailer camp, including furnishing the guest of the facility with access to telecommunication
13.24 services, and the granting of any similar license to use real property in a specific facility,
13.25 other than the renting or leasing of it for a continuous period of 30 days or more under an
13.26 enforceable written agreement that may not be terminated without prior notice and including
13.27 accommodations intermediary services provided in connection with other services provided
13.28 under this clause;

13.29 (3) nonresidential parking services, whether on a contractual, hourly, or other periodic
13.30 basis, except for parking at a meter;

13.31 (4) the granting of membership in a club, association, or other organization if:

14.1 (i) the club, association, or other organization makes available for the use of its members
14.2 sports and athletic facilities, without regard to whether a separate charge is assessed for use
14.3 of the facilities; and

14.4 (ii) use of the sports and athletic facility is not made available to the general public on
14.5 the same basis as it is made available to members.

14.6 Granting of membership means both onetime initiation fees and periodic membership dues.
14.7 Sports and athletic facilities include golf courses; tennis, racquetball, handball, and squash
14.8 courts; basketball and volleyball facilities; running tracks; exercise equipment; swimming
14.9 pools; and other similar athletic or sports facilities;

14.10 (5) delivery of aggregate materials by a third party, excluding delivery of aggregate
14.11 material used in road construction; and delivery of concrete block by a third party if the
14.12 delivery would be subject to the sales tax if provided by the seller of the concrete block.
14.13 For purposes of this clause, "road construction" means construction of:

14.14 (i) public roads;

14.15 (ii) cartways; and

14.16 (iii) private roads in townships located outside of the seven-county metropolitan area
14.17 up to the point of the emergency response location sign; and

14.18 (6) services as provided in this clause:

14.19 (i) laundry and dry cleaning services including cleaning, pressing, repairing, altering,
14.20 and storing clothes, linen services and supply, cleaning and blocking hats, and carpet,
14.21 drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not
14.22 include services provided by coin operated facilities operated by the customer;

14.23 (ii) motor vehicle washing, waxing, and cleaning services, including services provided
14.24 by coin operated facilities operated by the customer, and rustproofing, undercoating, and
14.25 towing of motor vehicles;

14.26 (iii) building and residential cleaning, maintenance, and disinfecting services and pest
14.27 control and exterminating services;

14.28 (iv) detective, security, burglar, fire alarm, and armored car services; but not including
14.29 services performed within the jurisdiction they serve by off-duty licensed peace officers as
14.30 defined in section 626.84, subdivision 1, or services provided by a nonprofit organization
14.31 or any organization at the direction of a county for monitoring and electronic surveillance

15.1 of persons placed on in-home detention pursuant to court order or under the direction of the
15.2 Minnesota Department of Corrections;

15.3 (v) pet grooming services;

15.4 (vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting
15.5 and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor plant
15.6 care; tree, bush, shrub, and stump removal, except when performed as part of a land clearing
15.7 contract as defined in section 297A.68, subdivision 40; and tree trimming for public utility
15.8 lines. Services performed under a construction contract for the installation of shrubbery,
15.9 plants, sod, trees, bushes, and similar items are not taxable;

15.10 (vii) massages, except when provided by a licensed health care facility or professional
15.11 or upon written referral from a licensed health care facility or professional for treatment of
15.12 illness, injury, or disease; and

15.13 (viii) the furnishing of lodging, board, and care services for animals in kennels and other
15.14 similar arrangements, but excluding veterinary and horse boarding services.

15.15 (h) A sale and a purchase includes the furnishing for a consideration of tangible personal
15.16 property or taxable services by the United States or any of its agencies or instrumentalities,
15.17 or the state of Minnesota, its agencies, instrumentalities, or political subdivisions.

15.18 (i) A sale and a purchase includes the furnishing for a consideration of
15.19 telecommunications services, ancillary services associated with telecommunication services,
15.20 and pay television services. Telecommunication services include, but are not limited to, the
15.21 following services, as defined in section 297A.669: air-to-ground radiotelephone service,
15.22 mobile telecommunication service, postpaid calling service, prepaid calling service, prepaid
15.23 wireless calling service, and private communication services. The services in this paragraph
15.24 are taxed to the extent allowed under federal law.

15.25 (j) A sale and a purchase includes the furnishing for a consideration of installation if the
15.26 installation charges would be subject to the sales tax if the installation were provided by
15.27 the seller of the item being installed.

15.28 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer to a
15.29 customer when (1) the vehicle is rented by the customer for a consideration, or (2) the motor
15.30 vehicle dealer is reimbursed pursuant to a service contract as defined in section 59B.02,
15.31 subdivision 11.

15.32 (l) A sale and a purchase includes furnishing for a consideration of specified digital
15.33 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.

(n) A sale and purchase includes the transfer for consideration of a taxable cannabis product as defined in section 295.81, subdivision 1, paragraph (r).

(o) A sale and purchase includes the furnishing for a consideration of the following services when purchased by a person other than a trade or business:

(1) accounting services, including but not limited to audit, bookkeeping, financial statement preparation, payroll, and tax return preparation services, but excluding tax preparation services used to claim the Minnesota child tax credit under section 290.0661 or the Minnesota working family credit under section 290.0671;

(2) banking and brokerage services, including but not limited to account maintenance fees, safety deposit boxes, credit card fees, loan servicing, payment services, wealth management, financial planning, retirement planning, trust management, and investment management, but excluding origination fees, overdraft fees, late fees, and the management of defined benefit pension funds; and

(3) legal services, including but not limited to attorney fees, paralegal and legal assistant services, law clerk services, notary fees, process serving, mediation and arbitration, and title search, but excluding legal aid services funded as described in section 480.242.

(p) A seller of the services listed in paragraph (o) must retain records identifying through reasonable and verifiable standards whether the services were purchased by a trade or business or a person other than a trade or business.

EFFECTIVE DATE. This section is effective for sales and purchases made after September 30, 2025.

17.1 Sec. 2. Minnesota Statutes 2024, section 297A.62, subdivision 1, is amended to read:

17.2 Subdivision 1. **Generally.** Except as otherwise provided in subdivision 3 or in this
17.3 chapter, a sales tax of ~~6.5~~ 6.425 percent is imposed on the gross receipts from retail sales
17.4 as defined in section 297A.61, subdivision 4, made in this state or to a destination in this
17.5 state by a person who is required to have or voluntarily obtains a permit under section
17.6 297A.83, subdivision 1.

17.7 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
17.8 September 30, 2025.

17.9 Sec. 3. Minnesota Statutes 2024, section 297A.65, is amended to read:

17.10 **297A.65 LOTTERY TICKETS; IN LIEU TAX.**

17.11 Sales of State Lottery tickets are exempt from the tax imposed under section 297A.62.
17.12 The State Lottery must on or before the 20th day of each month transmit to the commissioner
17.13 of revenue an amount equal to the gross receipts from the sale of lottery tickets for the
17.14 previous month multiplied by ~~the tax rate under section 297A.62, subdivision 1~~ 6.5 percent.
17.15 The resulting payment is in lieu of the sales tax that otherwise would be imposed by this
17.16 chapter. The commissioner shall deposit the money transmitted as provided by section
17.17 297A.94 and the money must be treated as other proceeds of the sales tax. For purposes of
17.18 this section, "gross receipts" means the proceeds of the sale of tickets before deduction of
17.19 a commission or other compensation paid to the vendor or retailer for selling tickets.

17.20 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
17.21 September 30, 2025.

17.22 Sec. 4. Minnesota Statutes 2024, section 297F.25, subdivision 1, is amended to read:

17.23 Subdivision 1. **Imposition.** (a) A tax is imposed on distributors on the sale of cigarettes
17.24 by a cigarette distributor to a retailer or cigarette subjobber for resale in this state. The tax
17.25 is equal to ~~the combined tax rate under section 297A.62~~ 6.875 percent, multiplied by the
17.26 weighted average retail price and must be expressed in cents per pack rounded to the nearest
17.27 one-tenth of a cent. The weighted average retail price must be determined annually, with
17.28 new rates published by November 1, and effective for sales on or after January 1 of the
17.29 following year. The weighted average retail price must be established by surveying cigarette
17.30 retailers statewide in a manner and time determined by the commissioner. The commissioner
17.31 shall make an inflation adjustment in accordance with the Consumer Price Index for all
17.32 urban consumers inflation indicator as published in the most recent state budget forecast.

The commissioner shall use the inflation factor for the calendar year in which the new tax rate takes effect. If the survey indicates that the average retail price of cigarettes has not increased relative to the average retail price in the previous year's survey, then the commissioner shall not make an inflation adjustment. The determination of the commissioner pursuant to this subdivision is not a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. For packs of cigarettes with other than 20 cigarettes, the tax must be adjusted proportionally.

(b) Notwithstanding paragraph (a), and in lieu of a survey of cigarette retailers, the tax calculation of the weighted average retail price for the sales of cigarettes from August 1, 2011, through December 31, 2011, shall be calculated by: (1) increasing the average retail price per pack of 20 cigarettes from the most recent survey by the percentage change in a weighted average of the presumed legal prices for cigarettes during the year after completion of that survey, as reported and published by the Department of Commerce under section 325D.371; (2) subtracting the sales tax included in the retail price; and (3) adjusting for expected inflation. The rate must be published by May 1 and is effective for sales after July 31. If the weighted average of the presumed legal prices indicates that the average retail price of cigarettes has not increased relative to the average retail price in the most recent survey, then no inflation adjustment must be made. For packs of cigarettes with other than 20 cigarettes, the tax must be adjusted proportionally.

EFFECTIVE DATE. This section is effective for sales and purchases made after September 30, 2025.

ARTICLE 4

MISCELLANEOUS

Section 1. Minnesota Statutes 2024, section 289A.60, subdivision 12, is amended to read:

Subd. 12. **Penalties relating to property tax refunds and certificates of rent paid.** (a) If it is determined that a property tax refund claim is excessive and was negligently prepared, a claimant is liable for a penalty of ten percent of the disallowed claim. If the claim has been paid, the amount disallowed must be recovered by assessment and collection.

(b) An owner who ~~without reasonable cause~~ fails to give a certificate of rent paid to a renter, as required by sections 290.0693, subdivision 4, paragraph (a), and 290A.19, paragraph (a), is liable to the commissioner for a penalty of ~~\$100~~ \$50 for each failure. The commissioner may abate the penalty using the abatement authority in section 270C.34.

(c) An owner who fails to file a certificate of rent paid with the commissioner, as required by sections 290.0693, subdivision 4, paragraph (b), and 290A.19, paragraph (b), is liable to the commissioner for a penalty of \$50 for each failure. The commissioner may abate the penalty using the abatement authority in section 270C.34.

~~(e)~~ (d) If the owner or managing agent knowingly gives rent certificates that report total rent constituting property taxes in excess of the amount of actual rent constituting property taxes paid on the rented part of a property, the owner or managing agent is liable for a penalty equal to the greater of (1) \$100 or (2) 50 percent of the excess that is reported. An overstatement of rent constituting property taxes is presumed to be knowingly made if it exceeds by ten percent or more the actual rent constituting property taxes.

EFFECTIVE DATE. This section is effective for rent paid after December 31, 2025.

Sec. 2. Minnesota Statutes 2024, section 290.0693, subdivision 4, is amended to read:

Subd. 4. **Owner or managing agent to furnish rent certificate.** (a) The owner or managing agent of any property for which rent is paid for occupancy as a homestead must furnish a certificate of rent paid to a person who is a renter on December 31, in the form prescribed by the commissioner. If the renter moves before December 31, the owner or managing agent may give the certificate to the renter at the time of moving, or mail the certificate to the forwarding address if an address has been provided by the renter. The certificate must be made available to the renter before February 1 of the year following the year in which the rent was paid. The owner or managing agent must retain a duplicate of each certificate or an equivalent record showing the same information for a period of four years. The duplicate or other record must be made available to the commissioner upon request.

(b) ~~The commissioner may require the owner or managing agent, through a simple process, to~~ must furnish to the commissioner on or before January 31 a copy of each certificate of rent paid furnished to a renter for rent paid in the prior year. The commissioner shall prescribe the content, format, and manner of the form pursuant to section 270C.30. The commissioner may require the Social Security number, individual taxpayer identification number, federal employer identification number, or Minnesota taxpayer identification number of the owner or managing agent who is required to furnish a certificate of rent paid under this paragraph. Before implementation, the commissioner, after consulting with representatives of owners or managing agents, shall develop an implementation and administration plan for the requirements of this paragraph that attempts to minimize financial

20.1 burdens, administration and compliance costs, and takes into consideration existing systems
20.2 of owners and managing agents.

20.3 (c) An owner who fails to furnish the certificate of rent paid to the renter or to the
20.4 commissioner, as required under this section, is subject to the penalty imposed under section
20.5 289A.60, subdivision 12.

20.6 **EFFECTIVE DATE.** This section is effective for rent paid after December 31, 2025.

20.7 Sec. 3. Minnesota Statutes 2024, section 290A.19, is amended to read:

20.8 **290A.19 PARK OWNER TO FURNISH RENT CERTIFICATE.**

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

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

20.29 (c) For the purposes of this section, "park owner" means a park owner as defined under
20.30 section 327C.015, subdivision 9, and "property" includes a lot as defined under section
20.31 327C.015, subdivision 6.

21.1 (d) An owner who fails to furnish the certificate of rent paid to the renter or to the
21.2 commissioner, as required under this section, is subject to the penalty imposed under section
21.3 289A.60, subdivision 12.

21.4 **EFFECTIVE DATE.** This section is effective for rent paid after December 31, 2025.

21.5 Sec. 4. Minnesota Statutes 2024, section 290C.07, is amended to read:

21.6 **290C.07 CALCULATION OF INCENTIVE PAYMENT.**

21.7 (a) An approved claimant under the sustainable forest incentive program is eligible to
21.8 receive an annual payment for each acre of enrolled land, excluding any acre improved with
21.9 a paved trail under easement, lease, or terminable license to the state of Minnesota or a
21.10 political subdivision. The payment shall equal a percentage of the property tax that would
21.11 be paid on the land determined by using the previous year's statewide average total tax rate
21.12 for all taxes levied within townships and unorganized territories, the estimated market value
21.13 per acre as calculated in section 290C.06, and a class rate of one percent as follows: (1) for
21.14 claimants enrolling land that is subject to a conservation easement funded under section
21.15 97A.056 or a comparable permanent easement conveyed to a governmental or nonprofit
21.16 entity before May 31, 2013, ~~25~~ 17.5 percent; (2) for claimants enrolling land that is not
21.17 subject to a conservation easement under an eight-year covenant, ~~65~~ 45.5 percent; (3) for
21.18 claimants enrolling land that is not subject to a conservation easement under a 20-year
21.19 covenant, ~~90~~ 63 percent; and (4) for claimants enrolling land that is not subject to a
21.20 conservation easement under a 50-year covenant, ~~115~~ 80.5 percent.

21.21 (b) The calculated payment must not increase or decrease by more than ten percent
21.22 relative to the payment received for the previous year. In no case may the payment be less
21.23 than 70 percent of the amount paid to the claimant for the land enrolled in the program in
21.24 2017. ~~If an eligible claimant elects to change the length of the covenant on enrolled land~~
21.25 ~~on or before May 15, 2019, the limits under this paragraph do not apply and the claimant~~
21.26 ~~must receive payment in the amount corresponding to the new covenant length as calculated~~
21.27 ~~under paragraph (a).~~

21.28 (c) In addition to the payments provided under this section, a claimant enrolling more
21.29 than 1,920 acres shall be allowed an additional payment per acre equal to the amount
21.30 prescribed in paragraph (a), clause (1), for all acres of enrolled land on which public access
21.31 is allowed, as required under section 290C.03, paragraph (a), clause (6), excluding any land
21.32 subject to a conservation easement funded under section 97A.056, or a permanent easement
21.33 conveyed to a governmental or nonprofit entity that is required to allow for public access
21.34 under section 290C.03, paragraph (a), clause (6).

22.1 **EFFECTIVE DATE.** This section is effective beginning for payments in calendar year
22.2 2026.

22.3 Sec. 5. Minnesota Statutes 2024, section 295.81, subdivision 10, is amended to read:

22.4 Subd. 10. **Deposit of revenues; account established.** ~~(a)~~ The commissioner must deposit
22.5 the revenues, including penalties and interest, derived from the tax imposed by this section
22.6 as follows:

22.7 ~~(1) 80 percent to in the general fund; and.~~

22.8 ~~(2) 20 percent to the local government cannabis aid account in the special revenue fund.~~

22.9 ~~(b) The local government cannabis aid account is established in the special revenue fund.~~

22.10 **EFFECTIVE DATE.** The amendment to paragraph (a) is effective July 1, 2025. The
22.11 amendment to paragraph (b) is effective January 2, 2026.

22.12 Sec. 6. **CANCELLATION OF AMOUNTS IN LOCAL GOVERNMENT CANNABIS**
22.13 **AID ACCOUNT.**

22.14 On January 2, 2026, any balance within the local government cannabis aid account in
22.15 the special revenue fund is canceled to the general fund.

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

22.17 Sec. 7. **SPECIAL WITHDRAWAL AND RELEASE PROCEDURES FOR THE**
22.18 **SUSTAINABLE FOREST INCENTIVE ACT.**

22.19 For lands enrolled in the Sustainable Forest Incentive Act on or before the day following
22.20 final enactment of section 4, the claimant may elect by July 1, 2026, and without penalty,
22.21 to withdraw land subject to the covenant without regard to the limitations under Minnesota
22.22 Statutes, section 290C.055. The claimant of the enrolled land making an election to withdraw
22.23 land must provide written notice to the commissioner of revenue of its intent to withdraw
22.24 land from the program. The commissioner must issue a document releasing the land from
22.25 the covenant to each claimant electing to withdraw land from the program, effective
22.26 retroactive to the date of the election.

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

23.1 Sec. 8. **CANCELLATION.**

23.2 Any money in the tax filing modernization account repealed in section 9 is canceled to
23.3 the general fund.

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

23.5 Sec. 9. **REPEALER.**

23.6 (a) Minnesota Statutes 2024, section 477A.32, is repealed.

23.7 (b) Laws 2023, chapter 64, article 15, section 24, is repealed.

23.8 **EFFECTIVE DATE.** Paragraph (a) is effective for aids payable in 2026 and thereafter.

23.9 Paragraph (b) is effective the day following final enactment.

APPENDIX
Article locations for 25-00107

ARTICLE 1	INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES..	Page.Ln 1.25
ARTICLE 2	PROPERTY TAXES.....	Page.Ln 10.4
ARTICLE 3	SALES AND USE TAXES.....	Page.Ln 12.12
ARTICLE 4	MISCELLANEOUS.....	Page.Ln 18.22

13.4967 OTHER TAX DATA CODED ELSEWHERE.

Subd. 2a. **Assignment of refund.** Data regarding assignment of individual income tax refunds is classified by section 290.0679, subdivision 9.

270.075 TAX LEVY.

Subdivision 1. **Rate of tax.** The commissioner shall determine the rate of tax to be levied and collected against the net tax capacity as determined pursuant to section 270.074, subdivision 3, to generate revenues sufficient to fund the air flight property tax portion of each year's state airport fund appropriation, as certified to the commissioner by the commissioner of transportation. The certification shall be presented to the commissioner prior to December 31 of each year. The property tax portion of the state airport fund appropriation is the difference between the total fund appropriation and the estimated total fund revenues from other sources for the state fiscal year in which the tax is payable and may include a portion of the balance in the state airports fund as determined to be available by the commissioner of transportation. The certification by the commissioner of transportation to the commissioner shall state the total fund appropriation and shall list individually the estimated fund revenues including the account carryover balance in the airport fund. The difference of these amounts shall be shown as the property tax portion of the state airport fund appropriation.

If a levy amount has not been certified by December 31 of a levy year, the commissioner shall use the last previous certified amount to determine the rate of tax, and shall notify the chairs and the ranking minority members of the committees of the house of representatives and senate having jurisdiction over the Department of Transportation that a certification was not made under this subdivision.

290.0679 ASSIGNMENT OF REFUND.

Subdivision 1. **Definitions.** (a) "Qualifying taxpayer" means a resident who has a child in kindergarten through grade 12 in the current tax year and who met the income requirements under section 290.0674, subdivision 2, for receiving the education credit in the tax year preceding the assignment of the taxpayer's refund.

(b) "Education credit" means the credit allowed under section 290.0674.

(c) "Refund" means an individual income tax refund.

(d) "Financial institution" means a state or federally chartered bank, savings bank, savings association, or credit union.

(e) "Qualifying organization" means a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code.

(f) "Assignee" means a financial institution or qualifying organization that is entitled to receive payment of a refund assigned under this section.

Subd. 2. **Conditions for assignment.** A qualifying taxpayer may assign all or part of an anticipated refund for the current and future taxable years to a financial institution or a qualifying organization. A financial institution or qualifying organization accepting assignment must pay the amount secured by the assignment to a third-party vendor. The commissioner of education shall, upon request from a third-party vendor, certify that the vendor's products and services qualify for the education credit. A denial of a certification may be appealed to the commissioner pursuant to this subdivision and notwithstanding chapter 14. A financial institution or qualifying organization that accepts assignments under this section must verify as part of the assignment documentation that the product or service to be provided by the third-party vendor has been certified by the commissioner of education as qualifying for the education credit. The amount assigned for the current and future taxable years may not exceed the maximum allowable education credit for the current taxable year. Both the taxpayer and spouse must consent to the assignment of a refund from a joint return.

Subd. 3. **Consent for disclosure.** When the taxpayer applies to the financial institution or the qualifying organization for a loan to be secured by the assignment under subdivision 2, the taxpayer must sign a written consent on a form prescribed by the commissioner. The consent must authorize the commissioner to disclose to the financial institution or qualifying organization the total amount of state taxes owed or revenue recapture claims filed under chapter 270A against the taxpayer, and the total amount of outstanding assignments made by the taxpayer under this section. For a refund from a joint return, the consent must also authorize the disclosure of taxes, revenue recapture claims, and assignments relating to the taxpayer's spouse, and must be signed by the spouse. The financial

institution or qualifying organization may request that the taxpayer provide a copy of the taxpayer's previous year's income tax return, if any, and may assist the taxpayer in requesting a copy of the previous year's return from the commissioner.

Subd. 4. **Consumer disclosure.** (a) A third-party vendor that receives payment of the amount secured by an assignment must comply with the requirements of this subdivision.

(b) The third-party vendor must disclose to the taxpayer, in plain language:

(1) the cost of each product or service for which the third-party vendor separately charges the taxpayer;

(2) any fees charged to the taxpayer for tax preparation services; and

(3) for qualifying low-income taxpayers, information on the availability of free tax preparation services.

(c) The third-party vendor must provide to the taxpayer executed copies of any documents signed by the taxpayer.

Subd. 5. **Filing of assignment.** The commissioner shall prescribe the form of and manner for filing an assignment of a refund under this section.

Subd. 6. **Effect of assignment.** The taxpayer may not revoke an assignment after it has been filed. The assignee must notify the commissioner if the loan secured by the assignment has been paid in full, in which case the assignment is canceled. An assignment is in effect until the amount assigned is refunded in full to the assignee, or until the assignee cancels the assignment.

Subd. 7. **Payment of refund.** When a refund assigned under this section is issued by the commissioner, the proceeds of the refund, as defined in subdivision 1, paragraph (c), must be distributed in the following order:

(1) to satisfy any delinquent tax obligations of the taxpayer which are owed to the commissioner;

(2) to claimant agencies to satisfy any revenue recapture claims filed against the taxpayer, in the order of priority of the claims set forth in section 270A.10;

(3) to assignees to satisfy assignments under this section, based on the order in time in which the commissioner received the assignments; and

(4) to the taxpayer.

Subd. 8. **Legal action.** If there is a dispute between the taxpayer and the assignee after the commissioner has remitted the taxpayer's refund to the assignee, the taxpayer's only remedy is to bring an action against the assignee in court to recover the refund. The action must be brought within two years after the commissioner remits the refund to the assignee. The commissioner may not be a party to the proceeding.

Subd. 9. **Assignments private data.** Information regarding assignments under this section is classified as private data on individuals.

477A.32 LOCAL GOVERNMENT CANNABIS AID.

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

(1) "city" means a statutory or home rule charter city; and

(2) "director" means the director of the Office of Cannabis Management under section 342.02.

Subd. 2. **Certification to commissioner of revenue.** (a) By July 15, 2024, and annually thereafter, the commissioner of management and budget must certify to the commissioner of revenue the balance of the local government cannabis aid account in the special revenue fund as of the immediately preceding June 30.

(b) By June 1, 2024, and annually thereafter, the director must certify to the commissioner of revenue the number of cannabis businesses, as defined under section 342.01, subdivision 14, licensed under chapter 342 as of the previous January 1, disaggregated by county and city.

Subd. 3. **Aid to counties.** (a) Beginning for aid payable in 2024, the amount available for aid to counties under this subdivision equals 50 percent of the amount certified in that year to the commissioner under subdivision 2, paragraph (a).

APPENDIX
Repealed Minnesota Statutes: 25-00107

(b) Twenty percent of the amount under paragraph (a) must be distributed equally among all counties.

(c) Eighty percent of the amount under paragraph (a) must be distributed proportionally to each county according to the number of cannabis businesses located in the county as compared to the number of cannabis businesses in all counties as of the most recent certification under subdivision 2, paragraph (b).

Subd. 4. **Aid to cities.** (a) Beginning for aid payable in 2024, the amount available for aid to cities under this subdivision equals 50 percent of the amount certified in that year to the commissioner under subdivision 2, paragraph (a).

(b) The amount under paragraph (a) must be distributed proportionally to each city according to the number of cannabis businesses located in the city as compared to the number of cannabis businesses in all cities as of the most recent certification under subdivision 2, paragraph (b).

Subd. 5. **Payment.** The commissioner of revenue must compute the amount of aid payable to each county and city under this section. On or before September 1 of each year, the commissioner must certify the amount to be paid to each county and city in that year. The commissioner must pay the full amount of the aid on December 26 annually.

Subd. 6. **Appropriation.** Beginning in fiscal year 2025 and annually thereafter, the amount in the local government cannabis aid account in the special revenue fund is annually appropriated to the commissioner of revenue to make the aid payments required under this section.

Laws 2023, chapter 64, article 15, section 24

Sec. 24. **TAX FILING MODERNIZATION.**

Subdivision 1. **Account established; appropriation.** A tax filing modernization account is established in the special revenue fund. All funds in the tax filing modernization account are appropriated to the commissioner of revenue for the purposes specified in subdivision 3.

Subd. 2. **Transfer.** \$5,000,000 in fiscal year 2024 is transferred to the tax filing modernization account from the general fund. This is a onetime transfer.

Subd. 3. **Eligible uses.** (a) The commissioner of revenue may use funds in the tax filing modernization account to modernize the state process for filing individual income tax returns, including:

(1) updating and reviewing changes to individual income tax forms resulting from this act;

(2) coordinating the process for filing state individual income tax returns with free filing options for the federal income tax; and

(3) development and implementation of state free filing options for the individual income tax.

(b) Beginning July 1, 2026, the commissioner of revenue may use any unspent funds in the tax filing modernization account to make taxpayer assistance grants to eligible organizations qualifying under section 7526A(e)(2)(B) of the Internal Revenue Code.

Subd. 4. **Unspent funds.** Any unspent funds in the tax filing modernization account cancel to the general fund on June 30, 2027.