

SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION

S.F. No. 2997

(SENATE AUTHORS: KLEIN, Weber and Rest)

DATE	D-PG	OFFICIAL STATUS
03/27/2025	1093	Introduction and first reading Referred to Taxes See First Special Session, HF9

1.1A bill for an act

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

1.3sales and use taxes, and other various taxes and tax-related provisions; making

1.4various policy and technical changes; modifying income tax credits and

1.5subtractions; modifying partnership provisions; modifying sales and use tax

1.6exemptions; modifying sales and use tax collections and deposits; modifying

1.7property tax classification; modifying enforcement, return, and audit provisions;

1.8amending Minnesota Statutes 2024, sections 116U.27, subdivision 2; 270C.445,

1.9subdivisions 3, 6; 273.13, subdivision 22; 289A.08, subdivision 7a; 289A.12,

1.10subdivision 18; 289A.31, subdivision 1; 290.01, subdivision 19; 290.0132,

1.11subdivisions 26, 34; 290.0134, subdivision 20; 290.0693, subdivisions 1, 6, 8;

1.12290.0695, subdivision 2; 297A.71, subdivision 54; 297A.75, subdivisions 1, 2, 3;

1.13297A.94; 297A.99, subdivision 10; 297A.995, subdivisions 2, 10; 297E.06,

1.14subdivision 4; 297I.20, subdivision 4; Laws 2023, chapter 1, sections 22; 28.

1.15BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.16ARTICLE 1

1.17INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES

1.18Section 1. Minnesota Statutes 2024, section 116U.27, subdivision 2, is amended to read:

1.19Subd. 2. **Credit allowed.** A taxpayer is eligible for a credit up to 25 percent of eligible

1.20production costs paid in a ~~taxable year~~ any consecutive 12-month period as described in

1.21subdivision 1, paragraph (h). A taxpayer may only claim a credit if the taxpayer was issued

1.22a credit certificate under subdivision 4.

1.23EFFECTIVE DATE. This section is effective retroactively for taxable years beginning

1.24after December 31, 2022.

2.1 Sec. 2. Minnesota Statutes 2024, section 289A.08, subdivision 7a, is amended to read:

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

2.4 (1) "income" has the meaning given in section 290.01, subdivision 19, paragraph (i).
2.5 The income of a resident qualifying owner of a qualifying entity that is a partnership or
2.6 limited liability company taxed as a partnership under the Internal Revenue Code is not
2.7 subject to allocation outside this state as provided for resident individuals under section
2.8 290.17, subdivision 1, paragraph (a). The income of a nonresident qualifying owner of a
2.9 qualifying entity and the income of a resident qualifying owner of a qualifying entity that
2.10 is an S corporation, including a qualified subchapter S subsidiary organized under section
2.11 1361(b)(3)(B) of the Internal Revenue Code, are allocated and assigned to this state as
2.12 provided for nonresident partners and shareholders under sections 290.17, 290.191, and
2.13 290.20;

2.14 (2) "qualifying entity" means a partnership, limited liability company taxed as a
2.15 partnership or S corporation, or S corporation including a qualified subchapter S subsidiary
2.16 organized under section 1361(b)(3)(B) of the Internal Revenue Code that has at least one
2.17 qualifying owner. Qualifying entity does not include a publicly traded partnership, as defined
2.18 in section 7704 of the Internal Revenue Code; and

2.19 (3) "qualifying owner" means:

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

2.22 (ii) a resident or nonresident trust that is a shareholder of a qualifying entity that is an
2.23 S corporation; or

2.24 (iii) a disregarded entity that has a qualifying owner as its single owner.

2.25 (b) For taxable years beginning after December 31, 2020, a qualifying entity may elect
2.26 to file a return and pay the pass-through entity tax imposed under paragraph (c). The election:

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

2.29 (2) must exclude partners, members, shareholders, or owners who are not qualifying
2.30 owners;

2.31 (3) may only be made by qualifying owners who collectively hold more than 50 percent
2.32 of the ownership interests in the qualifying entity held by qualifying owners;

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

(5) once made is irrevocable for the taxable year.

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

(d) The amount of a qualifying owner's tax liability under paragraph (c) is the amount of the qualifying owner's income multiplied by the highest tax rate for individuals under section 290.06, subdivision 2c. The computation of a qualifying owner's net investment income tax liability must be computed under section 290.033. When making this determination:

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

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

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

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

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

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

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

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

(k) Once a credit is claimed by a qualifying owner under section 290.06, subdivision 40, a qualifying entity cannot receive a refund for tax paid under this subdivision for any amounts claimed under that section by the qualifying owners. Once a credit is claimed under section 290.06, subdivision 40, any refund must be claimed in conjunction with a return filed by the qualifying owner.

(l) This subdivision expires ~~at the same time and on the same terms as section 164(b)(6)(B) of the Internal Revenue Code~~ for taxable years beginning after December 31, 2027, except that the expiration of this subdivision does not affect the commissioner's authority to audit or power of examination and assessments for credits claimed under this section.

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

Sec. 3. Minnesota Statutes 2024, section 289A.31, subdivision 1, is amended to read:

Subdivision 1. **Individual income, fiduciary income, mining company, corporate franchise, and entertainment taxes.** (a) Individual income, fiduciary income, mining company, and corporate franchise taxes, and interest and penalties, must be paid by the taxpayer upon whom the tax is imposed, except in the following cases:

(1) the tax due from a decedent for that part of the taxable year in which the decedent died during which the decedent was alive and the taxes, interest, and penalty due for the prior years must be paid by the decedent's personal representative, if any. If there is no personal representative, the taxes, interest, and penalty must be paid by the transferees, as defined in section 270C.58, subdivision 3, to the extent they receive property from the decedent;

(2) the tax due from an infant or other incompetent person must be paid by the person's guardian or other person authorized or permitted by law to act for the person;

(3) the tax due from the estate of a decedent must be paid by the estate's personal representative;

(4) the tax due from a trust, including those within the definition of a corporation, as defined in section 290.01, subdivision 4, must be paid by a trustee; and

(5) the tax due from a taxpayer whose business or property is in charge of a receiver, trustee in bankruptcy, assignee, or other conservator, must be paid by the person in charge of the business or property so far as the tax is due to the income from the business or property.

(b) Entertainment taxes are the joint and several liability of the entertainer and the entertainment entity. The payor is liable to the state for the payment of the tax required to be deducted and withheld under section 290.9201, subdivision 7, and is not liable to the entertainer for the amount of the payment.

(c) The taxes imposed under sections 289A.08, subdivision 7a; 289A.35, paragraph (b); 289A.382, subdivision 3; and 290.0922 on partnerships are the joint and several liability of the partnership and the general partners.

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

Sec. 4. Minnesota Statutes 2024, section 290.01, subdivision 19, is amended to read:

Subd. 19. **Net income.** (a) For a trust or estate taxable under section 290.03, and a corporation taxable under section 290.02, the term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating the federal effective dates of changes to the Internal Revenue Code and any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in sections 290.0131 to 290.0136.

(b) For an individual, the term "net income" means federal adjusted gross income with the modifications provided in sections 290.0131, 290.0132, and 290.0135 to 290.0137.

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

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

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

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

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

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

(f) The Internal Revenue Code of 1986, as amended through May 1, 2023, applies for taxable years beginning after December 31, 1996.

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

(h) In the case of a partnership electing to file a composite return under section 289A.08, subdivision 7, "net income" means the partner's share of federal adjusted gross income from the partnership modified by the additions provided in section 290.0131, subdivisions 8 to 10, 16, and 17, and the subtractions provided in: (1) section 290.0132, subdivisions 9, 27, ~~and 28, and 31,~~ to the extent the amount is assignable or allocable to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed under section 290.0132, subdivision 9, is only allowed on the composite tax computation to the extent the electing partner would have been allowed the subtraction.

(i) In the case of a qualifying entity electing to pay the pass-through entity tax under section 289A.08, subdivision 7a, "net income" means the qualifying owner's share of federal adjusted gross income from the qualifying entity modified by the additions provided in section 290.0131, subdivisions 5, 8 to 10, 16, and 17, and the subtractions provided in: (1) section 290.0132, subdivisions 3, 9, 27, ~~and 28, and 31,~~ to the extent the amount is assignable

or allocable to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed under section 290.0132, subdivision 9, is only allowed on the pass-through entity tax computation to the extent the qualifying owners would have been allowed the subtraction. ~~The income of both a resident and nonresident qualifying owner is allocated and assigned to this state as provided for nonresident partners and shareholders under sections 290.17, 290.191, and 290.20.~~

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2022.

Sec. 5. Minnesota Statutes 2024, section 290.0132, subdivision 26, is amended to read:

Subd. 26. Social Security benefits. (a) A taxpayer is allowed a subtraction equal to the greater of the simplified subtraction allowed under paragraph (b) or the alternate subtraction determined under paragraph (e).

(b) A taxpayer's simplified subtraction equals the amount of taxable social security benefits, as reduced under paragraphs (c) and (d).

(c) For a taxpayer other than a married taxpayer filing a separate return with adjusted gross income above the phaseout threshold, the simplified subtraction is reduced by ten percent for each \$4,000 of adjusted gross income, or fraction thereof, in excess of the phaseout threshold. The phaseout threshold equals:

(1) \$100,000 for a married taxpayer filing a joint return or surviving spouse;

(2) \$78,000 for a single or head of household taxpayer; and

(3) for a married taxpayer filing a separate return, half the amount for a married taxpayer filing a joint return.

(d) For a married taxpayer filing a separate return, the simplified subtraction is reduced by ten percent for each \$2,000 of adjusted gross income, or fraction thereof, in excess of the phaseout threshold.

(e) A taxpayer's alternate subtraction equals the lesser of taxable Social Security benefits or a maximum subtraction subject to the limits under paragraphs (f), (g), and (h).

(f) For married taxpayers filing a joint return and surviving spouses, the maximum subtraction under paragraph ~~(e)~~ (e) equals \$5,840. The maximum subtraction is reduced by 20 percent of provisional income over \$88,630. In no case is the subtraction less than zero.

(g) For single or head-of-household taxpayers, the maximum subtraction under paragraph ~~(e)~~ (e) equals \$4,560. The maximum subtraction is reduced by 20 percent of provisional income over \$69,250. In no case is the subtraction less than zero.

(h) For married taxpayers filing separate returns, the maximum subtraction under paragraph ~~(e)~~ (e) equals one-half the maximum subtraction for joint returns under paragraph (f). The maximum subtraction is reduced by 20 percent of provisional income over one-half the threshold amount specified in paragraph (d). In no case is the subtraction less than zero.

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

(j) The commissioner shall adjust the phaseout threshold amounts in ~~paragraphs~~ paragraph (c) ~~and (d)~~, clauses (1) and (2), as provided in section 270C.22. The statutory year is taxable year 2023. The maximum subtraction and threshold amounts as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2022.

Sec. 6. Minnesota Statutes 2024, section 290.0132, subdivision 34, is amended to read:

Subd. 34. **Qualified retirement benefits.** (a) The amount of qualified public pension income is a subtraction. The subtraction in this section is limited to:

(1) \$25,000 for a married taxpayer filing a joint return or surviving spouse; or

(2) \$12,500 for all other filers.

(b) For a taxpayer with adjusted gross income above the phaseout threshold, the subtraction is reduced by ten percent for each \$2,000 of adjusted gross income, or fraction thereof, in excess of the threshold. The phaseout threshold equals:

(1) \$100,000 for a married taxpayer filing a joint return or surviving spouse;

(2) \$78,000 for a single or head of household taxpayer; or

(3) for a married taxpayer filing a separate return, half the amount for a married taxpayer filing a joint return.

(c) For the purposes of this section, "qualified public pension income" means any amount received:

(1) by a former basic member or the survivor of a former basic member, as an annuity or survivor benefit, from a pension plan governed by chapter 353, 353E, 354, or 354A, provided that the annuity or benefit is based on service for which the member or survivor ~~is not also receiving~~ did not earn Social Security benefits;

(2) as an annuity or survivor benefit from the legislators plan under chapter 3A, the State Patrol retirement plan under chapter 352B, or the public employees police and fire plan under sections 353.63 to 353.666, provided that the annuity or benefit is based on service for which the member or survivor ~~is not also receiving~~ did not earn Social Security benefits;

(3) from any retirement system administered by the federal government that is based on service for which the recipient or the recipient's survivor ~~is not also receiving~~ did not earn Social Security benefits; or

(4) from a public retirement system of or created by another state or any of its political subdivisions, or the District of Columbia, if the income tax laws of the other state or district permit a similar deduction or exemption or a reciprocal deduction or exemption of a retirement or pension benefit received from a public retirement system of or created by this state or any political subdivision of this state.

(d) The commissioner must annually adjust the subtraction limits in paragraph (a) and the phaseout thresholds in paragraph (b), as provided in section 270C.22. The statutory year is taxable year 2023.

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

Sec. 7. Minnesota Statutes 2024, section 290.0134, subdivision 20, is amended to read:

Subd. 20. **Delayed business interest.** (a) For each taxable year an addition is required under section ~~290.0131, subdivision 19~~ 290.0133, subdivision 15, the amount of the addition, less the sum of all amounts subtracted under this paragraph in all prior taxable years, that does not exceed the limitation on business interest in section 163(j) of the Internal Revenue Code of 1986, as amended through December 15, 2022, notwithstanding the special rule in section 163(j)(10) of the Internal Revenue Code, is a subtraction. Any excess is a delayed business interest carryforward, the entire amount of which must be carried to the earliest taxable year. No subtraction is allowed under this paragraph for taxable years beginning after December 31, 2022.

(b) For each of the five taxable years beginning after December 31, 2022, there is allowed a subtraction equal to one-fifth of the sum of all carryforward amounts that remain after the expiration of paragraph (a).

(c) Entities that are part of a combined reporting group under the unitary rules of section 290.17, subdivision 4, must compute deductions and additions as required under section 290.34, subdivision 5.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2019.

Sec. 8. Minnesota Statutes 2024, section 290.0693, subdivision 1, is amended to read:

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

(b) "Dependent" means any individual who is considered a dependent under sections 151 and 152 of the Internal Revenue Code and was claimed by the taxpayer as a dependent.

(c) "Disability" has the meaning given in section 290A.03, subdivision 10.

(d) "Exemption amount" means the exemption amount under section 290.0121, subdivision 1, paragraph (b).

(e) "Gross rent" means rent paid for the right of occupancy, at arm's length, of a homestead, exclusive of charges for any medical services furnished by the landlord as a part of the rental agreement, whether expressly set out in the rental agreement or not. The gross rent of a resident of a nursing home or intermediate care facility is \$600 per month. The gross rent of a resident of an adult foster care home is \$930 per month. The commissioner shall annually adjust the amounts in this paragraph as provided in section 270C.22. The statutory year is 2023. If the landlord and tenant have not dealt with each other at arm's length and the commissioner determines that the gross rent charged was excessive, the commissioner may adjust the gross rent to a reasonable amount for purposes of this section.

(f) "Homestead" has the meaning given in section 290A.03, subdivision 6.

(g) "Household" has the meaning given in section 290A.03, subdivision 4.

(h) "Household income" means all income received by all persons of a household in a taxable year while members of the household, other than income of a dependent.

(i) "Income" means adjusted gross income, minus:

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

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

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

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

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

(6) if the taxpayer or taxpayer's spouse had a disability or attained the age of 65 on or before the close of the taxable year, the exemption amount.

(j) "Rent constituting property taxes" means 17 percent of the gross rent actually paid in cash, or its equivalent, or the portion of rent paid in lieu of property taxes, in any taxable year by a claimant for the right of occupancy of the claimant's Minnesota homestead in the taxable year, and which rent constitutes the basis, in the succeeding taxable year of a claim for a credit under this section by the claimant. If an individual occupies a homestead with another person or persons not related to the individual as the individual's spouse or as dependents, and the other person or persons are residing at the homestead under a rental or lease agreement with the individual, the amount of rent constituting property tax for the individual equals that portion not covered by the rental agreement.

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

Sec. 9. Minnesota Statutes 2024, section 290.0693, subdivision 6, is amended to read:

Subd. 6. Residents of nursing homes, intermediate care facilities, long-term care facilities, or facilities accepting housing support payments. (a) A taxpayer must not claim a credit under this section if the taxpayer is a resident of a nursing home, intermediate care facility, long-term residential facility, or a facility that accepts housing support payments whose rent constituting property taxes is paid pursuant to the Supplemental Security Income program under title XVI of the Social Security Act, the Minnesota supplemental aid program under sections 256D.35 to 256D.54, the medical assistance program pursuant to title XIX of the Social Security Act, or the housing support program under chapter 256I.

(b) If only a portion of the rent constituting property taxes is paid by these programs, the resident is eligible for a credit, but the credit calculated must be multiplied by a fraction, the numerator of which is adjusted gross income, ~~reduced by the total amount of income from the above sources other than vendor payments under the medical assistance program~~ and the denominator of which is adjusted gross income, plus vendor payments under the medical assistance program, to determine the allowable credit.

(c) Notwithstanding paragraphs (a) and (b), if the taxpayer was a resident of the nursing home, intermediate care facility, long-term residential facility, or facility for which the rent was paid for the claimant by the housing support program for only a portion of the taxable year covered by the claim, the taxpayer may compute rent constituting property taxes by disregarding the rent constituting property taxes from the nursing home or facility and may use only that amount of rent constituting property taxes or property taxes payable relating to that portion of the year when the taxpayer was not in the facility. The taxpayer's household income is the income for the entire taxable year covered by the claim.

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

Sec. 10. Minnesota Statutes 2024, section 290.0693, subdivision 8, is amended to read:

Subd. 8. **One claimant per household.** Only one taxpayer per household per year is entitled to claim a credit under this section. In the case of a married couple filing a joint return, the couple may claim a credit under this section based on the total amount of both spouses' gross rent. In the case of a married taxpayer filing a separate return, only one spouse may claim the credit under this section. The credit amount for the spouse that claims the credit must be calculated based on household income and both spouses' share of the gross rent and not solely on the income of the spouse.

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

Sec. 11. Minnesota Statutes 2024, section 290.0695, subdivision 2, is amended to read:

Subd. 2. **Credit allowed; limitation; carryover.** (a) An eligible taxpayer is allowed a credit against tax due under this chapter equal to 50 percent of ~~eligible expenses, not to exceed \$3,000 per mile, multiplied by the number of miles of railroad track owned or leased within the state by the eligible taxpayer for which the taxpayer made the~~ qualified railroad reconstruction or replacement expenditures ~~as of the close of the taxable year for which the credit is claimed~~ made by an eligible taxpayer within this state during the taxable year for which the credit is claimed.

(b) The credit allowed under paragraph (a) for any taxable year must not exceed the product of:

(1) \$3,000, multiplied by;

13.1 (2) the number of miles of railroad track owned or leased by the eligible taxpayer within
13.2 this state as of the close of the taxable year for which the taxpayer made qualified railroad
13.3 reconstruction or replacement expenditures for which the credit is claimed.

13.4 ~~(b)~~ (c) If the amount of the credit determined under this section for any taxable year
13.5 exceeds the liability for tax under this chapter, the excess is a credit carryover to each of
13.6 the five succeeding taxable years. The entire amount of the excess unused credit for the
13.7 taxable year must be carried first to the earliest of the taxable years to which the credit may
13.8 be carried and then to each successive year to which the credit may be carried. The amount
13.9 of the unused credit that may be added under this paragraph must not exceed the taxpayer's
13.10 liability for tax less the credit for the taxable year.

13.11 ~~(e)~~ (d) An eligible taxpayer claiming a credit under this section may not also claim the
13.12 credit under section 297I.20, subdivision 6, for the same qualified railroad reconstruction
13.13 or replacement expenditures.

13.14 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
13.15 after December 31, 2022.

13.16 Sec. 12. Laws 2023, chapter 1, section 22, is amended to read:

13.17 **Sec. 22. TEMPORARY ADDITIONS AND SUBTRACTIONS; INDIVIDUALS,**
13.18 **ESTATES, AND TRUSTS.**

13.19 (a) For the purposes of this section:

13.20 (1) "subtraction" has the meaning given in Minnesota Statutes, section 290.0132,
13.21 subdivision 1, and the rules in that subdivision apply to this section;

13.22 (2) "addition" has the meaning given in Minnesota Statutes, section 290.0131, subdivision
13.23 1, and the rules in that subdivision apply to this section; and

13.24 (3) the definitions in Minnesota Statutes, section 290.01, apply to this section.

13.25 (b) The following amounts are subtractions:

13.26 (1) the amount of wages used for the calculation of the employee retention credit for
13.27 employers affected by qualified disasters, to the extent not deducted from income, under
13.28 Public Law 116-94, division Q, section 203, or Public Law 116-260, division EE, section
13.29 303;

14.1 (2) the amount of wages used for the calculation of the payroll credit for required paid
14.2 sick leave, to the extent not deducted from income, under Public Law 116-127, section
14.3 7001, as amended by section 9641 of Public Law 117-2;

14.4 (3) the amount of wages or expenses used for the calculation of the payroll credit for
14.5 required paid family leave, to the extent not deducted from income, under Public Law
14.6 116-127, section 7003, as amended by section 9641 of Public Law 117-2;

14.7 (4) the amount of wages used for the calculation of the employee retention credit for
14.8 employers subject to closure due to COVID-19, to the extent not deducted from income,
14.9 under Public Law 116-136, section 2301, as amended by Public Law 116-260, division EE,
14.10 section 207, and Public Law 117-2, section 9651; and

14.11 (5) the amount required to be added to gross income to claim the credit in section 6432
14.12 of the Internal Revenue Code.

14.13 (c) The following amounts are additions:

14.14 (1) the amount subtracted for qualified tuition expenses under section 222 of the Internal
14.15 Revenue Code, as amended by Public Law 116-94, division Q, section 104;

14.16 (2) the amount of above the line charitable contributions deducted under section 2204
14.17 of Public Law 116-136;

14.18 (3) the amount of meal expenses in excess of the 50 percent limitation under section
14.19 274(n)(1) of the Internal Revenue Code allowed under subsection (n), paragraph (2),
14.20 subparagraph (D), of that section; and

14.21 (4) the amount of charitable contributions deducted from federal taxable income by a
14.22 trust for taxable year 2020 under Public Law 116-136, section 2205(a).

14.23 (d) The commissioner of revenue must apply the subtractions in paragraph (b) and the
14.24 additions in paragraph (c), when calculating the following:

14.25 (1) the percentage under Minnesota Statutes, section 290.06, subdivision 2c, paragraph
14.26 (e);

14.27 (2) a taxpayer's alternative minimum taxable income under Minnesota Statutes, section
14.28 290.091; and

14.29 (3) "income" as defined in Minnesota Statutes, section 289A.08, subdivision 7, paragraph
14.30 (j); for the purposes of determining the tax for composite filers and the pass-through entity
14.31 tax, means the partner's share of federal adjusted gross income from the partnership modified
14.32 by the additions provided in Minnesota Statutes, section 290.0131, subdivisions 8 to 10,

16, 17, and 19, and the subtractions provided in (i) Minnesota Statutes, section 290.0132, subdivisions 9, 27, and 28, to the extent the amount is assignable or allocable to Minnesota under Minnesota Statutes, section 290.17; and (ii) Minnesota Statutes, section 290.0132, subdivision 14. The subtraction allowed under Minnesota Statutes, section 290.0132, subdivision 9, is only allowed on the composite tax computation to the extent the electing partner would have been allowed the subtraction.

(e) For the purpose of calculating property tax refunds under Minnesota Statutes, chapter 290A, any amounts allowed as a subtraction in paragraph (b) are excluded from "income," as defined in Minnesota Statutes, section 290A.03, subdivision 3.

EFFECTIVE DATE. This section is effective retroactively at the same time the changes in Laws 2023, chapter 1, section 22, were effective for federal purposes.

ARTICLE 2

SALES AND USE TAXES

Section 1. Minnesota Statutes 2024, section 297A.71, subdivision 54, is amended to read:

Subd. 54. **Sustainable aviation fuel facilities.** (a) Materials and supplies used or consumed in and equipment incorporated into the construction, reconstruction, or improvement of a facility located in Minnesota that produces or blends sustainable aviation fuel, as defined in section 41A.30, subdivision 1, is if materials, supplies, and equipment are purchased after June 30, 2027, and before July 1, 2034, are exempt.

(b) The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner as provided for projects under section 297A.75, subdivision 1, ~~clause (1).~~

(c) For a project, a portion of which is not used to produce or blend sustainable aviation fuel, the amount of purchases that are exempt under this subdivision must be determined by multiplying the total purchases, as specified in paragraph (a), by the ratio of:

(1) the capacity to generate sustainable aviation fuel either through production or blending; and

(2) the capacity to generate all fuels.

(d) This subdivision expires July 1, 2034. The expiration does not affect refunds due for sales and purchases made prior to July 1, 2034.

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

16.1 Sec. 2. Minnesota Statutes 2024, section 297A.75, subdivision 1, is amended to read:

16.2 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following
16.3 exempt items must be imposed and collected as if the sale were taxable and the rate under
16.4 section 297A.62, subdivision 1, applied. The exempt items include:

16.5 (1) building materials for an agricultural processing facility exempt under section
16.6 297A.71, subdivision 13;

16.7 (2) building materials for mineral production facilities exempt under section 297A.71,
16.8 subdivision 14;

16.9 (3) building materials for correctional facilities under section 297A.71, subdivision 3;

16.10 (4) building materials used in a residence for veterans with a disability exempt under
16.11 section 297A.71, subdivision 11;

16.12 (5) elevators and building materials exempt under section 297A.71, subdivision 12;

16.13 (6) materials and supplies for qualified low-income housing under section 297A.71,
16.14 subdivision 23;

16.15 (7) materials, supplies, and equipment for municipal electric utility facilities under
16.16 section 297A.71, subdivision 35;

16.17 (8) equipment and materials used for the generation, transmission, and distribution of
16.18 electrical energy and an aerial camera package exempt under section 297A.68, subdivision
16.19 37;

16.20 (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph
16.21 (a), clause (10);

16.22 (10) materials, supplies, and equipment for construction or improvement of projects and
16.23 facilities under section 297A.71, subdivision 40;

16.24 (11) enterprise information technology equipment and computer software for use in a
16.25 qualified data center exempt under section 297A.68, subdivision 42;

16.26 (12) materials, supplies, and equipment for qualifying capital projects under section
16.27 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);

16.28 (13) items purchased for use in providing critical access dental services exempt under
16.29 section 297A.70, subdivision 7, paragraph (c);

17.1 (14) items and services purchased under a business subsidy agreement for use or
17.2 consumption primarily in greater Minnesota exempt under section 297A.68, subdivision
17.3 44;

17.4 (15) building materials, equipment, and supplies for constructing or replacing real
17.5 property exempt under section 297A.71, subdivisions 49; 50, paragraph (b); and 51;

17.6 (16) building materials, equipment, and supplies for qualifying capital projects under
17.7 section 297A.71, subdivision 52; ~~and~~

17.8 (17) building materials, equipment, and supplies for constructing, remodeling, expanding,
17.9 or improving a fire station, police station, or related facilities exempt under section 297A.71,
17.10 subdivision 53; and

17.11 (18) building materials, equipment, and supplies for constructing, remodeling, or
17.12 improving a sustainable aviation fuel facility exempt under section 297A.71, subdivision
17.13 54.

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

17.15 Sec. 3. Minnesota Statutes 2024, section 297A.75, subdivision 2, is amended to read:

17.16 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the
17.17 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items must
17.18 be paid to the applicant. Only the following persons may apply for the refund:

17.19 (1) for subdivision 1, clauses (1), (2), and (13), the applicant must be the purchaser;

17.20 (2) for subdivision 1, clause (3), the applicant must be the governmental subdivision;

17.21 (3) for subdivision 1, clause (4), the applicant must be the recipient of the benefits
17.22 provided in United States Code, title 38, chapter 21;

17.23 (4) for subdivision 1, clause (5), the applicant must be the owner of the homestead
17.24 property;

17.25 (5) for subdivision 1, clause (6), the owner of the qualified low-income housing project;

17.26 (6) for subdivision 1, clause (7), the applicant must be a municipal electric utility or a
17.27 joint venture of municipal electric utilities;

17.28 (7) for subdivision 1, clauses (8), (11), and (14), the owner of the qualifying business;

17.29 (8) for subdivision 1, clauses (9), (10), (12), (16), and (17), the applicant must be the
17.30 governmental entity that owns or contracts for the project or facility; ~~and~~

(9) for subdivision 1, clause (15), the applicant must be the owner or developer of the building or project; and

(10) for subdivision 1, clause (18), the applicant must be the owner or developer of the sustainable aviation fuel facility.

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

Sec. 4. Minnesota Statutes 2024, section 297A.75, subdivision 3, is amended to read:

Subd. 3. **Application.** (a) The application must include sufficient information to permit the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor, or builder, under subdivision 1, clauses (3) to (12) or (14) to ~~(17)~~ (18), the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items unless otherwise specifically provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

(b) An applicant may not file more than two applications per calendar year for refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

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

Sec. 5. Minnesota Statutes 2024, section 297A.94, is amended to read:

297A.94 DEPOSIT OF REVENUES.

(a) Except as provided in this section, the commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed by this chapter in the state treasury and credit them to the general fund.

(b) The commissioner shall deposit taxes in the Minnesota agricultural and economic account in the special revenue fund if:

(1) the taxes are derived from sales and use of property and services purchased for the construction and operation of an agricultural resource project; and

(2) the purchase was made on or after the date on which a conditional commitment was made for a loan guaranty for the project under section 41A.04, subdivision 3.

The commissioner of management and budget shall certify to the commissioner the date on which the project received the conditional commitment. The amount deposited in the loan guaranty account must be reduced by any refunds and by the costs incurred by the Department of Revenue to administer and enforce the assessment and collection of the taxes.

(c) The commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed on sales and purchases included in section 297A.61, subdivision 3, paragraph (g), clauses (1) and (4), in the state treasury, and credit them as follows:

(1) first to the general obligation special tax bond debt service account in each fiscal year the amount required by section 16A.661, subdivision 3, paragraph (b); and

(2) after the requirements of clause (1) have been met, the balance to the general fund.

(d) Beginning with sales taxes remitted after July 1, 2017, the commissioner shall deposit in the state treasury the revenues collected under section 297A.64, subdivision 1, including interest and penalties and minus refunds, and credit them to the highway user tax distribution fund.

(e) The commissioner shall deposit the revenues, including interest and penalties, collected under section 297A.64, subdivision 5, in the state treasury and credit them to the general fund. By July 15 of each year the commissioner shall transfer to the highway user tax distribution fund an amount equal to the excess fees collected under section 297A.64, subdivision 5, for the previous calendar year.

(f) Beginning with sales taxes remitted after July 1, 2017, in conjunction with the deposit of revenues under paragraph (d), the commissioner shall deposit into the state treasury and credit to the highway user tax distribution fund an amount equal to the estimated revenues derived from the tax rate imposed under section 297A.62, subdivision 1, on the lease or rental for not more than 28 days of rental motor vehicles subject to section 297A.64. The commissioner shall estimate the amount of sales tax revenue deposited under this paragraph based on the amount of revenue deposited under paragraph (d).

(g) Each month the commissioner must deposit ~~the~~ an amount equal to the estimated revenues derived from the taxes imposed under section 297A.62, subdivision 1, on the sale and purchase of motor vehicle repair and replacement parts in the state treasury and credit:

(1) 43.5 percent in each fiscal year to the highway user tax distribution fund;

(2) a percentage to the transportation advancement account under section 174.49 as follows:

(i) 3.5 percent in fiscal year 2024;

(ii) 4.5 percent in fiscal year 2025;

(iii) 5.5 percent in fiscal year 2026;

(iv) 7.5 percent in fiscal year 2027;

20.1 (v) 14.5 percent in fiscal year 2028;

20.2 (vi) 21.5 percent in fiscal year 2029;

20.3 (vii) 28.5 percent in fiscal year 2030;

20.4 (viii) 36.5 percent in fiscal year 2031;

20.5 (ix) 44.5 percent in fiscal year 2032; and

20.6 (x) 56.5 percent in fiscal year 2033 and thereafter; and

20.7 (3) the remainder in each fiscal year to the general fund.

20.8 After each February forecast, and prior to the following April 15, the commissioner shall
20.9 estimate the monthly deposit amount for use in the following fiscal year based on the estimate
20.10 of average revenue derived from the taxes imposed under section 297A.62, subdivision 1,
20.11 on the sale and purchase of motor vehicle repair and replacement parts from the department's
20.12 three most recent consumption tax models. For purposes of this paragraph, "motor vehicle"
20.13 has the meaning given in section 297B.01, subdivision 11, and "motor vehicle repair and
20.14 replacement parts" includes (i) all parts, tires, accessories, and equipment incorporated into
20.15 or affixed to the motor vehicle as part of the motor vehicle maintenance and repair, and (ii)
20.16 paint, oil, and other fluids that remain on or in the motor vehicle as part of the motor vehicle
20.17 maintenance or repair. For purposes of this paragraph, "tire" means any tire of the type used
20.18 on highway vehicles, if wholly or partially made of rubber and if marked according to
20.19 federal regulations for highway use.

20.20 (h) 81.56 percent of the revenues, including interest and penalties, transmitted to the
20.21 commissioner under section 297A.65, must be deposited by the commissioner in the state
20.22 treasury as follows:

20.23 (1) 47.5 percent of the receipts must be deposited in the heritage enhancement account
20.24 in the game and fish fund, and may be spent only on activities that improve, enhance, or
20.25 protect fish and wildlife resources, including conservation, restoration, and enhancement
20.26 of land, water, and other natural resources of the state;

20.27 (2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may
20.28 be spent only for state parks and trails;

20.29 (3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may
20.30 be spent only on metropolitan park and trail grants;

20.31 (4) three percent of the receipts must be deposited in the natural resources fund, and
20.32 may be spent only on local trail grants;

21.1 (5) two percent of the receipts must be deposited in the natural resources fund, and may
21.2 be spent only for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory,
21.3 and the Duluth Zoo; and

21.4 (6) 2.5 percent of the receipts must be deposited in the pollinator account established in
21.5 section 103B.101, subdivision 19.

21.6 (i) 1.5 percent of the revenues, including interest and penalties, transmitted to the
21.7 commissioner under section 297A.65 must be deposited in a regional parks and trails account
21.8 in the natural resources fund and may only be spent for parks and trails of regional
21.9 significance outside of the seven-county metropolitan area under section 85.535, based on
21.10 recommendations from the Greater Minnesota Regional Parks and Trails Commission under
21.11 section 85.536.

21.12 (j) 1.5 percent of the revenues, including interest and penalties, transmitted to the
21.13 commissioner under section 297A.65 must be deposited in an outdoor recreational
21.14 opportunities for underserved communities account in the natural resources fund and may
21.15 only be spent on projects and activities that connect diverse and underserved Minnesotans
21.16 through expanding cultural environmental experiences, exploration of their environment,
21.17 and outdoor recreational activities.

21.18 (k) The revenue dedicated under paragraph (h) may not be used as a substitute for
21.19 traditional sources of funding for the purposes specified, but the dedicated revenue shall
21.20 supplement traditional sources of funding for those purposes. Land acquired with money
21.21 deposited in the game and fish fund under paragraph (h) must be open to public hunting
21.22 and fishing during the open season, except that in aquatic management areas or on lands
21.23 where angling easements have been acquired, fishing may be prohibited during certain times
21.24 of the year and hunting may be prohibited. At least 87 percent of the money deposited in
21.25 the game and fish fund for improvement, enhancement, or protection of fish and wildlife
21.26 resources under paragraph (h) must be allocated for field operations.

21.27 (l) The commissioner must deposit the revenues, including interest and penalties minus
21.28 any refunds, derived from the sale of items regulated under section 624.20, subdivision 1,
21.29 that may be sold to persons 18 years old or older and that are not prohibited from use by
21.30 the general public under section 624.21, in the state treasury and credit:

21.31 (1) 25 percent to the volunteer fire assistance grant account established under section
21.32 88.068;

21.33 (2) 25 percent to the fire safety account established under section 297I.06, subdivision
21.34 3; and

22.1 (3) the remainder to the general fund.

22.2 For purposes of this paragraph, the percentage of total sales and use tax revenue derived
22.3 from the sale of items regulated under section 624.20, subdivision 1, that are allowed to be
22.4 sold to persons 18 years old or older and are not prohibited from use by the general public
22.5 under section 624.21, is a set percentage of the total sales and use tax revenues collected in
22.6 the state, with the percentage determined under Laws 2017, First Special Session chapter
22.7 1, article 3, section 39.

22.8 (m) The revenues deposited under paragraphs (a) to (l) do not include the revenues,
22.9 including interest and penalties, generated by the sales tax imposed under section 297A.62,
22.10 subdivision 1a, which must be deposited as provided under the Minnesota Constitution,
22.11 article XI, section 15.

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

22.13 Sec. 6. Minnesota Statutes 2024, section 297A.99, subdivision 10, is amended to read:

22.14 Subd. 10. **Use of zip code in determining location of sale.** (a) The lowest combined
22.15 tax rate imposed in the zip code area applies if the area includes more than one tax rate in
22.16 any level of taxing jurisdictions.

22.17 (b) If a nine-digit zip code designation is not available for a street address or if a seller
22.18 is unable to determine the nine-digit zip code designation of a purchaser after exercising
22.19 due diligence to determine the designation, the seller may apply the rate for the five-digit
22.20 zip code area.

22.21 (c) For the purposes of this subdivision, there is a rebuttable presumption that a seller
22.22 has exercised due diligence for a sale that requires a full street address to be completed if
22.23 the seller has attempted to determine the nine-digit zip code designation by utilizing (1) the
22.24 look-up application form the United States Postal Service; (2) software certified by the
22.25 Coding Accuracy Support System; or (3) other software approved by the governing board
22.26 that makes this designation from the street address and the five-digit zip code of the
22.27 purchaser. For a sale that does not require a full street address to be completed, a seller has
22.28 not exercised due diligence unless the seller has obtained or requested from the purchaser
22.29 (1) the complete street address, including the five-digit zip code; or (2) the nine-digit zip
22.30 code. A seller that has not exercised due diligence is not relieved from any additional liability
22.31 that may be due as a result of incorrect sourcing.

(d) Notwithstanding subdivision 13, this subdivision applies to all local sales taxes without regard to the date of authorization. This subdivision does not apply when the purchased product is received by the purchaser at the business location of the seller.

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

Sec. 7. Minnesota Statutes 2024, section 297A.995, subdivision 2, is amended to read:

Subd. 2. **Definitions.** As used in this section:

(a) "Agreement" means the Streamlined Sales and Use Tax Agreement.

(b) "Certified automated system" means software certified jointly by the states that are signatories to the agreement to calculate the tax imposed by each jurisdiction on a transaction, determine the amount of tax to remit to the appropriate state, and maintain a record of the transaction.

(c) "Certified service provider" means an agent certified ~~jointly by the states that are signatories to the agreement to perform all of the seller's sales tax functions~~ under the Agreement to perform the seller's sales and use tax functions as outlined in the contract between the Streamlined Sales Tax Governing Board and the certified service providers, except that sellers retain the obligation to remit tax on their own purchases.

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

Sec. 8. Minnesota Statutes 2024, section 297A.995, subdivision 10, is amended to read:

Subd. 10. **Relief from certain liability.** (a) Notwithstanding subdivision 9, sellers and certified service providers are relieved from liability to the state for having charged and collected the incorrect amount of sales or use tax resulting from the seller or certified service provider (1) relying on erroneous data provided by the commissioner in the database files on tax rates, boundaries, or taxing jurisdiction assignments, or (2) relying on erroneous data provided by the state in its taxability matrix concerning the taxability of products and services.

(b) Notwithstanding subdivision 9, sellers and certified service providers are relieved from liability to the state for having charged and collected the incorrect amount of sales or use tax resulting from the seller or certified service provider relying on the certification by the commissioner as to the accuracy of a certified automated system as to the taxability of product categories. The relief from liability provided by this paragraph does not apply when

the sellers or certified service providers have incorrectly classified an item or transaction into a product category, unless the item or transaction within a product category was approved by the commissioner or approved jointly by the states that are signatories to the agreement. The sellers and certified service providers must revise a classification within ten days after receipt of notice from the commissioner that an item or transaction within a product category is incorrectly classified as to its taxability, or they are not relieved from liability for the incorrect classification following the notification.

(c) Notwithstanding subdivision 9, if there are not at least 30 days between the enactment of a new tax rate and the effective date of the new rate, sellers and certified service providers shall be relieved from liability for failing to collect tax at the new rate during the first 30 days of the rate change, beginning on the day after the date of enactment of the rate change, provided the seller or certified service provider continued to impose and collect the tax at the immediately preceding tax rate during this period. Relief from liability provided by this paragraph shall not apply if the failure to collect at the newly effective rate extends beyond 30 days after the enactment of the new rate. The relief provided by this paragraph shall not apply if the commissioner determines that the seller or certified service provider fraudulently failed to collect at the new rate or that the seller or certified service provider solicited purchasers based on the immediately preceding tax rate.

(d) Certified service providers are relieved from liability to the state when a seller fails to remit all or a portion of the seller's taxes prior to the due date of the remittance if the certified service provider has provided notification as outlined in the contract between the Streamlined Sales Tax Governing Board and the certified service provider.

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

ARTICLE 3

MISCELLANEOUS

Section 1. Minnesota Statutes 2024, section 270C.445, subdivision 3, is amended to read:

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

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

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

- 25.1 (3) fail to sign a client's return when compensation for services rendered has been made;
- 25.2 (4) fail to provide on a client's return the preparer tax identification number when required
- 25.3 under section 6109(a)(4) of the Internal Revenue Code or section 289A.60, subdivision 28;
- 25.4 (5) fail or refuse to give a client a copy of any document requiring the client's signature
- 25.5 within a reasonable time after the client signs the document;
- 25.6 (6) fail to retain for at least four years a copy of a client's returns;
- 25.7 (7) fail to maintain a confidential relationship with clients or former clients;
- 25.8 (8) fail to take commercially reasonable measures to safeguard a client's nonpublic
- 25.9 personal information;
- 25.10 (9) make, authorize, publish, disseminate, circulate, or cause to make, either directly or
- 25.11 indirectly, any false, deceptive, or misleading statement or representation relating to or in
- 25.12 connection with the offering or provision of tax preparation services;
- 25.13 (10) require a client to enter into a loan arrangement in order to complete a client's return;
- 25.14 (11) claim credits or deductions on a client's return for which the tax preparer knows or
- 25.15 reasonably should know the client does not qualify;
- 25.16 (12) report a household income on a client's claim filed under chapter 290A that the tax
- 25.17 preparer knows or reasonably should know is not accurate;
- 25.18 (13) engage in any conduct that is subject to a penalty under section 289A.60, subdivision
- 25.19 13, 20, 20a, 26, or 28;
- 25.20 (14) whether or not acting as a taxpayer representative, fail to conform to the standards
- 25.21 of conduct required by Minnesota Rules, part 8052.0300, subpart 4;
- 25.22 (15) whether or not acting as a taxpayer representative, engage in any conduct that is
- 25.23 incompetent conduct under Minnesota Rules, part 8052.0300, subpart 5;
- 25.24 (16) whether or not acting as a taxpayer representative, engage in any conduct that is
- 25.25 disreputable conduct under Minnesota Rules, part 8052.0300, subpart 6;
- 25.26 (17) charge, offer to accept, or accept a fee based upon a percentage of an anticipated
- 25.27 refund for tax preparation services;
- 25.28 (18) under any circumstances, withhold or fail to return to a client a document provided
- 25.29 by the client for use in preparing the client's return;
- 25.30 (19) take control or ownership of a client's refund or department payment by any means,
- 25.31 including:

- 26.1 (i) directly or indirectly endorsing or otherwise negotiating a check or other refund
26.2 instrument, including an electronic version of a check;
- 26.3 (ii) directing an electronic or direct deposit of the refund or department payment into an
26.4 account unless the client's name is on the account; and
- 26.5 (iii) establishing or using an account in the preparer's name to receive a client's refund
26.6 or department payment through a direct deposit or any other instrument unless the client's
26.7 name is also on the account, except that a taxpayer may assign the portion of a refund
26.8 representing the Minnesota education credit available under section 290.0674 to a bank
26.9 account without the client's name, as provided under section 290.0679;
- 26.10 (20) fail to act in the best interests of the client;
- 26.11 (21) fail to safeguard and account for any money handled for the client;
- 26.12 (22) fail to disclose all material facts of which the preparer has knowledge which might
26.13 reasonably affect the client's rights and interests;
- 26.14 (23) violate any provision of section 332.37;
- 26.15 (24) include any of the following in any document provided or signed in connection
26.16 with the provision of tax preparation services:
- 26.17 (i) a hold harmless clause;
- 26.18 (ii) a confession of judgment or a power of attorney to confess judgment against the
26.19 client or appear as the client in any judicial proceeding;
- 26.20 (iii) a waiver of the right to a jury trial, if applicable, in any action brought by or against
26.21 a debtor;
- 26.22 (iv) an assignment of or an order for payment of wages or other compensation for
26.23 services;
- 26.24 (v) a provision in which the client agrees not to assert any claim or defense otherwise
26.25 available;
- 26.26 (vi) a waiver of any provision of this section or a release of any obligation required to
26.27 be performed on the part of the tax preparer; or
- 26.28 (vii) a waiver of the right to injunctive, declaratory, or other equitable relief or relief on
26.29 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, 2024.

Sec. 2. Minnesota Statutes 2024, section 270C.445, subdivision 6, is amended to read:

Subd. 6. Enforcement; administrative order; penalties; cease and desist. (a) The commissioner may impose an administrative penalty of not more than \$1,000 per violation of subdivision 3 or 5, or section 270C.4451, provided that a penalty may not be imposed for any conduct for which a tax preparer penalty is imposed under section 289A.60, subdivision 13. The commissioner may terminate a tax preparer's authority to transmit returns electronically to the state, if the commissioner determines the tax preparer engaged in a pattern and practice of violating this section. Imposition of a penalty under this paragraph is subject to the contested case procedure under chapter 14. The commissioner shall collect the penalty in the same manner as the income tax. There is no right to make a claim for refund under section 289A.50 of the penalty imposed under this paragraph. Penalties imposed under this paragraph are public data.

(b) In addition to the penalty under paragraph (a), if the commissioner determines that a tax preparer has violated subdivision 3 or 5, or section 270C.4451, the commissioner may issue an administrative order to the tax preparer requiring the tax preparer to cease and desist from committing the violation. The administrative order may include an administrative penalty provided in paragraph (a).

(c) If the commissioner issues an administrative order under paragraph (b), the commissioner must send the order to the tax preparer addressed to the last known address of the tax preparer.

(d) A cease and desist order under paragraph (b) must:

(1) describe the act, conduct, or practice committed and include a reference to the law that the act, conduct, or practice violates; and

(2) provide notice that the tax preparer may request a hearing as provided in this subdivision.

(e) Within 30 days after the commissioner issues an administrative order under paragraph (b), the tax preparer may request a hearing to review the commissioner's action. The request for hearing must be made in writing and must be served on the commissioner at the address

specified in the order. The hearing request must specifically state the reasons for seeking review of the order. The date on which a request for hearing is served by mail is the postmark date on the envelope in which the request for hearing is mailed.

(f) If a tax preparer does not timely request a hearing regarding an administrative order issued under paragraph (b), the order becomes a final order of the commissioner and is not subject to review by any court or agency.

(g) If a tax preparer timely requests a hearing regarding an administrative order issued under paragraph (b), the hearing must be commenced by the issuance of a notice of and order for hearing by the commissioner within ~~ten~~ 30 days after the commissioner receives the request for a hearing.

(h) A hearing timely requested under paragraph (e) is subject to the contested case procedure under chapter 14, as modified by this subdivision. The administrative law judge must issue a report containing findings of fact, conclusions of law, and a recommended order within ~~ten~~ 30 days after the completion of the hearing, the receipt of late-filed exhibits, or the submission of written arguments, whichever is later.

(i) Within ~~five~~ 15 days of the date of the administrative law judge's report issued under paragraph (h), any party aggrieved by the administrative law judge's report may submit written exceptions and arguments to the commissioner. Within ~~15~~ 45 days after receiving the administrative law judge's report, the commissioner must issue an order vacating, modifying, or making final the administrative order.

(j) The commissioner and the tax preparer requesting a hearing may by agreement lengthen any time periods prescribed in paragraphs (g) to (i).

(k) An administrative order issued under paragraph (b) is in effect until it is modified or vacated by the commissioner or an appellate court. The administrative hearing provided by paragraphs (e) to (i) and any appellate judicial review as provided in chapter 14 constitute the exclusive remedy for a tax preparer aggrieved by the order.

(l) The commissioner may impose an administrative penalty, in addition to the penalty under paragraph (a), up to \$5,000 per violation of a cease and desist order issued under paragraph (b). Imposition of a penalty under this paragraph is subject to the contested case procedure under chapter 14. Within 30 days after the commissioner imposes a penalty under this paragraph, the tax preparer assessed the penalty may request a hearing to review the penalty order. The request for hearing must be made in writing and must be served on the commissioner at the address specified in the order. The hearing request must specifically state the reasons for seeking review of the order. The cease and desist order issued under

paragraph (b) is not subject to review in a proceeding to challenge the penalty order under this paragraph. The date on which a request for hearing is served by mail is the postmark date on the envelope in which the request for hearing is mailed. If the tax preparer does not timely request a hearing, the penalty order becomes a final order of the commissioner and is not subject to review by any court or agency. A penalty imposed by the commissioner under this paragraph may be collected and enforced by the commissioner as an income tax liability. There is no right to make a claim for refund under section 289A.50 of the penalty imposed under this paragraph. A penalty imposed under this paragraph is public data.

(m) If a tax preparer violates a cease and desist order issued under paragraph (b), the commissioner may terminate the tax preparer's authority to transmit returns electronically to the state. Termination under this paragraph is public data.

(n) A cease and desist order issued under paragraph (b) is public data when it is a final order.

(o) Notwithstanding any other law, the commissioner may impose a penalty or take other action under this subdivision against a tax preparer, with respect to a return, within the period to assess tax on that return as provided by sections 289A.38 to 289A.382.

(p) Notwithstanding any other law, the imposition of a penalty or any other action against a tax preparer under this subdivision, other than with respect to a return, must be taken by the commissioner within five years of the violation of statute.

EFFECTIVE DATE. This section is effective for penalties assessed and orders issued after the day following final enactment.

Sec. 3. Minnesota Statutes 2024, section 273.13, subdivision 22, is amended to read:

Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. In the case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first \$500,000 of market value of class 1a property has a net classification rate of one percent of its market value; and the market value of class 1a property that exceeds \$500,000 has a classification rate of 1.25 percent of its market value.

(b) Class 1b property includes homestead real estate or homestead manufactured homes used for the purposes of a homestead by:

30.1 (1) any person who is blind as defined in section 256D.35, or the person who is blind
30.2 and the spouse of the person who is blind;

30.3 (2) any person who is permanently and totally disabled or by the person with a disability
30.4 and the spouse of the person with a disability; or

30.5 (3) the surviving spouse of a veteran who was permanently and totally disabled
30.6 homesteading a property classified under this paragraph for taxes payable in 2008.

30.7 Property is classified and assessed under clause (2) only if the government agency or
30.8 income-providing source certifies, upon the request of the homestead occupant, that the
30.9 homestead occupant satisfies the disability requirements of this paragraph, and that the
30.10 property is not eligible for the valuation exclusion under subdivision 34.

30.11 Property is classified and assessed under paragraph (b) only if the commissioner of
30.12 revenue or the county assessor certifies that the homestead occupant satisfies the requirements
30.13 of this paragraph.

30.14 Permanently and totally disabled for the purpose of this subdivision means a condition
30.15 which is permanent in nature and totally incapacitates the person from working at an
30.16 occupation which brings the person an income. The first \$50,000 market value of class 1b
30.17 property has a net classification rate of ~~.45~~ 0.45 percent of its market value. The remaining
30.18 market value of class 1b property is classified as class 1a property, ~~or~~ class 2a property, or
30.19 class 4d(2) property, whichever is appropriate.

30.20 (c) Class 1c property is commercial use real and personal property that abuts public
30.21 water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by
30.22 the Department of Natural Resources, and is devoted to temporary and seasonal residential
30.23 occupancy for recreational purposes but not devoted to commercial purposes for more than
30.24 250 days in the year preceding the year of assessment, and that includes a portion used as
30.25 a homestead by the owner, which includes a dwelling occupied as a homestead by a
30.26 shareholder of a corporation that owns the resort, a partner in a partnership that owns the
30.27 resort, or a member of a limited liability company that owns the resort even if the title to
30.28 the homestead is held by the corporation, partnership, or limited liability company. For
30.29 purposes of this paragraph, property is devoted to a commercial purpose on a specific day
30.30 if any portion of the property, excluding the portion used exclusively as a homestead, is
30.31 used for residential occupancy and a fee is charged for residential occupancy. Class 1c
30.32 property must contain three or more rental units. A "rental unit" is defined as a cabin,
30.33 condominium, townhouse, sleeping room, or individual camping site equipped with water
30.34 and electrical hookups for recreational vehicles. Class 1c property must provide recreational

activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may remain available for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. If the same owner owns two separate parcels that are located in the same township, and one of those properties is classified as a class 1c property and the other would be eligible to be classified as a class 1c property if it was used as the homestead of the owner, both properties will be assessed as a single class 1c property; for purposes of this sentence, properties are deemed to be owned by the same owner if each of them is owned by a limited liability company, and both limited liability companies have the same membership. The portion of the property used as a homestead is class 1a property under paragraph (a). The remainder of the property is classified as follows: the first \$600,000 of market value is tier I, the next \$1,700,000 of market value is tier II, and any remaining market value is tier III. The classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes in which all or a portion of the property was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated as class 1c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located must be designated as class 3a commercial. The owner of property desiring designation as class 1c property must provide guest registers or other records demonstrating that the units for which class 1c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

(d) Class 1d property includes structures that meet all of the following criteria:

(1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;

(2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;

(3) the structure meets all applicable health and safety requirements for the appropriate season; and

(4) the structure is not salable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

The market value of class 1d property has the same classification rates as class 1a property under paragraph (a).

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

Sec. 4. Minnesota Statutes 2024, section 289A.12, subdivision 18, is amended to read:

Subd. 18. ~~Returns~~ **Return by qualified heirs.** A qualified heir, as defined in section 291.03, subdivision 8, paragraph (c), must file ~~two returns~~ a return with the commissioner attesting that no disposition or cessation as provided by section 291.03, subdivision 11, paragraph (a), occurred. ~~The first return must be filed no earlier than 24 months and no later than 26 months after the decedent's death.~~ The second return must be filed no earlier than 36 months and no later than 39 months after the decedent's death.

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

Sec. 5. Minnesota Statutes 2024, section 297E.06, subdivision 4, is amended to read:

Subd. 4. ~~Annual audit, and certified inventory, and cash count.~~ (a) An organization licensed under chapter 349 with gross receipts from lawful gambling of more than \$750,000 in any year must have an annual financial audit of its lawful gambling activities and funds for that year. For the purposes of this subdivision, "gross receipts" does not include a licensed organization's receipts from electronic pull-tabs regulated under chapter 349 provided the electronic pull-tab manufacturer has completed an annual system and organization controls audit, containing standards that must incorporate and be consistent with standards prescribed by the American Institute of Certified Public Accountants.

(b) The commissioner may require a financial audit of the lawful gambling activities and funds of an organization licensed under chapter 349, with gross receipts less than \$750,000 annually, when an organization has:

33.1 (1) failed to timely file required gambling tax returns;

33.2 (2) failed to timely pay the gambling tax or regulatory fee;

33.3 (3) filed fraudulent gambling tax returns;

33.4 (4) failed to take corrective actions required by the commissioner; or

33.5 (5) failed to otherwise comply with this chapter.

33.6 (c) Audits under this subdivision must be performed by an independent accountant firm
33.7 licensed in accordance with chapter 326A.

33.8 (d) An organization licensed under chapter 349 must perform an annual certified inventory
33.9 ~~and cash count~~ report at the end of its fiscal year and submit the report to the commissioner
33.10 within 30 days after the end of its fiscal year. The report shall be on a form prescribed by
33.11 the commissioner.

33.12 (e) The commissioner of revenue shall prescribe standards for the audits; and certified
33.13 inventory; ~~and cash count reports~~ report required under this subdivision. The standards may
33.14 vary based on the gross receipts of the organization. The standards must incorporate and
33.15 be consistent with standards prescribed by the American Institute of Certified Public
33.16 Accountants. A complete, true, and correct copy of the audits, certified inventory, and cash
33.17 count report must be filed as prescribed by the commissioner.

33.18 **EFFECTIVE DATE.** This section is effective July 1, 2025.

33.19 Sec. 6. Minnesota Statutes 2024, section 297I.20, subdivision 4, is amended to read:

33.20 Subd. 4. **Film production credit.** (a) A taxpayer may claim a credit against the premiums
33.21 tax imposed under this chapter equal to the amount indicated on the credit certificate
33.22 statement issued to the company under section 116U.27. If the amount of the credit exceeds
33.23 the taxpayer's liability for tax under this chapter, the excess is a credit carryover to each of
33.24 the five succeeding taxable years. The entire amount of the excess unused credit for the
33.25 taxable year must be carried first to the earliest of the taxable years to which the credit may
33.26 be carried and then to each successive year to which the credit may be carried. This credit
33.27 does not affect the calculation of fire state aid under section 477B.03 and police state aid
33.28 under section 477C.03.

33.29 (b) This subdivision expires January 1, ~~2025~~ 2031, for taxable years beginning after and
33.30 premiums received after December 31, ~~2024~~ 2030.

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

34.1 Sec. 7. Laws 2023, chapter 1, section 28, is amended to read:

34.2 Sec. 28. **EXTENSION OF STATUTE OF LIMITATIONS.**

34.3 (a) Notwithstanding any law to the contrary, a taxpayer whose tax liability changes as
34.4 a result of this act may file an amended return by December 31, 2023. The commissioner
34.5 may review and assess the return of a taxpayer covered by this provision for the later of:

34.6 (1) the periods under Minnesota Statutes, sections 289A.38; ~~289.39~~ 289A.39, subdivision
34.7 3; and 289A.40; or

34.8 (2) one year from the time the amended return is filed as a result of a change in tax
34.9 liability under this section.

34.10 (b) Interest on any additional liabilities as a result of any provision in this act accrue
34.11 beginning on January 1, 2024.

34.12 **EFFECTIVE DATE.** This section is effective retroactively at the same time the changes
34.13 incorporated in Laws 2023, chapter 1, were effective for federal purposes.

APPENDIX
Article locations for 25-00106

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