

1.1 A bill for an act

1.2 relating to taxation; providing for conformity and nonconformity to certain federal

1.3 provisions; modifying certain individual income tax and other miscellaneous

1.4 provisions; amending Minnesota Statutes 2018, sections 289A.02, subdivision 7;

1.5 289A.08, subdivisions 1, 7; 289A.12, subdivision 14; 289A.35; 290.01, subdivisions

1.6 19, 22, 29a, 31, by adding subdivisions; 290.0131, subdivisions 1, 3, 10, 12, 13,

1.7 by adding subdivisions; 290.0132, subdivisions 1, 7, 20, 21, 26, by adding

1.8 subdivisions; 290.0133, subdivision 12, by adding a subdivision; 290.0134, by

1.9 adding subdivisions; 290.06, subdivisions 2c, 2d; 290.0672, subdivisions 1, 2;

1.10 290.0681, subdivisions 1, 2, 3, 4; 290.0802, subdivision 2; 290.091, subdivision

1.11 2; 290.095, subdivision 4; 290.17, subdivision 2; 290.21, subdivision 4; 290.34,

1.12 by adding a subdivision; 290.92, subdivision 1; 290A.03, subdivisions 3, 12, 15;

1.13 290A.04, subdivisions 2, 2a, 4; 291.005, subdivision 1; 297A.68, subdivision 25;

1.14 297B.03; 462D.06, subdivisions 1, 2; 469.316, subdivision 1; proposing coding

1.15 for new law in Minnesota Statutes, chapter 290; repealing Minnesota Statutes

1.16 2018, sections 290.0131, subdivisions 7, 11; 290.0133, subdivisions 13, 14; 290.10,

1.17 subdivision 2.

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

1.19 Section 1. Minnesota Statutes 2018, section 289A.02, subdivision 7, is amended to read:

1.20 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal

1.21 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December~~

1.22 ~~16, 2016~~ March 31, 2018.

1.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December

1.24 31, 2018.

2.1 Sec. 2. Minnesota Statutes 2018, section 289A.08, subdivision 1, is amended to read:

2.2 Subdivision 1. **Generally; individuals.** (a) A taxpayer must file a return for each taxable
2.3 year the taxpayer is required to file a return under section 6012 of the Internal Revenue
2.4 Code or meets the requirements under paragraph (d) to file a return, except that:

2.5 (1) an individual who is not a Minnesota resident for any part of the year is not required
2.6 to file a Minnesota income tax return if the individual's gross income derived from Minnesota
2.7 sources as determined under sections 290.081, paragraph (a), and 290.17, is less than the
2.8 filing requirements for a single individual who is a full year resident of Minnesota; ~~and~~

2.9 (2) an individual who is a Minnesota resident is not required to file a Minnesota income
2.10 tax return if the individual's gross income derived from Minnesota sources as determined
2.11 under section 290.17, less the subtractions allowed under section 290.0132, subdivisions
2.12 12 and 15, is less than the filing requirements for a single individual who is a full-year
2.13 resident of Minnesota.

2.14 (b) The decedent's final income tax return, and other income tax returns for prior years
2.15 where the decedent had gross income in excess of the minimum amount at which an
2.16 individual is required to file and did not file, must be filed by the decedent's personal
2.17 representative, if any. If there is no personal representative, the return or returns must be
2.18 filed by the transferees, as defined in section 270C.58, subdivision 3, who receive property
2.19 of the decedent.

2.20 (c) The term "gross income," as it is used in this section, has the same meaning given it
2.21 in section 290.01, subdivision 20.

2.22 (d) The commissioner of revenue shall annually determine the gross income levels at
2.23 which individuals are required to file a return for each taxable year based on the amounts
2.24 that may be deducted under section 290.0803 and the personal and dependent exemptions
2.25 under section 290.0138.

2.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
2.27 31, 2018.

2.28 Sec. 3. Minnesota Statutes 2018, section 289A.08, subdivision 7, is amended to read:

2.29 Subd. 7. **Composite income tax returns for nonresident partners, shareholders, and**
2.30 **beneficiaries.** (a) The commissioner may allow a partnership with nonresident partners to
2.31 file a composite return and to pay the tax on behalf of nonresident partners who have no
2.32 other Minnesota source income. This composite return must include the names, addresses,

3.1 Social Security numbers, income allocation, and tax liability for the nonresident partners
3.2 electing to be covered by the composite return.

3.3 (b) The computation of a partner's tax liability must be determined by multiplying the
3.4 income allocated to that partner by the highest rate used to determine the tax liability for
3.5 individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard
3.6 deductions, or personal exemptions are not allowed.

3.7 (c) The partnership must submit a request to use this composite return filing method for
3.8 nonresident partners. The requesting partnership must file a composite return in the form
3.9 prescribed by the commissioner of revenue. The filing of a composite return is considered
3.10 a request to use the composite return filing method.

3.11 (d) The electing partner must not have any Minnesota source income other than the
3.12 income from the partnership and other electing partnerships. If it is determined that the
3.13 electing partner has other Minnesota source income, the inclusion of the income and tax
3.14 liability for that partner under this provision will not constitute a return to satisfy the
3.15 requirements of subdivision 1. The tax paid for the individual as part of the composite return
3.16 is allowed as a payment of the tax by the individual on the date on which the composite
3.17 return payment was made. If the electing nonresident partner has no other Minnesota source
3.18 income, filing of the composite return is a return for purposes of subdivision 1.

3.19 (e) This subdivision does not negate the requirement that an individual pay estimated
3.20 tax if the individual's liability would exceed the requirements set forth in section 289A.25.
3.21 The individual's liability to pay estimated tax is, however, satisfied when the partnership
3.22 pays composite estimated tax in the manner prescribed in section 289A.25.

3.23 (f) If an electing partner's share of the partnership's gross income from Minnesota sources
3.24 is less than the filing requirements for a nonresident under this subdivision, the tax liability
3.25 is zero. However, a statement showing the partner's share of gross income must be included
3.26 as part of the composite return.

3.27 (g) The election provided in this subdivision is only available to a partner who has no
3.28 other Minnesota source income and who is either (1) a full-year nonresident individual or
3.29 (2) a trust or estate that does not claim a deduction under either section 651 or 661 of the
3.30 Internal Revenue Code.

3.31 (h) A corporation defined in section 290.9725 and its nonresident shareholders may
3.32 make an election under this paragraph. The provisions covering the partnership apply to
3.33 the corporation and the provisions applying to the partner apply to the shareholder.

4.1 (i) Estates and trusts distributing current income only and the nonresident individual
4.2 beneficiaries of the estates or trusts may make an election under this paragraph. The
4.3 provisions covering the partnership apply to the estate or trust. The provisions applying to
4.4 the partner apply to the beneficiary.

4.5 (j) For the purposes of this subdivision, "income" means the partner's share of federal
4.6 adjusted gross income from the partnership modified by the additions provided in section
4.7 290.0131, subdivisions 8 to ~~10~~ 10 and 15, and the subtractions provided in: (1) section
4.8 290.0132, subdivision 9, to the extent the amount is assignable or allocable to Minnesota
4.9 under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed
4.10 under section 290.0132, subdivision 9, is only allowed on the composite tax computation
4.11 to the extent the electing partner would have been allowed the subtraction.

4.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.13 31, 2018.

4.14 Sec. 4. Minnesota Statutes 2018, section 289A.12, subdivision 14, is amended to read:

4.15 Subd. 14. **Reporting exempt interest and exempt-interest dividends.** (a) A regulated
4.16 investment company paying \$10 or more in exempt-interest dividends to an individual who
4.17 is a resident of Minnesota, or any person receiving \$10 or more of exempt interest or
4.18 exempt-interest dividends and paying as nominee to an individual who is a resident of
4.19 Minnesota, must make a return indicating the amount of the exempt interest or
4.20 exempt-interest dividends, the name, address, and Social Security number of the recipient,
4.21 and any other information that the commissioner specifies. The return must be provided to
4.22 the recipient by February 15 of the year following the year of the payment. The return
4.23 provided to the recipient must include a clear statement, in the form prescribed by the
4.24 commissioner, that the exempt interest or exempt-interest dividends must be included in
4.25 the computation of Minnesota taxable income. By June 1 of each year, the payer must file
4.26 a copy of the return with the commissioner.

4.27 (b) For purposes of this subdivision, the following definitions apply.

4.28 (1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section
4.29 852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest
4.30 dividends that are not required to be added to federal ~~taxable~~ adjusted gross income under
4.31 section 290.0131, subdivision 2, paragraph (b).

5.1 (2) "Regulated investment company" means regulated investment company as defined
5.2 in section 851(a) of the Internal Revenue Code or a fund of the regulated investment company
5.3 as defined in section 851(g) of the Internal Revenue Code.

5.4 (3) "Exempt interest" means income on obligations of any state other than Minnesota,
5.5 or a political or governmental subdivision, municipality, or governmental agency or
5.6 instrumentality of any state other than Minnesota, and exempt from federal income taxes
5.7 under the Internal Revenue Code or any other federal statute.

5.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
5.9 31, 2018.

5.10 Sec. 5. Minnesota Statutes 2018, section 289A.35, is amended to read:

5.11 **289A.35 ASSESSMENTS ON RETURNS.**

5.12 (a) The commissioner may audit and adjust the taxpayer's computation of federal adjusted
5.13 gross income, federal taxable income, items of federal tax preferences, or federal credit
5.14 amounts to make them conform with the provisions of chapter 290 or section 298.01. If a
5.15 return has been filed, the commissioner shall enter the liability reported on the return and
5.16 may make any audit or investigation that is considered necessary.

5.17 (b) Upon petition by a taxpayer, and when the commissioner determines that it is in the
5.18 best interest of the state, the commissioner may allow S corporations and partnerships to
5.19 receive orders of assessment issued under section 270C.33, subdivision 4, on behalf of their
5.20 owners, and to pay liabilities shown on such orders. In such cases, the owners' liability must
5.21 be calculated using the method provided in section 289A.08, subdivision 7, paragraph (b).

5.22 (c) A taxpayer may petition the commissioner for the use of the method described in
5.23 paragraph (b) after the taxpayer is notified that an audit has been initiated and before an
5.24 order of assessment has been issued.

5.25 (d) A determination of the commissioner under paragraph (b) to grant or deny the petition
5.26 of a taxpayer cannot be appealed to the Tax Court or any other court.

5.27 (e) The commissioner may audit and adjust the taxpayer's computation of tax under
5.28 chapter 291. In the case of a return filed pursuant to section 289A.10, the commissioner
5.29 shall notify the estate no later than nine months after the filing date, as provided by section
5.30 289A.38, subdivision 2, whether the return is under examination or the return has been
5.31 processed as filed.

6.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
6.2 31, 2018.

6.3 Sec. 6. Minnesota Statutes 2018, section 290.01, is amended by adding a subdivision to
6.4 read:

6.5 Subd. 14a. **Surviving spouse.** The term "surviving spouse" means an individual who is
6.6 a surviving spouse under section 2(a) of the Internal Revenue Code for the taxable year.

6.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
6.8 31, 2018.

6.9 Sec. 7. Minnesota Statutes 2018, section 290.01, subdivision 19, is amended to read:

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

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

6.19 (c) In the case of a regulated investment company or a fund thereof, as defined in section
6.20 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment
6.21 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,
6.22 except that:

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

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

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

7.1 (d) The net income of a real estate investment trust as defined and limited by section
 7.2 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust
 7.3 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

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

7.7 (f) The Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ March
 7.8 31, 2018, shall be in effect for taxable years beginning after December 31, 1996.

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

7.12 **EFFECTIVE DATE.** This section is effective the day following final enactment, except
 7.13 the changes incorporated by federal changes are effective retroactively at the same time as
 7.14 the changes were effective for federal purposes and the changes amending the new paragraph
 7.15 (a) and adding paragraph (b) are effective for taxable years beginning after December 31,
 7.16 2018.

7.17 Sec. 8. Minnesota Statutes 2018, section 290.01, is amended by adding a subdivision to
 7.18 read:

7.19 Subd. 21a. **Adjusted gross income; federal adjusted gross income.** The terms "adjusted
 7.20 gross income" and "federal adjusted gross income" mean adjusted gross income, as defined
 7.21 in section 62 of the Internal Revenue Code, as amended through the date named in
 7.22 subdivision 19, paragraph (f), incorporating the federal effective date of changes to the
 7.23 Internal Revenue Code and any elections made by the taxpayer under the Internal Revenue
 7.24 Code in determining federal adjusted gross income for federal income tax purposes.

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

7.26 Sec. 9. Minnesota Statutes 2018, section 290.01, subdivision 22, is amended to read:

7.27 Subd. 22. **Taxable net income.** For tax years beginning after December 31, ~~1986~~ 2017,
 7.28 the term "taxable net income" means:

7.29 (1) for resident individuals ~~the same as~~ net income less the deductions allowed under
 7.30 section 290.0803;

8.1 (2) for individuals who were ~~not~~ residents of Minnesota for less than the entire year, ~~the~~
 8.2 ~~same as~~ net income less the deductions allowed under section 290.0803, except that the tax
 8.3 is imposed only on the Minnesota apportioned share of that income as determined pursuant
 8.4 to section 290.06, subdivision 2c, paragraph (e);

8.5 (3) for all other taxpayers, the part of net income that is allocable to Minnesota by
 8.6 assignment or apportionment under one or more of sections 290.17, 290.191, 290.20, and
 8.7 290.36, except that for nonresident individuals net income is reduced by the amount of the
 8.8 standard deduction allowable under section 290.0803, subdivision 2, before allocation of
 8.9 net income to Minnesota.

8.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 8.11 31, 2018.

8.12 Sec. 10. Minnesota Statutes 2018, section 290.01, subdivision 29a, is amended to read:

8.13 Subd. 29a. **State itemized deduction.** (a) "State itemized deduction" means federal
 8.14 itemized deductions, as defined in section 63(d) of the Internal Revenue Code, disregarding
 8.15 any limitation under section 68 of the Internal Revenue Code, and reduced by the amount
 8.16 of the addition required under section 290.0131, subdivision 13. changes to itemized
 8.17 deductions made by Public Law 115-97 other than the changes made by section 11027, and
 8.18 disregarding the federal itemized deduction of income or sales taxes under section 164 of
 8.19 the Internal Revenue Code.

8.20 (b) For taxable years beginning after December 31, 2017, the amount that would have
 8.21 been allowable as interest under section 163(h)(3)(E) of the Internal Revenue Code,
 8.22 disregarding subparagraph 163(h)(3)(E)(iv), is allowed as a state itemized deduction.

8.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 8.24 31, 2018.

8.25 Sec. 11. Minnesota Statutes 2018, section 290.01, is amended by adding a subdivision to
 8.26 read:

8.27 Subd. 29b. **State standard deduction.** "State standard deduction" means the federal
 8.28 standard deduction computed under section 63(c) and (f) of the Internal Revenue Code, as
 8.29 amended through December 16, 2016, except that for purposes of adjusting the amounts
 8.30 under this subdivision, the provisions of section 1(f) of the Internal Revenue Code, as
 8.31 amended through March 31, 2018, apply.

9.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
9.2 31, 2018.

9.3 Sec. 12. Minnesota Statutes 2018, section 290.01, subdivision 31, is amended to read:

9.4 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
9.5 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December~~
9.6 ~~16, 2016~~ March 31, 2018. Internal Revenue Code also includes any uncodified provision
9.7 in federal law that relates to provisions of the Internal Revenue Code that are incorporated
9.8 into Minnesota law.

9.9 **EFFECTIVE DATE.** This section is effective the day following final enactment and
9.10 applies to the same taxable years as the changes incorporated by federal changes are effective
9.11 for federal purposes, including any provisions that are retroactive to taxable years beginning
9.12 after December 31, 2016.

9.13 Sec. 13. Minnesota Statutes 2018, section 290.0131, subdivision 1, is amended to read:

9.14 Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "addition" means
9.15 an amount that must be added to federal ~~taxable~~ adjusted gross income, or for estates and
9.16 trusts, federal taxable income, in computing net income for the taxable year to which the
9.17 amounts relate.

9.18 (b) The additions in this section apply to individuals, estates, and trusts.

9.19 (c) Unless specifically indicated or unless the context clearly indicates otherwise, only
9.20 amounts that were deducted or excluded in computing federal ~~taxable~~ adjusted gross income,
9.21 or for estates and trusts, federal taxable income, are an addition under this section.

9.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
9.23 31, 2018.

9.24 Sec. 14. Minnesota Statutes 2018, section 290.0131, subdivision 3, is amended to read:

9.25 Subd. 3. **Income, sales and use, motor vehicle sales, or excise taxes paid.** ~~(a)~~ For trusts
9.26 and estates, the amount of income, sales and use, motor vehicle sales, or excise taxes paid
9.27 or accrued within the taxable year under this chapter and the amount of taxes based on net
9.28 income, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any
9.29 province or territory of Canada is an addition to the extent deducted under section 63(d) of
9.30 the Internal Revenue Code.

10.1 ~~(b) The addition under paragraph (a) may not be more than the amount by which the~~
 10.2 ~~state itemized deduction exceeds the amount of the standard deduction as defined in section~~
 10.3 ~~63(e) of the Internal Revenue Code. For the purpose of this subdivision, income, sales and~~
 10.4 ~~use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed under~~
 10.5 ~~subdivision 12.~~

10.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 10.7 31, 2018.

10.8 Sec. 15. Minnesota Statutes 2018, section 290.0131, subdivision 10, is amended to read:

10.9 Subd. 10. **Section 179 expensing.** Effective for property placed in service in taxable
 10.10 years beginning before January 1, 2020, 80 percent of the amount by which the deduction
 10.11 allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the
 10.12 deduction allowable by section 179 of the Internal Revenue Code, as amended through
 10.13 December 31, 2003, is an addition.

10.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 10.15 31, 2019.

10.16 Sec. 16. Minnesota Statutes 2018, section 290.0131, subdivision 12, is amended to read:

10.17 Subd. 12. **Disallowed itemized deductions.** (a) The amount of disallowed itemized
 10.18 deductions is an addition. The amount of disallowed itemized deductions, ~~plus the addition~~
 10.19 ~~required under subdivision 3,~~ may not be more than the amount by which the state itemized
 10.20 deductions, ~~as allowed under section 63(d) of the Internal Revenue Code,~~ exceeds the amount
 10.21 of the state standard deduction ~~as defined in section 63(e) of the Internal Revenue Code.~~

10.22 (b) The amount of disallowed itemized deductions is equal to the lesser of:

10.23 (1) three percent of the excess of the taxpayer's federal adjusted gross income over the
 10.24 applicable amount; or

10.25 (2) 80 percent of the amount of the state itemized deductions otherwise allowable to the
 10.26 taxpayer under the Internal Revenue Code for the taxable year.

10.27 (c) "Applicable amount" means \$100,000, or \$50,000 for a married individual filing a
 10.28 separate return. Each dollar amount is increased by an amount equal to:

10.29 (1) that dollar amount, multiplied by

10.30 (2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue
 10.31 Code for the calendar year in which the taxable year begins, by substituting "~~calendar year~~

11.1 ~~1990" for "calendar year 1992" in subparagraph (B) of section 1(f)(3)~~ "1990" for "2016" in
 11.2 section 1(f)(3)(B)(ii) of the Internal Revenue Code.

11.3 (d) "Itemized deductions" excludes:

11.4 (1) the deduction for medical expenses under section 213 of the Internal Revenue Code;

11.5 (2) any deduction for investment interest as defined in section 163(d) of the Internal
 11.6 Revenue Code; and

11.7 (3) the deduction under section 165(a) of the Internal Revenue Code for casualty or theft
 11.8 losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue Code or
 11.9 for losses described in section 165(d) of the Internal Revenue Code.

11.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 11.11 31, 2018.

11.12 Sec. 17. Minnesota Statutes 2018, section 290.0131, subdivision 13, is amended to read:

11.13 Subd. 13. **Disallowed personal exemption amount.** (a) The amount of disallowed
 11.14 personal exemptions for taxpayers with federal adjusted gross income over the threshold
 11.15 amount is an addition.

11.16 (b) The disallowed personal exemption amount is equal to the ~~number of personal~~
 11.17 ~~exemptions and dependent exemption subtraction~~ allowed under section 151(b) and (e) of
 11.18 ~~the Internal Revenue Code~~ 290.0132, subdivision 20, multiplied by the ~~dollar amount for~~
 11.19 ~~personal exemptions under section 151(d)(1) and (2) of the Internal Revenue Code, as~~
 11.20 ~~adjusted for inflation by section 151(d)(4) of the Internal Revenue Code, and by the~~
 11.21 applicable percentage.

11.22 (c) For a married individual filing a separate return, "applicable percentage" means two
 11.23 percentage points for each \$1,250, or fraction of that amount, by which the taxpayer's federal
 11.24 adjusted gross income for the taxable year exceeds the threshold amount. For all other filers,
 11.25 applicable percentage means two percentage points for each \$2,500, or fraction of that
 11.26 amount, by which the taxpayer's federal adjusted gross income for the taxable year exceeds
 11.27 the threshold amount. The applicable percentage must not exceed 100 percent.

11.28 (d) "Threshold amount" means:

11.29 (1) \$150,000 for a joint return or a surviving spouse;

11.30 (2) \$125,000 for a head of a household;

12.1 (3) \$100,000 for an individual who is not married and who is not a surviving spouse or
 12.2 head of a household; and

12.3 (4) \$75,000 for a married individual filing a separate return.

12.4 (e) The thresholds must be increased by an amount equal to:

12.5 (1) the threshold dollar amount, multiplied by

12.6 (2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue
 12.7 Code for the calendar year in which the taxable year begins, by substituting "~~calendar year~~
 12.8 ~~1990~~" for "~~calendar year 1992~~" in subparagraph (B) of section 1(f)(3) "1990" for "2016" in
 12.9 section 1(f)(3)(B)(ii) of the Internal Revenue Code.

12.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 12.11 31, 2018.

12.12 Sec. 18. Minnesota Statutes 2018, section 290.0131, is amended by adding a subdivision
 12.13 to read:

12.14 Subd. 15. **Qualified business income addition.** For a trust or estate, the amount deducted
 12.15 under section 199A of the Internal Revenue Code in computing the federal taxable income
 12.16 of the trust or estate is an addition.

12.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 12.18 31, 2018.

12.19 Sec. 19. Minnesota Statutes 2018, section 290.0131, is amended by adding a subdivision
 12.20 to read:

12.21 Subd. 16. **Foreign-derived intangible income.** The amount of foreign-derived intangible
 12.22 income deducted under section 250 of the Internal Revenue Code for the taxable year is an
 12.23 addition.

12.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 12.25 31, 2018.

12.26 Sec. 20. Minnesota Statutes 2018, section 290.0132, subdivision 1, is amended to read:

12.27 Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "subtraction"
 12.28 means an amount that ~~shall~~ is allowed to be subtracted from federal taxable adjusted gross
 12.29 income, or for estates and trusts, federal taxable income, in computing net income for the
 12.30 taxable year to which the amounts relate.

13.1 (b) The subtractions in this section apply to individuals, estates, and trusts.

13.2 (c) Unless specifically indicated or unless the context clearly indicates otherwise, no
 13.3 amount deducted, subtracted, or otherwise excluded in computing federal taxable adjusted
 13.4 gross income, or for estates and trusts, federal taxable income, is a subtraction under this
 13.5 section.

13.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 13.7 31, 2018.

13.8 Sec. 21. Minnesota Statutes 2018, section 290.0132, subdivision 7, is amended to read:

13.9 Subd. 7. **Charitable contributions for taxpayers who do not itemize.** ~~To the extent~~
 13.10 ~~not deducted or not deductible under section 408(d)(8)(E) of the Internal Revenue Code in~~
 13.11 ~~determining federal taxable income by~~ For an individual who does not itemize deductions
 13.12 ~~for federal income tax purposes under section 290.0803~~ for the taxable year, an amount
 13.13 equal to 50 percent of the excess of charitable contributions over \$500 allowable as a state
 13.14 itemized deduction for the taxable year under section 170(a) of the Internal Revenue Code
 13.15 is a subtraction. The subtraction under this subdivision must not include a distribution that
 13.16 is excluded from federal adjusted gross income and that is not deductible under section
 13.17 408(d)(8)(E) of the Internal Revenue Code.

13.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 13.19 31, 2018.

13.20 Sec. 22. Minnesota Statutes 2018, section 290.0132, subdivision 20, is amended to read:

13.21 Subd. 20. **Disallowed Personal and dependent exemption.** ~~The amount of the phaseout~~
 13.22 ~~of personal exemptions under section 151(d) of the Internal Revenue Code is a subtraction.~~
 13.23 The amount of personal and dependent exemptions calculated under section 290.0138 is a
 13.24 subtraction.

13.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 13.26 31, 2018.

13.27 Sec. 23. Minnesota Statutes 2018, section 290.0132, subdivision 21, is amended to read:

13.28 Subd. 21. **Military service pension; retirement pay.** To the extent included in federal
 13.29 taxable adjusted gross income, compensation received from a pension or other retirement
 13.30 pay from the federal government for service in the military, as computed under United

14.1 States Code, title 10, sections 1401 to 1414, 1447 to 1455, and 12733, is a subtraction. The
 14.2 subtraction is limited to individuals who do not claim the credit under section 290.0677.

14.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 14.4 31, 2018.

14.5 Sec. 24. Minnesota Statutes 2018, section 290.0132, subdivision 26, is amended to read:

14.6 Subd. 26. **Social Security benefits.** (a) A portion of Social Security benefits is allowed
 14.7 as a subtraction. The subtraction equals the ~~lesser~~ greater of ~~Social Security benefits or a~~
 14.8 ~~maximum~~ the subtraction subject to the limits under paragraphs (b), (c), and (d), or the
 14.9 percentage of Social Security benefits calculated under paragraph (e).

14.10 (b) For married taxpayers filing a joint return and surviving spouses, the maximum
 14.11 subtraction equals ~~\$4,500~~ \$4,590. The maximum subtraction is reduced by 20 percent of
 14.12 provisional income over ~~\$77,000~~ \$78,530. In no case is the subtraction less than zero.

14.13 (c) For single or head-of-household taxpayers, the maximum subtraction equals ~~\$3,500~~
 14.14 \$3,570. The maximum subtraction is reduced by 20 percent of provisional income over
 14.15 ~~\$60,200~~ \$61,400. In no case is the subtraction less than zero.

14.16 (d) For married taxpayers filing separate returns, the maximum subtraction equals ~~\$2,250~~
 14.17 one-half the maximum subtraction for joint returns under paragraph (b). The maximum
 14.18 subtraction is reduced by 20 percent of provisional income over ~~\$38,500~~ one-half the
 14.19 maximum subtraction for joint returns under paragraph (b). In no case is the subtraction
 14.20 less than zero.

14.21 (e) For taxable years beginning after December 31, 2019, for all taxpayers, the subtraction
 14.22 equals ten percent of Social Security benefits, and in each taxable year thereafter, the
 14.23 subtraction is increased by ten percentage points until the total subtraction amount equals
 14.24 100 percent of Social Security benefits.

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

14.29 ~~(f)~~ (g) The commissioner shall adjust the maximum subtraction and threshold amounts
 14.30 in paragraphs (b) to (d) by the percentage determined pursuant to the provisions of section
 14.31 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) of the Internal Revenue
 14.32 Code the word "~~2016~~" "2018" shall be substituted for the word "~~1992~~." ~~For 2018, the~~
 14.33 ~~commissioner shall then determine the percentage change from the 12 months ending on~~

15.1 ~~August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year,~~
15.2 ~~from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of~~
15.3 ~~the year preceding the taxable year. "2016."~~ The determination of the commissioner pursuant
15.4 to this subdivision must not be considered a rule and is not subject to the Administrative
15.5 Procedure Act contained in chapter 14, including section 14.386. The maximum subtraction
15.6 and threshold amounts as adjusted must be rounded to the nearest \$10 amount. If the amount
15.7 ends in \$5, the amount is rounded up to the nearest \$10 amount.

15.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
15.9 31, 2018.

15.10 Sec. 25. Minnesota Statutes 2018, section 290.0132, is amended by adding a subdivision
15.11 to read:

15.12 Subd. 27. **Moving expenses.** The amount of expenses that qualify as a deduction under
15.13 section 217(a) through (f) of the Internal Revenue Code, disregarding paragraph (k), and
15.14 only to the extent the expenses are not deducted in computing federal taxable income is a
15.15 subtraction.

15.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
15.17 31, 2018.

15.18 Sec. 26. Minnesota Statutes 2018, section 290.0132, is amended by adding a subdivision
15.19 to read:

15.20 Subd. 28. **Global intangible low-taxed income.** The taxpayer's global intangible
15.21 low-taxed income included under section 951A of the Internal Revenue Code for the taxable
15.22 year is a subtraction.

15.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
15.24 31, 2018.

15.25 Sec. 27. Minnesota Statutes 2018, section 290.0132, is amended by adding a subdivision
15.26 to read:

15.27 Subd. 29. **Deferred foreign income.** The amount of deferred foreign income recognized
15.28 because of section 965 of the Internal Revenue Code, and before any deduction under section
15.29 965(c) of the Internal Revenue Code, is a subtraction.

15.30 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
15.31 after December 31, 2017, and before January 1, 2020.

16.1 Sec. 28. Minnesota Statutes 2018, section 290.0132, is amended by adding a subdivision
16.2 to read:

16.3 Subd. 30. **Standard or itemized deduction.** The amount allowed under section 290.0803
16.4 is a subtraction.

16.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
16.6 31, 2018.

16.7 Sec. 29. Minnesota Statutes 2018, section 290.0132, is amended by adding a subdivision
16.8 to read:

16.9 Subd. 31. **Tuition subtraction.** The amount that would have been allowable under
16.10 section 222 of the Internal Revenue Code, disregarding paragraph (e) and only to the extent
16.11 the amount is not deducted in computing federal adjusted gross income, is a subtraction.

16.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
16.13 31, 2019.

16.14 Sec. 30. Minnesota Statutes 2018, section 290.0133, subdivision 12, is amended to read:

16.15 Subd. 12. **Section 179 expensing.** Effective for property placed in service in taxable
16.16 years beginning before January 1, 2020, 80 percent of the amount by which the deduction
16.17 allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the
16.18 deduction allowable by section 179 of the Internal Revenue Code, as amended through
16.19 December 31, 2003, is an addition.

16.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
16.21 31, 2019.

16.22 Sec. 31. Minnesota Statutes 2018, section 290.0133, is amended by adding a subdivision
16.23 to read:

16.24 Subd. 15. **Foreign-derived intangible income.** The amount of foreign-derived intangible
16.25 income deducted under section 250 of the Internal Revenue Code for the taxable year is an
16.26 addition.

16.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
16.28 31, 2018.

17.1 Sec. 32. Minnesota Statutes 2018, section 290.0134, is amended by adding a subdivision
17.2 to read:

17.3 Subd. 17. **Global intangible low-taxed income.** The taxpayer's global intangible
17.4 low-taxed income included under section 951A of the Internal Revenue Code for the taxable
17.5 year is a subtraction.

17.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
17.7 31, 2018.

17.8 Sec. 33. Minnesota Statutes 2018, section 290.0134, is amended by adding a subdivision
17.9 to read:

17.10 Subd. 18. **Deferred foreign income.** The amount of deferred foreign income recognized
17.11 because of section 965 of the Internal Revenue Code, and before any deduction under section
17.12 965(c) of the Internal Revenue Code, is a subtraction.

17.13 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
17.14 after December 31, 2017, and before January 1, 2020.

17.15 Sec. 34. **[290.0138] PERSONAL AND DEPENDENT EXEMPTIONS.**

17.16 Subdivision 1. **Personal and dependent exemptions.** (a) A taxpayer is allowed: (1) a
17.17 personal exemption in the amount of \$4,150, and in the case of a married couple filing a
17.18 joint return an additional personal exemption of \$4,150; plus (2) a dependent exemption of
17.19 \$4,150 multiplied by the number of dependents of the taxpayer, as defined under sections
17.20 151 and 152 of the Internal Revenue Code.

17.21 (b) The personal and dependent exemptions are not allowed to an individual who is
17.22 eligible to be claimed as a dependent, as defined in sections 151 or 152 of the Internal
17.23 Revenue Code, by another taxpayer.

17.24 Subd. 2. **Cost-of-living adjustment.** For taxable years beginning after December 31,
17.25 2019, the commissioner shall annually adjust the amounts in subdivision 1 by the percentage
17.26 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code as
17.27 amended through March 31, 2018, except that in section 1(f)(3)(B), the word "2018" shall
17.28 be substituted for the word "1992." The exemption amount as adjusted for inflation must
17.29 be rounded to the nearest \$50. If the amount is not a multiple of \$50, the commissioner shall
17.30 round down to the next lowest multiple of \$50. The determination of the commissioner
17.31 under this subdivision is not a rule under the Administrative Procedure Act.

18.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 18.2 31, 2018.

18.3 Sec. 35. Minnesota Statutes 2018, section 290.06, subdivision 2c, is amended to read:

18.4 Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income taxes
 18.5 imposed by this chapter upon married individuals filing joint returns and surviving spouses
 18.6 ~~as defined in section 2(a) of the Internal Revenue Code~~ must be computed by applying to
 18.7 their taxable net income the following schedule of rates:

18.8 (1) On the first ~~\$35,480~~ \$37,850, ~~5.35~~ 5.05 percent;

18.9 (2) On all over ~~\$35,480~~ \$37,850, but not over ~~\$140,960~~ \$150,380, 7.05 percent;

18.10 (3) On all over ~~\$140,960~~ \$150,380, but not over ~~\$250,000~~ \$266,700, 7.85 percent;

18.11 (4) On all over ~~\$250,000~~ \$266,700, 9.85 percent.

18.12 Married individuals filing separate returns, estates, and trusts must compute their income
 18.13 tax by applying the above rates to their taxable income, except that the income brackets
 18.14 will be one-half of the above amounts.

18.15 (b) The income taxes imposed by this chapter upon unmarried individuals must be
 18.16 computed by applying to taxable net income the following schedule of rates:

18.17 (1) On the first ~~\$24,270~~ \$25,890, ~~5.35~~ 5.05 percent;

18.18 (2) On all over ~~\$24,270~~ \$25,890, but not over ~~\$79,730~~ \$85,060, 7.05 percent;

18.19 (3) On all over ~~\$79,730~~ \$85,060, but not over ~~\$150,000~~ \$160,020, 7.85 percent;

18.20 (4) On all over ~~\$150,000~~ \$160,020, 9.85 percent.

18.21 (c) The income taxes imposed by this chapter upon unmarried individuals qualifying as
 18.22 a head of household as defined in section 2(b) of the Internal Revenue Code must be
 18.23 computed by applying to taxable net income the following schedule of rates:

18.24 (1) On the first ~~\$29,880~~ \$31,880, ~~5.35~~ 5.05 percent;

18.25 (2) On all over ~~\$29,880~~ \$31,880, but not over ~~\$120,070~~ \$128,090, 7.05 percent;

18.26 (3) On all over ~~\$120,070~~ \$128,090, but not over ~~\$200,000~~ \$213,360, 7.85 percent;

18.27 (4) On all over ~~\$200,000~~ \$213,360, 9.85 percent.

18.28 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax
 18.29 of any individual taxpayer whose taxable net income for the taxable year is less than an
 18.30 amount determined by the commissioner must be computed in accordance with tables

19.1 prepared and issued by the commissioner of revenue based on income brackets of not more
 19.2 than \$100. The amount of tax for each bracket shall be computed at the rates set forth in
 19.3 this subdivision, provided that the commissioner may disregard a fractional part of a dollar
 19.4 unless it amounts to 50 cents or more, in which case it may be increased to \$1.

19.5 (e) An individual who is not a Minnesota resident for the entire year must compute the
 19.6 individual's Minnesota income tax as provided in this subdivision. After the application of
 19.7 the nonrefundable credits provided in this chapter, the tax liability must then be multiplied
 19.8 by a fraction in which:

19.9 (1) the numerator is the individual's Minnesota source federal adjusted gross income as
 19.10 ~~defined in section 62 of the Internal Revenue Code~~ and increased by the additions required
 19.11 under section 290.0131, subdivisions 2 and 6 to ~~10~~, and reduced by the Minnesota
 19.12 assignable portion of the subtraction for United States government interest under section
 19.13 290.0132, subdivision 2, and the subtractions under section 290.0132, subdivisions 9, 10,
 19.14 14, 15, 17, ~~and 18~~, and 27 to 29, after applying the allocation and assignability provisions
 19.15 of section 290.081, clause (a), or 290.17; and

19.16 (2) the denominator is the individual's federal adjusted gross income as ~~defined in section~~
 19.17 ~~62 of the Internal Revenue Code~~, increased by the amounts specified in section 290.0131,
 19.18 subdivisions 2 and 6 to ~~10~~, and reduced by the amounts specified in section 290.0132,
 19.19 subdivisions 2, 9, 10, 14, 15, 17, ~~and 18~~, and 27 to 29.

19.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 19.21 31, 2018.

19.22 Sec. 36. Minnesota Statutes 2018, section 290.06, subdivision 2d, is amended to read:

19.23 Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after
 19.24 December 31, 2013, the minimum and maximum dollar amounts for each rate bracket for
 19.25 which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage
 19.26 determined under paragraph (b). ~~For the purpose of making the adjustment as provided in~~
 19.27 ~~this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets~~
 19.28 ~~as they existed for taxable years beginning after December 31, 2012, and before January 1,~~
 19.29 ~~2014.~~ The rate applicable to any rate bracket must not be changed. The dollar amounts
 19.30 setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate
 19.31 brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in
 19.32 \$5, it must be rounded up to the nearest \$10 amount.

20.1 (b) The commissioner shall adjust the rate brackets and by the percentage determined
 20.2 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section
 20.3 1(f)(3)(B) the word "~~2012~~" "2018" shall be substituted for the word "~~1992~~." ~~For 2014, the~~
 20.4 ~~commissioner shall then determine the percent change from the 12 months ending on August~~
 20.5 ~~31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from~~
 20.6 ~~the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the~~
 20.7 ~~year preceding the taxable year.~~ "2017." The determination of the commissioner pursuant
 20.8 to this subdivision shall not be considered a "rule" and shall not be subject to the
 20.9 Administrative Procedure Act contained in chapter 14.

20.10 No later than December 15 of each year, the commissioner shall announce the specific
 20.11 percentage that will be used to adjust the tax rate brackets.

20.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 20.13 31, 2018.

20.14 Sec. 37. Minnesota Statutes 2018, section 290.0672, subdivision 1, is amended to read:

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

20.17 (b) "Long-term care insurance" means a policy that:

20.18 (1) qualifies for a deduction under section 213 of the Internal Revenue Code, disregarding
 20.19 the adjusted gross income test; or meets the requirements given in section 62A.46; or provides
 20.20 similar coverage issued under the laws of another jurisdiction; and

20.21 (2) has a lifetime long-term care benefit limit of not less than \$100,000; and

20.22 (3) has been offered in compliance with the inflation protection requirements of section
 20.23 62S.23.

20.24 (c) "Qualified beneficiary" means the taxpayer or the taxpayer's spouse.

20.25 (d) "Premiums deducted in determining ~~federal~~ taxable net income" means the lesser of
 20.26 (1) long-term care insurance premiums that qualify as deductions under section 213 of the
 20.27 Internal Revenue Code; and (2) the total amount deductible for medical ~~care~~ expenses under
 20.28 section 213 of the Internal Revenue Code.

20.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 20.30 31, 2018.

21.1 Sec. 38. Minnesota Statutes 2018, section 290.0672, subdivision 2, is amended to read:

21.2 Subd. 2. **Credit.** A taxpayer is allowed a credit against the tax imposed by this chapter
21.3 for long-term care insurance policy premiums paid during the tax year. The credit for each
21.4 policy equals 25 percent of premiums paid to the extent not deducted in determining ~~federal~~
21.5 taxable net income. A taxpayer may claim a credit for only one policy for each qualified
21.6 beneficiary. A maximum of \$100 applies to each qualified beneficiary. The maximum total
21.7 credit allowed per year is \$200 for married couples filing joint returns and \$100 for all other
21.8 filers. For a nonresident or part-year resident, the credit determined under this section must
21.9 be allocated based on the percentage calculated under section 290.06, subdivision 2c,
21.10 paragraph (e).

21.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
21.12 31, 2018.

21.13 Sec. 39. Minnesota Statutes 2018, section 290.0681, subdivision 1, is amended to read:

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

21.16 (b) "Account" means the historic credit administration account in the special revenue
21.17 fund.

21.18 (c) "Office" means the State Historic Preservation Office of the Department of
21.19 Administration.

21.20 (d) "Project" means rehabilitation of a certified historic structure, as defined in section
21.21 47(c)(3)(A) of the Internal Revenue Code, that is located in Minnesota and is allowed a
21.22 federal credit.

21.23 (e) "Federal credit" means the credit allowed under section ~~47(a)(2)~~ 47(a) of the Internal
21.24 Revenue Code, except that the amount allowed is deemed to be allocated in the taxable year
21.25 that the project is placed in service.

21.26 (f) "Placed in service" has the meaning used in section 47 of the Internal Revenue Code.

21.27 (g) "Qualified rehabilitation expenditures" has the meaning given in section 47 of the
21.28 Internal Revenue Code.

21.29 **EFFECTIVE DATE.** This section is effective for applications for allocation certificates
21.30 submitted after December 31, 2018.

22.1 Sec. 40. Minnesota Statutes 2018, section 290.0681, subdivision 2, is amended to read:

22.2 Subd. 2. **Credit or grant allowed; certified historic structure.** (a) A credit is allowed
 22.3 against the tax imposed under this chapter equal to not more than 100 percent of the credit
 22.4 allowed under section ~~47(a)(2)~~ 47(a) of the Internal Revenue Code for a project. The credit
 22.5 is payable in an amount equal to one-fifth of the total credit amount allowed in the five
 22.6 taxable years beginning with the year the project is placed in service. To qualify for the
 22.7 credit:

22.8 (1) the project must receive Part 3 certification and be placed in service during the taxable
 22.9 year; and

22.10 (2) the taxpayer must be allowed the federal credit and be issued a credit certificate for
 22.11 the taxable year as provided in subdivision 4.

22.12 (b) The commissioner of administration may pay a grant in lieu of the credit. The grant
 22.13 equals 90 percent of the credit that would be allowed for the project. The grant is payable
 22.14 in an amount equal to one-fifth of 90 percent of the credit that would be allowed for the
 22.15 project in the five taxable years beginning with the year the project is placed in service.

22.16 (c) In lieu of the credit under paragraph (a), an insurance company may claim a credit
 22.17 against the insurance premiums tax imposed under chapter 297I.

22.18 **EFFECTIVE DATE.** This section is effective for applications for allocation certificates
 22.19 submitted after December 31, 2018.

22.20 Sec. 41. Minnesota Statutes 2018, section 290.0681, subdivision 3, is amended to read:

22.21 Subd. 3. **Applications; allocations.** (a) To qualify for a credit or grant under this section,
 22.22 the developer of a project must apply to the office before the rehabilitation begins. The
 22.23 application must contain the information and be in the form prescribed by the office. The
 22.24 office may collect a fee for application of up to 0.5 percent of qualified rehabilitation
 22.25 expenditures, up to \$40,000, based on estimated qualified rehabilitation expenditures, to
 22.26 offset costs associated with personnel and administrative expenses related to administering
 22.27 the credit and preparing the economic impact report in subdivision 9. Application fees are
 22.28 deposited in the account. The application must indicate if the application is for a credit or
 22.29 a grant in lieu of the credit or a combination of the two and designate the taxpayer qualifying
 22.30 for the credit or the recipient of the grant.

22.31 (b) Upon approving an application for credit, the office shall issue allocation certificates
 22.32 that:

- 23.1 (1) verify eligibility for the credit or grant;
- 23.2 (2) state the amount of credit or grant anticipated with the project, with the credit amount
23.3 equal to 100 percent and the grant amount equal to 90 percent of the federal credit anticipated
23.4 in the application;
- 23.5 (3) state that the credit or grant allowed may increase or decrease if the federal credit
23.6 the project receives at the time it is placed in service is different than the amount anticipated
23.7 at the time the allocation certificate is issued; and
- 23.8 (4) state the fiscal year in which the credit or grant is allocated, and that the taxpayer or
23.9 grant recipient is entitled to receive one-fifth of the total amount of either the credit or the
23.10 grant at the time the project is placed in service, provided that date is within three calendar
23.11 years following the issuance of the allocation certificate.
- 23.12 (c) The office, in consultation with the commissioner, shall determine if the project is
23.13 eligible for a credit or a grant under this section and must notify the developer in writing
23.14 of its determination. Eligibility for the credit is subject to review and audit by the
23.15 commissioner.
- 23.16 (d) The federal credit recapture and repayment requirements under section 50 of the
23.17 Internal Revenue Code do not apply to the credit allowed under this section.
- 23.18 (e) Any decision of the office under paragraph (c) may be challenged as a contested case
23.19 under chapter 14. The contested case proceeding must be initiated within 45 days of the
23.20 date of written notification by the office.
- 23.21 **EFFECTIVE DATE.** This section is effective for applications for allocation certificates
23.22 submitted after December 31, 2018.
- 23.23 Sec. 42. Minnesota Statutes 2018, section 290.0681, subdivision 4, is amended to read:
- 23.24 Subd. 4. **Credit certificates; grants.** (a)(1) The developer of a project for which the
23.25 office has issued an allocation certificate must notify the office when the project is placed
23.26 in service. Upon verifying that the project has been placed in service, and was allowed a
23.27 federal credit, the office must issue a credit certificate to the taxpayer designated in the
23.28 application or must issue a grant to the recipient designated in the application. The credit
23.29 certificate must state the amount of the credit.
- 23.30 (2) The credit amount equals the federal credit allowed for the project.
- 23.31 (3) The grant amount equals 90 percent of the federal credit allowed for the project.

24.1 (b) The recipient of a credit certificate may assign the certificate to another taxpayer
24.2 before the first one-fifth payment is claimed, which is then allowed the credit under this
24.3 section or section 297I.20, subdivision 3. An assignment is not valid unless the assignee
24.4 notifies the commissioner within 30 days of the date that the assignment is made. The
24.5 commissioner shall prescribe the forms necessary for notifying the commissioner of the
24.6 assignment of a credit certificate and for claiming a credit by assignment.

24.7 (c) Credits passed through to partners, members, shareholders, or owners pursuant to
24.8 subdivision 5 are not an assignment of a credit certificate under this subdivision.

24.9 (d) A grant agreement between the office and the recipient of a grant may allow the
24.10 grant to be issued to another individual or entity.

24.11 **EFFECTIVE DATE.** This section is effective for applications for allocation certificates
24.12 submitted after December 31, 2018.

24.13 Sec. 43. Minnesota Statutes 2018, section 290.0802, subdivision 2, is amended to read:

24.14 Subd. 2. **Subtraction.** (a) A qualified individual is allowed a subtraction from federal
24.15 ~~taxable~~ adjusted gross income of the individual's subtraction base amount. The excess of
24.16 the subtraction base amount over the taxable net income computed without regard to the
24.17 subtraction for the elderly or disabled under section 290.0132, subdivision 5, may be used
24.18 to reduce the amount of a lump sum distribution subject to tax under section 290.032.

24.19 (b)(1) The initial subtraction base amount equals

24.20 (i) \$12,000 for a married taxpayer filing a joint return if a spouse is a qualified individual,

24.21 (ii) \$9,600 for a single taxpayer, and

24.22 (iii) \$6,000 for a married taxpayer filing a separate federal return.

24.23 (2) The qualified individual's initial subtraction base amount, then, must be reduced by
24.24 the sum of nontaxable retirement and disability benefits and one-half of the amount of
24.25 adjusted gross income in excess of the following thresholds:

24.26 (i) \$18,000 for a married taxpayer filing a joint return if both spouses are qualified
24.27 individuals,

24.28 (ii) \$14,500 for a single taxpayer or for a married couple filing a joint return if only one
24.29 spouse is a qualified individual, and

24.30 (iii) \$9,000 for a married taxpayer filing a separate federal return.

25.1 (3) In the case of a qualified individual who is under the age of 65, the maximum amount
25.2 of the subtraction base may not exceed the taxpayer's disability income.

25.3 (4) The resulting amount is the subtraction base amount.

25.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
25.5 31, 2018.

25.6 Sec. 44. **[290.0803] STANDARD OR ITEMIZED DEDUCTION.**

25.7 Subdivision 1. **Election.** An individual may elect to claim a state standard deduction in
25.8 lieu of state itemized deductions. However, in the case of a married individual filing a
25.9 separate return, if one spouse elects to claim state itemized deductions, the other spouse is
25.10 not allowed a state standard deduction.

25.11 Subd. 2. **Subtraction.** Based on the election under subdivision 1, individuals are allowed
25.12 to subtract from federal adjusted gross income the state standard deduction or the state
25.13 itemized deduction.

25.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
25.15 31, 2018.

25.16 Sec. 45. Minnesota Statutes 2018, section 290.091, subdivision 2, is amended to read:

25.17 Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following
25.18 terms have the meanings given.

25.19 (a) "Alternative minimum taxable income" means the sum of the following for the taxable
25.20 year:

25.21 (1) the taxpayer's federal alternative minimum taxable income as defined in section
25.22 55(b)(2) of the Internal Revenue Code;

25.23 (2) the taxpayer's itemized deductions allowed in computing federal alternative minimum
25.24 taxable income, but excluding:

25.25 (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;

25.26 (ii) the medical expense deduction;

25.27 (iii) the casualty, theft, and disaster loss deduction; and

25.28 (iv) the impairment-related work expenses of a disabled person;

25.29 (3) for depletion allowances computed under section 613A(c) of the Internal Revenue
25.30 Code, with respect to each property (as defined in section 614 of the Internal Revenue Code),

26.1 to the extent not included in federal alternative minimum taxable income, the excess of the
 26.2 deduction for depletion allowable under section 611 of the Internal Revenue Code for the
 26.3 taxable year over the adjusted basis of the property at the end of the taxable year (determined
 26.4 without regard to the depletion deduction for the taxable year);

26.5 (4) to the extent not included in federal alternative minimum taxable income, the amount
 26.6 of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue
 26.7 Code determined without regard to subparagraph (E);

26.8 (5) to the extent not included in federal alternative minimum taxable income, the amount
 26.9 of interest income as provided by section 290.0131, subdivision 2; and

26.10 (6) the amount of addition required by section 290.0131, subdivisions 9 ~~to 14~~, 10, and
 26.11 16;

26.12 (7) the deduction allowed under section 199A of the Internal Revenue Code;

26.13 less the sum of the amounts determined under the following:

26.14 (i) interest income as defined in section 290.0132, subdivision 2;

26.15 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision
 26.16 3, to the extent included in federal alternative minimum taxable income;

26.17 (iii) the amount of investment interest paid or accrued within the taxable year on
 26.18 indebtedness to the extent that the amount does not exceed net investment income, as defined
 26.19 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted
 26.20 in computing federal adjusted gross income;

26.21 (iv) amounts subtracted from federal ~~taxable~~ adjusted gross income as provided by
 26.22 section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, and 26 to 29; ~~and~~

26.23 (v) the amount of the net operating loss allowed under section 290.095, subdivision 11,
 26.24 paragraph (c); and

26.25 (vi) the amount that would have been an allowable deduction under section 165(h) of
 26.26 the Internal Revenue Code, as amended through December 16, 2016, and that was taken as
 26.27 a Minnesota itemized deduction under section 290.01, subdivision 29.

26.28 In the case of an estate or trust, alternative minimum taxable income must be computed
 26.29 as provided in section 59(c) of the Internal Revenue Code, except that alternative minimum
 26.30 taxable income must be increased by the amount of the addition under section 290.0131,
 26.31 subdivision 15.

27.1 (b) "Investment interest" means investment interest as defined in section 163(d)(3) of
27.2 the Internal Revenue Code.

27.3 (c) "Net minimum tax" means the minimum tax imposed by this section.

27.4 (d) "Regular tax" means the tax that would be imposed under this chapter (without regard
27.5 to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed
27.6 under this chapter.

27.7 (e) "Tentative minimum tax" equals 6.75 percent of alternative minimum taxable income
27.8 after subtracting the exemption amount determined under subdivision 3.

27.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
27.10 31, 2018.

27.11 Sec. 46. Minnesota Statutes 2018, section 290.095, subdivision 4, is amended to read:

27.12 Subd. 4. **Computation and modifications.** The following modifications shall be made
27.13 in computing a net operating loss in any taxable year and also in computing the taxable net
27.14 income for any taxable year before a net operating loss deduction shall be allowed:

27.15 (a) No deduction shall be allowed for or with respect to losses connected with income
27.16 producing activities if the income therefrom would not be required to be either assignable
27.17 to this state or included in computing the taxpayer's taxable net income.

27.18 (b) A net operating loss deduction shall not be allowed.

27.19 (c) The amount deductible on account of losses from sales or exchanges of capital assets
27.20 shall not exceed the amount includable on account of gains from sales or exchanges of
27.21 capital assets.

27.22 (d) Renegotiation of profits for a prior taxable year under the renegotiation laws of the
27.23 United States of America, including renegotiation of the profits with a subcontractor, shall
27.24 not enter into the computation.

27.25 (e) Federal income and excess profits taxes shall not be allowed as a deduction.

27.26 (f) The 80-percent limitation under section 172(a)(2) of the Internal Revenue Code does
27.27 not apply to the computations for corporate taxpayers under this section.

27.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
27.29 31, 2018.

28.1 Sec. 47. Minnesota Statutes 2018, section 290.17, subdivision 2, is amended to read:

28.2 Subd. 2. **Income not derived from conduct of a trade or business.** The income of a
28.3 taxpayer subject to the allocation rules that is not derived from the conduct of a trade or
28.4 business must be assigned in accordance with paragraphs (a) to (f):

28.5 (a)(1) Subject to paragraphs (a)(2) and (a)(3), income from wages as defined in section
28.6 3401(a) ~~and~~, (f), and (i) of the Internal Revenue Code is assigned to this state if, and to the
28.7 extent that, the work of the employee is performed within it; all other income from such
28.8 sources is treated as income from sources without this state.

28.9 Severance pay shall be considered income from labor or personal or professional services.

28.10 (2) In the case of an individual who is a nonresident of Minnesota and who is an athlete
28.11 or entertainer, income from compensation for labor or personal services performed within
28.12 this state shall be determined in the following manner:

28.13 (i) the amount of income to be assigned to Minnesota for an individual who is a
28.14 nonresident salaried athletic team employee shall be determined by using a fraction in which
28.15 the denominator contains the total number of days in which the individual is under a duty
28.16 to perform for the employer, and the numerator is the total number of those days spent in
28.17 Minnesota. For purposes of this paragraph, off-season training activities, unless conducted
28.18 at the team's facilities as part of a team imposed program, are not included in the total number
28.19 of duty days. Bonuses earned as a result of play during the regular season or for participation
28.20 in championship, play-off, or all-star games must be allocated under the formula. Signing
28.21 bonuses are not subject to allocation under the formula if they are not conditional on playing
28.22 any games for the team, are payable separately from any other compensation, and are
28.23 nonrefundable; and

28.24 (ii) the amount of income to be assigned to Minnesota for an individual who is a
28.25 nonresident, and who is an athlete or entertainer not listed in item (i), for that person's athletic
28.26 or entertainment performance in Minnesota shall be determined by assigning to this state
28.27 all income from performances or athletic contests in this state.

28.28 (3) For purposes of this section, amounts received by a nonresident as "retirement income"
28.29 as defined in section (b)(1) of the State Income Taxation of Pension Income Act, Public
28.30 Law 104-95, are not considered income derived from carrying on a trade or business or
28.31 from wages or other compensation for work an employee performed in Minnesota, and are
28.32 not taxable under this chapter.

29.1 (b) Income or gains from tangible property located in this state that is not employed in
29.2 the business of the recipient of the income or gains must be assigned to this state.

29.3 (c) Income or gains from intangible personal property not employed in the business of
29.4 the recipient of the income or gains must be assigned to this state if the recipient of the
29.5 income or gains is a resident of this state or is a resident trust or estate.

29.6 Gain on the sale of a partnership interest is allocable to this state in the ratio of the
29.7 original cost of partnership tangible property in this state to the original cost of partnership
29.8 tangible property everywhere, determined at the time of the sale. If more than 50 percent
29.9 of the value of the partnership's assets consists of intangibles, gain or loss from the sale of
29.10 the partnership interest is allocated to this state in accordance with the sales factor of the
29.11 partnership for its first full tax period immediately preceding the tax period of the partnership
29.12 during which the partnership interest was sold.

29.13 Gain on the sale of an interest in a single member limited liability company that is
29.14 disregarded for federal income tax purposes is allocable to this state as if the single member
29.15 limited liability company did not exist and the assets of the limited liability company are
29.16 personally owned by the sole member.

29.17 Gain on the sale of goodwill or income from a covenant not to compete that is connected
29.18 with a business operating all or partially in Minnesota is allocated to this state to the extent
29.19 that the income from the business in the year preceding the year of sale was allocable to
29.20 Minnesota under subdivision 3.

29.21 When an employer pays an employee for a covenant not to compete, the income allocated
29.22 to this state is in the ratio of the employee's service in Minnesota in the calendar year
29.23 preceding leaving the employment of the employer over the total services performed by the
29.24 employee for the employer in that year.

29.25 (d) Income from winnings on a bet made by an individual while in Minnesota is assigned
29.26 to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision
29.27 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

29.28 (e) All items of gross income not covered in paragraphs (a) to (d) and not part of the
29.29 taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

29.30 (f) For the purposes of this section, working as an employee shall not be considered to
29.31 be conducting a trade or business.

29.32 **EFFECTIVE DATE.** This section is effective for wages paid after December 31, 2017.

30.1 Sec. 48. Minnesota Statutes 2018, section 290.21, subdivision 4, is amended to read:

30.2 Subd. 4. **Dividends received from another corporation.** (a)(1) Eighty percent of
30.3 dividends received by a corporation during the taxable year from another corporation, in
30.4 which the recipient owns 20 percent or more of the stock, by vote and value, not including
30.5 stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate
30.6 stock with respect to which dividends are paid does not constitute the stock in trade of the
30.7 taxpayer or would not be included in the inventory of the taxpayer, or does not constitute
30.8 property held by the taxpayer primarily for sale to customers in the ordinary course of the
30.9 taxpayer's trade or business, or when the trade or business of the taxpayer does not consist
30.10 principally of the holding of the stocks and the collection of the income and gains therefrom;
30.11 and

30.12 (2)(i) the remaining 20 percent of dividends if the dividends received are the stock in
30.13 an affiliated company transferred in an overall plan of reorganization and the dividend is
30.14 eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended
30.15 through December 31, 1989;

30.16 (ii) the remaining 20 percent of dividends if the dividends are received from a corporation
30.17 which is subject to tax under section 290.36 and which is a member of an affiliated group
30.18 of corporations as defined by the Internal Revenue Code and the dividend is eliminated in
30.19 consolidation under Treasury Department Regulation 1.1502-14(a), as amended through
30.20 December 31, 1989, or is deducted under an election under section 243(b) of the Internal
30.21 Revenue Code; or

30.22 (iii) the remaining 20 percent of the dividends if the dividends are received from a
30.23 property and casualty insurer as defined under section 60A.60, subdivision 8, which is a
30.24 member of an affiliated group of corporations as defined by the Internal Revenue Code and
30.25 either: (A) the dividend is eliminated in consolidation under Treasury Regulation
30.26 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted
30.27 under an election under section 243(b) of the Internal Revenue Code.

30.28 (b) Seventy percent of dividends received by a corporation during the taxable year from
30.29 another corporation in which the recipient owns less than 20 percent of the stock, by vote
30.30 or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code
30.31 when the corporate stock with respect to which dividends are paid does not constitute the
30.32 stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily
30.33 for sale to customers in the ordinary course of the taxpayer's trade or business, or when the

31.1 trade or business of the taxpayer does not consist principally of the holding of the stocks
31.2 and the collection of income and gain therefrom.

31.3 (c) The dividend deduction provided in this subdivision shall be allowed only with
31.4 respect to dividends that are included in a corporation's Minnesota taxable net income for
31.5 the taxable year.

31.6 The dividend deduction provided in this subdivision does not apply to a dividend from
31.7 a corporation which, for the taxable year of the corporation in which the distribution is made
31.8 or for the next preceding taxable year of the corporation, is a corporation exempt from tax
31.9 under section 501 of the Internal Revenue Code.

31.10 The dividend deduction provided in this subdivision does not apply to a dividend received
31.11 from a real estate investment trust as defined in section 856 of the Internal Revenue Code.

31.12 The dividend deduction provided in this subdivision applies to the amount of regulated
31.13 investment company dividends only to the extent determined under section 854(b) of the
31.14 Internal Revenue Code.

31.15 The dividend deduction provided in this subdivision shall not be allowed with respect
31.16 to any dividend for which a deduction is not allowed under the provisions of section 246(c)
31.17 or 246A of the Internal Revenue Code.

31.18 (d) If dividends received by a corporation that does not have nexus with Minnesota under
31.19 the provisions of Public Law 86-272 are included as income on the return of an affiliated
31.20 corporation permitted or required to file a combined report under section 290.17, subdivision
31.21 4, or 290.34, subdivision 2, then for purposes of this subdivision the determination as to
31.22 whether the trade or business of the corporation consists principally of the holding of stocks
31.23 and the collection of income and gains therefrom shall be made with reference to the trade
31.24 or business of the affiliated corporation having a nexus with Minnesota.

31.25 (e) The deduction provided by this subdivision does not apply if the dividends are paid
31.26 by a FSC as defined in section 922 of the Internal Revenue Code.

31.27 (f) If one or more of the members of the unitary group whose income is included on the
31.28 combined report received a dividend, the deduction under this subdivision for each member
31.29 of the unitary business required to file a return under this chapter is the product of: (1) 100
31.30 percent of the dividends received by members of the group; (2) the percentage allowed
31.31 pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income
31.32 apportionable to this state for the taxable year under section 290.191 or 290.20.

32.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 32.2 31, 2018.

32.3 Sec. 49. Minnesota Statutes 2018, section 290.34, is amended by adding a subdivision to
 32.4 read:

32.5 Subd. 5. **Insurance companies; interest expense limitation.** To be consistent with the
 32.6 federal treatment of the interest expense limitation under section 163(j) of the Internal
 32.7 Revenue Code for an affiliated group that includes an insurance company taxable under
 32.8 chapter 297I and exempt from taxation under section 290.05, subdivision 1, clause (c), the
 32.9 rules under this subdivision apply. In that case, the interest expense limitation under section
 32.10 163(j) of the Internal Revenue Code must be computed for the corporation subject to tax
 32.11 under this chapter using the adjusted taxable income of the insurance companies that are
 32.12 part of the affiliated group and taxed under chapter 297I.

32.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 32.14 31, 2018.

32.15 Sec. 50. Minnesota Statutes 2018, section 290.92, subdivision 1, is amended to read:

32.16 Subdivision 1. **Definitions.** (1) **Wages.** For purposes of this section, the term "wages"
 32.17 means the same as that term is defined in section 3401(a) ~~and~~, (f), and (i) of the Internal
 32.18 Revenue Code.

32.19 (2) **Payroll period.** For purposes of this section the term "payroll period" means a period
 32.20 for which a payment of wages is ordinarily made to the employee by the employee's
 32.21 employer, and the term "miscellaneous payroll period" means a payroll period other than a
 32.22 daily, weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual payroll
 32.23 period.

32.24 (3) **Employee.** For purposes of this section the term "employee" means any resident
 32.25 individual performing services for an employer, either within or without, or both within and
 32.26 without the state of Minnesota, and every nonresident individual performing services within
 32.27 the state of Minnesota, the performance of which services constitute, establish, and determine
 32.28 the relationship between the parties as that of employer and employee. As used in the
 32.29 preceding sentence, the term "employee" includes an officer of a corporation, and an officer,
 32.30 employee, or elected official of the United States, a state, or any political subdivision thereof,
 32.31 or the District of Columbia, or any agency or instrumentality of any one or more of the
 32.32 foregoing.

33.1 (4) **Employer.** For purposes of this section the term "employer" means any person,
 33.2 including individuals, fiduciaries, estates, trusts, partnerships, limited liability companies,
 33.3 and corporations transacting business in or deriving any income from sources within the
 33.4 state of Minnesota for whom an individual performs or performed any service, of whatever
 33.5 nature, as the employee of such person, except that if the person for whom the individual
 33.6 performs or performed the services does not have control of the payment of the wages for
 33.7 such services, the term "employer," except for purposes of paragraph (1), means the person
 33.8 having control of the payment of such wages. As used in the preceding sentence, the term
 33.9 "employer" includes any corporation, individual, estate, trust, or organization which is
 33.10 exempt from taxation under section 290.05 and further includes, but is not limited to, officers
 33.11 of corporations who have control, either individually or jointly with another or others, of
 33.12 the payment of the wages.

33.13 (5) **Number of withholding exemptions claimed.** For purposes of this section, the term
 33.14 "number of withholding exemptions claimed" means the number of withholding exemptions
 33.15 claimed in a withholding exemption certificate in effect under subdivision 5, except that if
 33.16 no such certificate is in effect, the number of withholding exemptions claimed shall be
 33.17 considered to be zero.

33.18 **EFFECTIVE DATE.** This section is effective for wages paid after July 1, 2019.

33.19 Sec. 51. Minnesota Statutes 2018, section 290A.03, subdivision 3, is amended to read:

33.20 Subd. 3. **Income.** (a) "Income" means the sum of the following:

33.21 (1) federal adjusted gross income as defined in the Internal Revenue Code; and

33.22 (2) the sum of the following amounts to the extent not included in clause (1):

33.23 (i) all nontaxable income;

33.24 (ii) the amount of a passive activity loss that is not disallowed as a result of section 469,
 33.25 paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss
 33.26 carryover allowed under section 469(b) of the Internal Revenue Code;

33.27 (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a
 33.28 solvent individual excluded from gross income under section 108(g) of the Internal Revenue
 33.29 Code;

33.30 (iv) cash public assistance and relief;

33.31 (v) any pension or annuity (including railroad retirement benefits, all payments received
 33.32 under the federal Social Security Act, Supplemental Security Income, and veterans benefits),

34.1 which was not exclusively funded by the claimant or spouse, or which was funded exclusively
 34.2 by the claimant or spouse and which funding payments were excluded from federal adjusted
 34.3 gross income in the years when the payments were made;

34.4 (vi) interest received from the federal or a state government or any instrumentality or
 34.5 political subdivision thereof;

34.6 (vii) workers' compensation;

34.7 (viii) nontaxable strike benefits;

34.8 (ix) the gross amounts of payments received in the nature of disability income or sick
 34.9 pay as a result of accident, sickness, or other disability, whether funded through insurance
 34.10 or otherwise;

34.11 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of
 34.12 1986, as amended through December 31, 1995;

34.13 (xi) contributions made by the claimant to an individual retirement account, including
 34.14 a qualified voluntary employee contribution; simplified employee pension plan;
 34.15 self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of
 34.16 the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal
 34.17 Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for
 34.18 the claimant and spouse;

34.19 (xii) to the extent not included in federal adjusted gross income, distributions received
 34.20 by the claimant or spouse from a traditional or Roth style retirement account or plan;

34.21 (xiii) nontaxable scholarship or fellowship grants;

34.22 (xiv) ~~the amount of deduction allowed under section 199 of the Internal Revenue Code~~
 34.23 alimony received to the extent not included in the recipient's income;

34.24 (xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue
 34.25 Code;

34.26 (xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue
 34.27 Code; ~~and~~

34.28 (xvii) the amount deducted for certain expenses of elementary and secondary school
 34.29 teachers under section 62(a)(2)(D) of the Internal Revenue Code;

34.30 (xviii) the amount excluded from federal adjusted gross income for qualified moving
 34.31 expense reimbursements under section 132(a)(6) of the Internal Revenue Code, as amended
 34.32 through December 16, 2016; and

35.1 (xix) the amount deducted from federal adjusted gross income for moving expenses
35.2 under section 217 of the Internal Revenue Code, as amended through December 16, 2016.

35.3 In the case of an individual who files an income tax return on a fiscal year basis, the
35.4 term "federal adjusted gross income" shall mean federal adjusted gross income reflected in
35.5 the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced
35.6 by the amount of a net operating loss carryback or carryforward or a capital loss carryback
35.7 or carryforward allowed for the year.

35.8 (b) "Income" does not include:

35.9 (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

35.10 (2) amounts of any pension or annuity which was exclusively funded by the claimant
35.11 or spouse and which funding payments were not excluded from federal adjusted gross
35.12 income in the years when the payments were made;

35.13 (3) to the extent included in federal adjusted gross income, amounts contributed by the
35.14 claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed
35.15 the retirement base amount reduced by the amount of contributions excluded from federal
35.16 adjusted gross income, but not less than zero;

35.17 (4) surplus food or other relief in kind supplied by a governmental agency;

35.18 (5) relief granted under this chapter;

35.19 (6) child support payments received under a temporary or final decree of dissolution or
35.20 legal separation; or

35.21 (7) restitution payments received by eligible individuals and excludable interest as
35.22 defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001,
35.23 Public Law 107-16.

35.24 (c) The sum of the following amounts may be subtracted from income:

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

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

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

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

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

36.1 (6) if the claimant or claimant's spouse was disabled or attained the age of 65 on or
 36.2 before December 31 of the year for which the taxes were levied or rent paid, the exemption
 36.3 amount.

36.4 ~~(d)(1) For purposes of this subdivision, the "exemption amount" means the exemption~~
 36.5 ~~amount under section 151(d) of the Internal Revenue Code for the taxable year for which~~
 36.6 ~~the income is reported; "retirement base amount" means the deductible amount for the~~
 36.7 ~~taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue~~
 36.8 ~~Code, adjusted for inflation as provided in section 219(b)(5)(C) of the Internal Revenue~~
 36.9 ~~Code, without regard to whether the claimant or spouse claimed a deduction; and "traditional~~
 36.10 ~~or Roth style retirement account or plan" means retirement plans under sections 401, 403,~~
 36.11 ~~408, 408A, and 457 of the Internal Revenue Code. \$4,150. For taxable years beginning after~~
 36.12 ~~December 31, 2018, the commissioner shall annually adjust the \$4,150 by the percentage~~
 36.13 ~~determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, as~~
 36.14 ~~amended through March 31, 2018. The exemption amount as adjusted for inflation must be~~
 36.15 ~~rounded to the nearest \$50. If the amount is not a multiple of \$50, the commissioner shall~~
 36.16 ~~round down to the next lowest multiple of \$50. The determination of the commissioner~~
 36.17 ~~under this subdivision is not a rule under the Administrative Procedure Act, including section~~
 36.18 ~~14.386; and~~

36.19 (2) "retirement base amount" means the deductible amount for the taxable year for the
 36.20 claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for
 36.21 inflation as provided in section 219(b)(5)(C) of the Internal Revenue Code, without regard
 36.22 to whether the claimant or spouse claimed a deduction, and "traditional or Roth-style
 36.23 retirement account or plan" means retirement plans under sections 401, 403, 408, 408A,
 36.24 and 457 of the Internal Revenue Code.

36.25 **EFFECTIVE DATE.** This section is effective for property tax refunds based on property
 36.26 taxes payable after December 31, 2019, and rent paid after December 31, 2018.

36.27 Sec. 52. Minnesota Statutes 2018, section 290A.03, subdivision 12, is amended to read:

36.28 Subd. 12. **Gross rent.** (a) "Gross rent" means rental paid for the right of occupancy, at
 36.29 arm's length, of a homestead, exclusive of charges for any medical services furnished by
 36.30 the landlord as a part of the rental agreement, whether expressly set out in the rental
 36.31 agreement or not.

36.32 (b) The gross rent of a resident of a nursing home or intermediate care facility is ~~\$350~~
 36.33 \$490 per month. The gross rent of a resident of an adult foster care home is ~~\$550~~ \$760 per
 36.34 month. Beginning for rent paid in ~~2002~~ 2019, the commissioner shall annually adjust for

37.1 inflation the gross rent amounts stated in this paragraph. The adjustment must be made in
 37.2 accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this
 37.3 paragraph the percentage increase shall be determined from the year ending on June 30,
 37.4 ~~2001~~ 2017, to the year ending on June 30 of the year in which the rent is paid. The
 37.5 commissioner shall round the gross rents to the nearest \$10 amount. If the amount ends in
 37.6 \$5, the commissioner shall round it up to the next \$10 amount. The determination of the
 37.7 commissioner under this paragraph is not a rule under the Administrative Procedure Act.

37.8 (c) If the landlord and tenant have not dealt with each other at arm's length and the
 37.9 commissioner determines that the gross rent charged was excessive, the commissioner may
 37.10 adjust the gross rent to a reasonable amount for purposes of this chapter.

37.11 (d) Any amount paid by a claimant residing in property assessed pursuant to section
 37.12 273.124, subdivision 3, 4, 5, or 6 for occupancy in that property shall be excluded from
 37.13 gross rent for purposes of this chapter. However, property taxes imputed to the homestead
 37.14 of the claimant or the dwelling unit occupied by the claimant that qualifies for homestead
 37.15 treatment pursuant to section 273.124, subdivision 3, 4, 5, or 6 shall be included within the
 37.16 term "property taxes payable" as defined in subdivision 13, notwithstanding the fact that
 37.17 ownership is not in the name of the claimant.

37.18 **EFFECTIVE DATE.** This section is effective for refunds based on rent paid after
 37.19 December 31, 2018, and property taxes payable after December 31, 2019.

37.20 Sec. 53. Minnesota Statutes 2018, section 290A.03, subdivision 15, is amended to read:

37.21 Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue
 37.22 Code of 1986, as amended through ~~December 16, 2016~~ March 31, 2018.

37.23 **EFFECTIVE DATE.** This section is effective for property tax refunds based on property
 37.24 taxes payable after December 31, 2019, and rent paid after December 31, 2018.

37.25 Sec. 54. Minnesota Statutes 2018, section 290A.04, subdivision 2, is amended to read:

37.26 Subd. 2. **Homeowners; homestead credit refund.** A claimant whose property taxes
 37.27 payable are in excess of the percentage of the household income stated below shall pay an
 37.28 amount equal to the percent of income shown for the appropriate household income level
 37.29 along with the percent to be paid by the claimant of the remaining amount of property taxes
 37.30 payable. The state refund equals the amount of property taxes payable that remain, up to
 37.31 the state refund amount shown below.

				Maximum
			Percent Paid by	State
	Household Income	Percent of Income	Claimant	Refund
38.1				
38.2				
38.3				
38.4	\$0 to 1,619	1.0 percent	15 percent	\$ 2,580
38.5	1,620 to 3,229	1.1 percent	15 percent	\$ 2,580
38.6	3,230 to 4,889	1.2 percent	15 percent	\$ 2,580
38.7	4,890 to 6,519	1.3 percent	20 percent	\$ 2,580
38.8	6,520 to 8,129	1.4 percent	20 percent	\$ 2,580
38.9	8,130 to 11,389	1.5 percent	20 percent	\$ 2,580
38.10	11,390 to 13,009	1.6 percent	20 percent	\$ 2,580
38.11	13,010 to 14,649	1.7 percent	20 percent	\$ 2,580
38.12	14,650 to 16,269	1.8 percent	20 percent	\$ 2,580
38.13	16,270 to 17,879	1.9 percent	25 percent	\$ 2,580
38.14	17,880 to 22,779	2.0 percent	25 percent	\$ 2,580
38.15	22,780 to 24,399	2.0 percent	30 percent	\$ 2,580
38.16	24,400 to 27,659	2.0 percent	30 percent	\$ 2,580
38.17	27,660 to 39,029	2.0 percent	35 percent	\$ 2,580
38.18	39,030 to 56,919	2.0 percent	35 percent	\$ 2,090
38.19	56,920 to 65,049	2.0 percent	40 percent	\$ 1,830
38.20	65,050 to 73,189	2.1 percent	40 percent	\$ 1,510
38.21	73,190 to 81,319	2.2 percent	40 percent	\$ 1,350
38.22	81,320 to 89,449	2.3 percent	40 percent	\$ 1,180
38.23	89,450 to 94,339	2.4 percent	45 percent	\$ 1,000
38.24	94,340 to 97,609	2.5 percent	45 percent	\$ 830
38.25	97,610 to 101,559	2.5 percent	50 percent	\$ 680
38.26	101,560 to 105,499	2.5 percent	50 percent	\$ 500
38.27				Maximum
38.28				State
38.29	<u>Household Income</u>	<u>Percent of Income</u>	<u>Percent Paid by</u>	<u>Refund</u>
			<u>Claimant</u>	
38.30	<u>\$0 to 1,729</u>	<u>1.0 percent</u>	<u>15 percent</u>	<u>\$ 2,760</u>
38.31	<u>1,730 to 3,449</u>	<u>1.1 percent</u>	<u>15 percent</u>	<u>\$ 2,760</u>
38.32	<u>3,450 to 5,229</u>	<u>1.2 percent</u>	<u>15 percent</u>	<u>\$ 2,760</u>
38.33	<u>5,230 to 6,969</u>	<u>1.3 percent</u>	<u>20 percent</u>	<u>\$ 2,760</u>
38.34	<u>6,970 to 8,689</u>	<u>1.4 percent</u>	<u>20 percent</u>	<u>\$ 2,760</u>
38.35	<u>8,690 to 12,169</u>	<u>1.5 percent</u>	<u>20 percent</u>	<u>\$ 2,760</u>
38.36	<u>12,170 to 13,899</u>	<u>1.6 percent</u>	<u>20 percent</u>	<u>\$ 2,760</u>
38.37	<u>13,900 to 15,659</u>	<u>1.7 percent</u>	<u>20 percent</u>	<u>\$ 2,760</u>
38.38	<u>15,660 to 17,389</u>	<u>1.8 percent</u>	<u>20 percent</u>	<u>\$ 2,760</u>
38.39	<u>17,390 to 19,109</u>	<u>1.9 percent</u>	<u>25 percent</u>	<u>\$ 2,760</u>

39.1	<u>19,110 to 24,349</u>	<u>2.0 percent</u>	<u>25 percent</u>	<u>\$ 2,760</u>
39.2	<u>24,350 to 26,079</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$ 2,760</u>
39.3	<u>26,080 to 29,559</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$ 2,760</u>
39.4	<u>29,560 to 41,709</u>	<u>2.0 percent</u>	<u>35 percent</u>	<u>\$ 2,760</u>
39.5	<u>41,710 to 60,829</u>	<u>2.0 percent</u>	<u>35 percent</u>	<u>\$ 2,230</u>
39.6	<u>60,830 to 69,519</u>	<u>2.0 percent</u>	<u>40 percent</u>	<u>\$ 1,960</u>
39.7	<u>69,520 to 78,219</u>	<u>2.1 percent</u>	<u>40 percent</u>	<u>\$ 1,610</u>
39.8	<u>78,220 to 86,909</u>	<u>2.2 percent</u>	<u>40 percent</u>	<u>\$ 1,440</u>
39.9	<u>86,910 to 95,599</u>	<u>2.3 percent</u>	<u>40 percent</u>	<u>\$ 1,260</u>
39.10	<u>95,600 to 100,819</u>	<u>2.4 percent</u>	<u>45 percent</u>	<u>\$ 1,070</u>
39.11	<u>100,820 to 104,319</u>	<u>2.5 percent</u>	<u>45 percent</u>	<u>\$ 890</u>
39.12	<u>104,320 to 108,539</u>	<u>2.5 percent</u>	<u>50 percent</u>	<u>\$ 730</u>
39.13	<u>108,540 to 112,749</u>	<u>2.5 percent</u>	<u>50 percent</u>	<u>\$ 530</u>

39.14 The payment made to a claimant shall be the amount of the state refund calculated under
 39.15 this subdivision. No payment is allowed if the claimant's household income is \$105,500
 39.16 \$112,750 or more.

39.17 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes
 39.18 payable after December 31, 2018.

39.19 Sec. 55. Minnesota Statutes 2018, section 290A.04, subdivision 2a, is amended to read:

39.20 Subd. 2a. **Renters.** A claimant whose rent constituting property taxes exceeds the
 39.21 percentage of the household income stated below must pay an amount equal to the percent
 39.22 of income shown for the appropriate household income level along with the percent to be
 39.23 paid by the claimant of the remaining amount of rent constituting property taxes. The state
 39.24 refund equals the amount of rent constituting property taxes that remain, up to the maximum
 39.25 state refund amount shown below.

39.26				Maximum
39.27			Percent Paid by	State
39.28	Household Income	Percent of Income	Claimant	Refund
39.29	\$0 to 4,909	1.0 percent	5 percent	\$ 2,000
39.30	4,910 to 6,529	1.0 percent	10 percent	\$ 2,000
39.31	6,530 to 8,159	1.1 percent	10 percent	\$ 1,950
39.32	8,160 to 11,439	1.2 percent	10 percent	\$ 1,900
39.33	11,440 to 14,709	1.3 percent	15 percent	\$ 1,850
39.34	14,710 to 16,339	1.4 percent	15 percent	\$ 1,800
39.35	16,340 to 17,959	1.4 percent	20 percent	\$ 1,750
39.36	17,960 to 21,239	1.5 percent	20 percent	\$ 1,700

40.1	21,240 to 22,869	1.6 percent	20 percent	\$ 1,650
40.2	22,870 to 24,499	1.7 percent	25 percent	\$ 1,650
40.3	24,500 to 27,779	1.8 percent	25 percent	\$ 1,650
40.4	27,780 to 29,399	1.9 percent	30 percent	\$ 1,650
40.5	29,400 to 34,299	2.0 percent	30 percent	\$ 1,650
40.6	34,300 to 39,199	2.0 percent	35 percent	\$ 1,650
40.7	39,200 to 45,739	2.0 percent	40 percent	\$ 1,650
40.8	45,740 to 47,369	2.0 percent	45 percent	\$ 1,500
40.9	47,370 to 49,009	2.0 percent	45 percent	\$ 1,350
40.10	49,010 to 50,649	2.0 percent	45 percent	\$ 1,150
40.11	50,650 to 52,269	2.0 percent	50 percent	\$ 1,000
40.12	52,270 to 53,909	2.0 percent	50 percent	\$ 900
40.13	53,910 to 55,539	2.0 percent	50 percent	\$ 500
40.14	55,540 to 57,169	2.0 percent	50 percent	\$ 200

			<u>Percent Paid by</u>	<u>Maximum</u>
	<u>Household Income</u>	<u>Percent of Income</u>	<u>Claimant</u>	<u>State</u>
				<u>Refund</u>
40.15				
40.16				
40.17				
40.18	<u>\$0 to 5,249</u>	<u>1.0 percent</u>	<u>5 percent</u>	<u>\$ 2,140</u>
40.19	<u>5,250 to 6,979</u>	<u>1.0 percent</u>	<u>10 percent</u>	<u>\$ 2,140</u>
40.20	<u>6,980 to 8,719</u>	<u>1.1 percent</u>	<u>10 percent</u>	<u>\$ 2,080</u>
40.21	<u>8,720 to 12,229</u>	<u>1.2 percent</u>	<u>10 percent</u>	<u>\$ 2,030</u>
40.22	<u>12,230 to 15,719</u>	<u>1.3 percent</u>	<u>15 percent</u>	<u>\$ 1,980</u>
40.23	<u>15,720 to 17,459</u>	<u>1.4 percent</u>	<u>15 percent</u>	<u>\$ 1,920</u>
40.24	<u>17,460 to 19,189</u>	<u>1.4 percent</u>	<u>20 percent</u>	<u>\$ 1,870</u>
40.25	<u>19,190 to 22,699</u>	<u>1.5 percent</u>	<u>20 percent</u>	<u>\$ 1,820</u>
40.26	<u>22,700 to 24,439</u>	<u>1.6 percent</u>	<u>20 percent</u>	<u>\$ 1,760</u>
40.27	<u>24,440 to 26,179</u>	<u>1.7 percent</u>	<u>25 percent</u>	<u>\$ 1,760</u>
40.28	<u>26,180 to 29,689</u>	<u>1.8 percent</u>	<u>25 percent</u>	<u>\$ 1,760</u>
40.29	<u>29,690 to 31,419</u>	<u>1.9 percent</u>	<u>30 percent</u>	<u>\$ 1,760</u>
40.30	<u>31,420 to 36,659</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$ 1,760</u>
40.31	<u>36,660 to 41,889</u>	<u>2.0 percent</u>	<u>35 percent</u>	<u>\$ 1,760</u>
40.32	<u>41,890 to 48,879</u>	<u>2.0 percent</u>	<u>40 percent</u>	<u>\$ 1,760</u>
40.33	<u>48,880 to 50,629</u>	<u>2.0 percent</u>	<u>45 percent</u>	<u>\$ 1,600</u>
40.34	<u>50,630 to 52,379</u>	<u>2.0 percent</u>	<u>45 percent</u>	<u>\$ 1,440</u>
40.35	<u>52,380 to 54,129</u>	<u>2.0 percent</u>	<u>45 percent</u>	<u>\$ 1,230</u>
40.36	<u>54,130 to 55,859</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$ 1,070</u>
40.37	<u>55,860 to 57,619</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$ 960</u>

41.1	<u>57,620 to 59,359</u>	<u>2.0 percent</u>	<u>50 percent</u>	\$ <u>530</u>
41.2	<u>59,360 to 61,099</u>	<u>2.0 percent</u>	<u>50 percent</u>	\$ <u>210</u>

41.3 The payment made to a claimant is the amount of the state refund calculated under this
 41.4 subdivision. No payment is allowed if the claimant's household income is ~~\$57,170~~ \$61,100
 41.5 or more.

41.6 **EFFECTIVE DATE.** This section is effective for refunds based on rent paid after
 41.7 December 31, 2016.

41.8 Sec. 56. Minnesota Statutes 2018, section 290A.04, subdivision 4, is amended to read:

41.9 Subd. 4. **Inflation adjustment.** (a) Beginning for property tax refunds payable in calendar
 41.10 year 2002, the commissioner shall annually adjust the dollar amounts of the income thresholds
 41.11 and the maximum refunds under subdivisions 2 and 2a for inflation. The commissioner
 41.12 shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue
 41.13 Code, except that for purposes of this subdivision the percentage increase shall be determined
 41.14 as provided in this subdivision.

41.15 (b) In adjusting the dollar amounts of the income thresholds and the maximum refunds
 41.16 under subdivision 2 for inflation, the percentage increase shall be determined from the year
 41.17 ending on June 30, ~~2013~~ 2018, to the year ending on June 30 of the year preceding that in
 41.18 which the refund is payable.

41.19 (c) In adjusting the dollar amounts of the income thresholds and the maximum refunds
 41.20 under subdivision 2a for inflation, the percentage increase shall be determined from the
 41.21 year ending on June 30, ~~2013~~ 2018, to the year ending on June 30 of the year preceding that
 41.22 in which the refund is payable.

41.23 (d) The commissioner shall use the appropriate percentage increase to annually adjust
 41.24 the income thresholds and maximum refunds under subdivisions 2 and 2a for inflation
 41.25 without regard to whether or not the income tax brackets are adjusted for inflation in that
 41.26 year. The commissioner shall round the thresholds and the maximum amounts, as adjusted
 41.27 to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up to
 41.28 the next \$10 amount.

41.29 (e) The commissioner shall annually announce the adjusted refund schedule at the same
 41.30 time provided under section 290.06. The determination of the commissioner under this
 41.31 subdivision is not a rule under the Administrative Procedure Act.

41.32 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes paid
 41.33 after December 31, 2019, and rent paid after December 31, 2018.

42.1 Sec. 57. Minnesota Statutes 2018, section 291.005, subdivision 1, is amended to read:

42.2 Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following terms
42.3 used in this chapter shall have the following meanings:

42.4 (1) "Commissioner" means the commissioner of revenue or any person to whom the
42.5 commissioner has delegated functions under this chapter.

42.6 (2) "Federal gross estate" means the gross estate of a decedent as required to be valued
42.7 and otherwise determined for federal estate tax purposes under the Internal Revenue Code,
42.8 increased by the value of any property in which the decedent had a qualifying income interest
42.9 for life and for which an election was made under section 291.03, subdivision 1d, for
42.10 Minnesota estate tax purposes, but was not made for federal estate tax purposes.

42.11 (3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986,
42.12 as amended through ~~December 16, 2016~~ March 31, 2018.

42.13 (4) "Minnesota gross estate" means the federal gross estate of a decedent after (a)
42.14 excluding therefrom any property included in the estate which has its situs outside Minnesota,
42.15 and (b) including any property omitted from the federal gross estate which is includable in
42.16 the estate, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

42.17 (5) "Nonresident decedent" means an individual whose domicile at the time of death
42.18 was not in Minnesota.

42.19 (6) "Personal representative" means the executor, administrator or other person appointed
42.20 by the court to administer and dispose of the property of the decedent. If there is no executor,
42.21 administrator or other person appointed, qualified, and acting within this state, then any
42.22 person in actual or constructive possession of any property having a situs in this state which
42.23 is included in the federal gross estate of the decedent shall be deemed to be a personal
42.24 representative to the extent of the property and the Minnesota estate tax due with respect
42.25 to the property.

42.26 (7) "Resident decedent" means an individual whose domicile at the time of death was
42.27 in Minnesota. The provisions of section 290.01, subdivision 7, paragraphs (c) and (d), apply
42.28 to determinations of domicile under this chapter.

42.29 (8) "Situs of property" means, with respect to:

42.30 (i) real property, the state or country in which it is located;

42.31 (ii) tangible personal property, the state or country in which it was normally kept or
42.32 located at the time of the decedent's death or for a gift of tangible personal property within

43.1 three years of death, the state or country in which it was normally kept or located when the
43.2 gift was executed;

43.3 (iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue
43.4 Code, owned by a nonresident decedent and that is normally kept or located in this state
43.5 because it is on loan to an organization, qualifying as exempt from taxation under section
43.6 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is
43.7 deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

43.8 (iv) intangible personal property, the state or country in which the decedent was domiciled
43.9 at death or for a gift of intangible personal property within three years of death, the state or
43.10 country in which the decedent was domiciled when the gift was executed.

43.11 For a nonresident decedent with an ownership interest in a pass-through entity with
43.12 assets that include real or tangible personal property, situs of the real or tangible personal
43.13 property, including qualified works of art, is determined as if the pass-through entity does
43.14 not exist and the real or tangible personal property is personally owned by the decedent. If
43.15 the pass-through entity is owned by a person or persons in addition to the decedent, ownership
43.16 of the property is attributed to the decedent in proportion to the decedent's capital ownership
43.17 share of the pass-through entity.

43.18 (9) "Pass-through entity" includes the following:

43.19 (i) an entity electing S corporation status under section 1362 of the Internal Revenue
43.20 Code;

43.21 (ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

43.22 (iii) a single-member limited liability company or similar entity, regardless of whether
43.23 it is taxed as an association or is disregarded for federal income tax purposes under Code
43.24 of Federal Regulations, title 26, section 301.7701-3; or

43.25 (iv) a trust to the extent the property is includible in the decedent's federal gross estate;
43.26 but excludes

43.27 (v) an entity whose ownership interest securities are traded on an exchange regulated
43.28 by the Securities and Exchange Commission as a national securities exchange under section
43.29 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

43.30 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents
43.31 **dying after December 31, 2018.**

44.1 Sec. 58. Minnesota Statutes 2018, section 297A.68, subdivision 25, is amended to read:

44.2 Subd. 25. **Sale of property used in a trade or business.** (a) The sale of tangible personal
44.3 property primarily used in a trade or business is exempt if the sale is not made in the normal
44.4 course of business of selling that kind of property and if one of the following conditions is
44.5 satisfied:

44.6 (1) the sale occurs in a transaction subject to or described in section 118, 331, 332, 336,
44.7 337, 338, 351, 355, 368, 721, 731, 1031, or 1033 of the Internal Revenue Code, as amended
44.8 through December 16, 2016;

44.9 (2) the sale is between members of a controlled group as defined in section 1563(a) of
44.10 the Internal Revenue Code;

44.11 (3) the sale is a sale of farm machinery;

44.12 (4) the sale is a farm auction sale;

44.13 (5) the sale is a sale of substantially all of the assets of a trade or business; or

44.14 (6) the total amount of gross receipts from the sale of trade or business property made
44.15 during the calendar month of the sale and the preceding 11 calendar months does not exceed
44.16 \$1,000.

44.17 The use, storage, distribution, or consumption of tangible personal property acquired as
44.18 a result of a sale exempt under this subdivision is also exempt.

44.19 (b) For purposes of this subdivision, the following terms have the meanings given.

44.20 (1) A "farm auction" is a public auction conducted by a licensed auctioneer if substantially
44.21 all of the property sold consists of property used in the trade or business of farming and
44.22 property not used primarily in a trade or business.

44.23 (2) "Trade or business" includes the assets of a separate division, branch, or identifiable
44.24 segment of a trade or business if, before the sale, the income and expenses attributable to
44.25 the separate division, branch, or identifiable segment could be separately ascertained from
44.26 the books of account or record (the lease or rental of an identifiable segment does not qualify
44.27 for the exemption).

44.28 (3) A "sale of substantially all of the assets of a trade or business" must occur as a single
44.29 transaction or a series of related transactions within the 12-month period beginning on the
44.30 date of the first sale of assets intended to qualify for the exemption provided in paragraph
44.31 (a), clause (5).

45.1 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
45.2 made after December 31, 2018.

45.3 Sec. 59. Minnesota Statutes 2018, section 297B.03, is amended to read:

45.4 **297B.03 EXEMPTIONS.**

45.5 There is specifically exempted from the provisions of this chapter and from computation
45.6 of the amount of tax imposed by it the following:

45.7 (1) purchase or use, including use under a lease purchase agreement or installment sales
45.8 contract made pursuant to section 465.71, of any motor vehicle by the United States and its
45.9 agencies and instrumentalities and by any person described in and subject to the conditions
45.10 provided in section 297A.67, subdivision 11;

45.11 (2) purchase or use of any motor vehicle by any person who was a resident of another
45.12 state or country at the time of the purchase and who subsequently becomes a resident of
45.13 Minnesota, provided the purchase occurred more than 60 days prior to the date such person
45.14 began residing in the state of Minnesota and the motor vehicle was registered in the person's
45.15 name in the other state or country;

45.16 (3) purchase or use of any motor vehicle by any person making a valid election to be
45.17 taxed under the provisions of section 297A.90;

45.18 (4) purchase or use of any motor vehicle previously registered in the state of Minnesota
45.19 when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336,
45.20 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code,
45.21 as amended through December 16, 2016;

45.22 (5) purchase or use of any vehicle owned by a resident of another state and leased to a
45.23 Minnesota-based private or for-hire carrier for regular use in the transportation of persons
45.24 or property in interstate commerce provided the vehicle is titled in the state of the owner or
45.25 secured party, and that state does not impose a sales tax or sales tax on motor vehicles used
45.26 in interstate commerce;

45.27 (6) purchase or use of a motor vehicle by a private nonprofit or public educational
45.28 institution for use as an instructional aid in automotive training programs operated by the
45.29 institution. "Automotive training programs" includes motor vehicle body and mechanical
45.30 repair courses but does not include driver education programs;

46.1 (7) purchase of a motor vehicle by an ambulance service licensed under section 144E.10
46.2 when that vehicle is equipped and specifically intended for emergency response or for
46.3 providing ambulance service;

46.4 (8) purchase of a motor vehicle by or for a public library, as defined in section 134.001,
46.5 subdivision 2, as a bookmobile or library delivery vehicle;

46.6 (9) purchase of a ready-mixed concrete truck;

46.7 (10) purchase or use of a motor vehicle by a town for use exclusively for road
46.8 maintenance, including snowplows and dump trucks, but not including automobiles, vans,
46.9 or pickup trucks;

46.10 (11) purchase or use of a motor vehicle by a corporation, society, association, foundation,
46.11 or institution organized and operated exclusively for charitable, religious, or educational
46.12 purposes, except a public school, university, or library, but only if the vehicle is:

46.13 (i) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a
46.14 passenger automobile, as defined in section 168.002, if the automobile is designed and used
46.15 for carrying more than nine persons including the driver; and

46.16 (ii) intended to be used primarily to transport tangible personal property or individuals,
46.17 other than employees, to whom the organization provides service in performing its charitable,
46.18 religious, or educational purpose;

46.19 (12) purchase of a motor vehicle for use by a transit provider exclusively to provide
46.20 transit service is exempt if the transit provider is either (i) receiving financial assistance or
46.21 reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29,
46.22 473.388, or 473.405;

46.23 (13) purchase or use of a motor vehicle by a qualified business, as defined in section
46.24 469.310, located in a job opportunity building zone, if the motor vehicle is principally
46.25 garaged in the job opportunity building zone and is primarily used as part of or in direct
46.26 support of the person's operations carried on in the job opportunity building zone. The
46.27 exemption under this clause applies to sales, if the purchase was made and delivery received
46.28 during the duration of the job opportunity building zone. The exemption under this clause
46.29 also applies to any local sales and use tax;

46.30 (14) purchase of a leased vehicle by the lessee who was a participant in a lease-to-own
46.31 program from a charitable organization that is:

46.32 (i) described in section 501(c)(3) of the Internal Revenue Code; and

47.1 (ii) licensed as a motor vehicle lessor under section 168.27, subdivision 4; and

47.2 (15) purchase of a motor vehicle used exclusively as a mobile medical unit for the
47.3 provision of medical or dental services by a federally qualified health center, as defined
47.4 under title 19 of the Social Security Act, as amended by Section 4161 of the Omnibus Budget
47.5 Reconciliation Act of 1990.

47.6 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
47.7 made after December 31, 2018.

47.8 Sec. 60. Minnesota Statutes 2018, section 462D.06, subdivision 1, is amended to read:

47.9 Subdivision 1. **Subtraction.** (a) As provided in section 290.0132, subdivision 25, an
47.10 account holder is allowed a subtraction from ~~the~~ federal ~~taxable~~ adjusted gross income equal
47.11 to interest or dividends earned on the first-time home buyer savings account during the
47.12 taxable year.

47.13 (b) The subtraction under paragraph (a) is allowed each year for the taxable years
47.14 including and following the taxable year in which the account was established. No person
47.15 other than the account holder is allowed a subtraction under this section.

47.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
47.17 31, 2018.

47.18 Sec. 61. Minnesota Statutes 2018, section 462D.06, subdivision 2, is amended to read:

47.19 Subd. 2. **Addition.** (a) As provided in section 290.0131, subdivision 14, an account
47.20 holder must add to federal ~~taxable~~ adjusted gross income the following amounts:

47.21 (1) the amount in excess of the total contributions for all taxable years that is withdrawn
47.22 and used for other than eligible costs, or for a transfer permitted under section 462D.04,
47.23 subdivision 2; and

47.24 (2) the amount remaining in the first-time home buyer savings account at the close of
47.25 the tenth taxable year that exceeds the total contributions to the account for all taxable years.

47.26 (b) For an account that received a transfer under section 462D.04, subdivision 2, the
47.27 ten-year period under paragraph (a), clause (2), ends at the close of the earliest taxable year
47.28 that applies to either account under that clause.

47.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
47.30 31, 2018.

48.1 Sec. 62. Minnesota Statutes 2018, section 469.316, subdivision 1, is amended to read:

48.2 Subdivision 1. **Application.** An individual, estate, or trust operating a trade or business
48.3 in a job opportunity building zone, and an individual, estate, or trust making a qualifying
48.4 investment in a qualified business operating in a job opportunity building zone qualifies for
48.5 the exemptions from taxes imposed under chapter 290, as provided in this section. The
48.6 exemptions provided under this section apply only to the extent that the income otherwise
48.7 would be taxable under chapter 290. Subtractions under this section from federal adjusted
48.8 gross income, federal taxable income, alternative minimum taxable income, or any other
48.9 base subject to tax are limited to the amount that otherwise would be included in the tax
48.10 base absent the exemption under this section. This section applies only to taxable years
48.11 beginning during the duration of the job opportunity building zone.

48.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
48.13 31, 2018.

48.14 Sec. 63. **REPEALER.**

48.15 Minnesota Statutes 2018, sections 290.0131, subdivisions 7 and 11; 290.0133,
48.16 subdivisions 13 and 14; and 290.10, subdivision 2, are repealed.

48.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
48.18 31, 2018.

290.0131 INDIVIDUALS; ADDITIONS TO FEDERAL TAXABLE INCOME.

Subd. 7. **Fines, fees, and penalties.** The amount of expenses disallowed under section 290.10, subdivision 2, is an addition.

Subd. 11. **Income attributable to domestic production activities.** The amount of the deduction allowable under section 199 of the Internal Revenue Code is an addition.

290.0133 CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE INCOME.

Subd. 13. **Income attributable to domestic production activities.** The amount of the deduction allowable under section 199 of the Internal Revenue Code is an addition.

Subd. 14. **Fines, fees, and penalties.** The amount of expenses disallowed under section 290.10, subdivision 2, is an addition.

290.10 NONDEDUCTIBLE ITEMS.

Subd. 2. **Fines, fees, and penalties.** (a) Except as provided in this subdivision, no deduction from taxable income for a trade or business expense under section 162(a) of the Internal Revenue Code shall be allowed for any amount paid or incurred, whether by suit, agreement, or otherwise, to, or at the direction of, a government or entity described in paragraph (d) in relation to the violation of any law or the investigation or inquiry by such government or entity into the potential violation of any law.

(b) Exception for amounts constituting restitution or paid to come into compliance with the law. Paragraph (a) does not apply to any amount which:

(1) the taxpayer establishes:

(i) constitutes restitution, including remediation of property for damage or harm caused by or which may be caused by the violation of any law or the potential violation of any law; or

(ii) is paid to come into compliance with any law which was violated or involved in the investigation or inquiry; and

(2) is identified as restitution or as an amount paid to come into compliance with the law, as the case may be, in the court order or settlement agreement.

This paragraph does not apply to any amount paid or incurred as reimbursement to the government or entity for the costs of any investigation or litigation.

(c) Paragraph (a) does not apply to any amount paid or incurred by order of a court in a suit in which no government or entity described in paragraph (d) is a party.

(d) An entity is described in this paragraph if it is:

(1) a nongovernmental entity which exercises self-regulatory powers, including imposing sanctions, in connection with a qualified board or exchange, as defined in section 1256(g)(7) of the Internal Revenue Code; or

(2) to the extent provided in federal regulations, a nongovernmental entity which exercises self-regulatory powers, including imposing sanctions, as part of performing an essential governmental function.

(e) Paragraph (a) does not apply to any amount paid or incurred as taxes due.