

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

**S.F. No. 4100**

(SENATE AUTHORS: EICHORN, Farnsworth, Hauschild, Putnam and Miller)  
DATE 02/22/2024 D-PG Introduction and first reading  
Referred to Taxes OFFICIAL STATUS

1.1 A bill for an act  
1.2 relating to taxation; income; modifying the inclusion of certain revenues from  
1.3 lawful gambling for the purposes of unrelated business income tax; amending  
1.4 Minnesota Statutes 2022, section 290.05, subdivision 3.

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

1.6 Section 1. Minnesota Statutes 2022, section 290.05, subdivision 3, is amended to read:

1.7 Subd. 3. **Taxes imposed on exempt entities.** (a) An organization exempt from taxation  
1.8 under subdivision 2 shall, nevertheless, be subject to tax under this chapter to the extent  
1.9 provided in the following provisions of the Internal Revenue Code:

1.10 (1) section 527 (dealing with political organizations);

1.11 (2) section 528 (dealing with certain homeowners associations);

1.12 (3) sections 511 to 515 (dealing with unrelated business income);

1.13 (4) section 521 (dealing with farmers' cooperatives); and

1.14 (5) section 6033(e)(2) (dealing with lobbying expense); but notwithstanding this  
1.15 subdivision, shall be considered an organization exempt from income tax for the purposes  
1.16 of any law which refers to organizations exempt from income taxes.

1.17 (b) The tax shall be imposed on the taxable income of political organizations or  
1.18 homeowner associations or the unrelated business taxable income, as defined in section 512  
1.19 of the Internal Revenue Code, of organizations defined in section 511 of the Internal Revenue  
1.20 Code, provided that the tax is not imposed on:

2.1 (1) advertising revenues from a newspaper published by an organization described in  
2.2 section 501(c)(4) of the Internal Revenue Code;

2.3 (2) all revenues from lawful gambling authorized under chapter 349 ~~that are expended~~  
2.4 ~~for purposes that qualify for the deduction for charitable contributions under section 170~~  
2.5 ~~of the Internal Revenue Code, disregarding the limitation under section 170(b)(2),~~ but only  
2.6 to the extent the ~~contributions~~ amounts are not deductible in computing federal taxable  
2.7 income; or

2.8 (3) amounts included in unrelated business taxable income under section 512(a)(7) of  
2.9 the Internal Revenue Code.

2.10 The tax shall be at the corporate rates. The tax shall only be imposed on income and  
2.11 deductions assignable to this state under sections 290.17 to 290.20. To the extent deducted  
2.12 in computing federal taxable income, the deductions contained in section 290.21 shall not  
2.13 be allowed in computing Minnesota taxable net income.

2.14 (c) The tax shall be imposed on organizations subject to federal tax under section  
2.15 6033(e)(2) of the Internal Revenue Code, in an amount equal to the corporate tax rate  
2.16 multiplied by the amount of lobbying expenses taxed under section 6033(e)(2) which are  
2.17 attributable to lobbying the Minnesota state government.

2.18 (d) In calculating unrelated business taxable income under section 512 of the Internal  
2.19 Revenue Code, the amount of any net operating loss deduction claimed under section 172  
2.20 of the Internal Revenue Code is an addition. Taxpayers making an addition under this  
2.21 paragraph may deduct a net operating loss for the taxable year in the same manner as a  
2.22 corporation under section 290.095, in a form and manner prescribed by the commissioner,  
2.23 and may calculate the loss without the application of the limitation provided for under  
2.24 section 512(a)(6) of the Internal Revenue Code.

2.25 (e) Revenues from lawful gambling subtracted under paragraph (b), clause (2), must,  
2.26 when expended, be expended for purposes that qualify for the deduction for charitable  
2.27 contributions under section 170 of the Internal Revenue Code, disregarding the limitation  
2.28 under section 170(b)(2).

2.29 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
2.30 after December 31, 2018.