

MN H 1938, Amended

Minnesota

SUMMARY: Relates to taxation; modifies individual income and corporate franchise taxes, sales and use taxes, property taxes, local government aids, and other miscellaneous taxes and tax provisions; modifies income tax additions, subtractions, and credits; modifies taxes on capital gains; proposes a child tax credit; proposes an advance payment and one-time refundable tax credit; modifies cannabis-related sales and use tax provisions; proposes sales tax exemptions for certain entities.~SAME AS: MN S 1811#

Changes in Bill text reflected as:

~~Text Deleted~~

Text Added

~~Text Vetoed~~

Current Legislative Status

02/16/2023 INTRODUCED.

02/16/2023 To HOUSE Committee on RULES AND LEGISLATIVE ADMINISTRATION.

02/21/2023 From HOUSE Committee on RULES AND LEGISLATIVE ADMINISTRATION: Do pass.

02/21/2023 Rereferred to HOUSE Committee on TAXES.

04/20/2023 From HOUSE Committee on TAXES: Do pass as amended.

04/20/2023 Rereferred to HOUSE Committee on WAYS AND MEANS.

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session: Minnesota 93rd Regular Session

cite: 2023 MN H 1938

Amended

April 20, 2023

Gomez

HF 1938

1st Engrossment - 93rd Legislature (2023 - 2024) Posted on 04/20/2023

A bill for an act relating to financing and operation of state and local government; modifying provisions governing individual income and corporate franchise taxes, federal conformity, property taxes, certain state aid and credit programs, sales and use taxes, minerals taxes, tax increment financing, certain local taxes, provisions related to public finance, and various other taxes and tax-related provisions; modifying income tax credits; modifying existing and proposing new subtractions; modifying provisions related to the taxation of pass-through entities; providing for certain federal tax conformity; modifying individual income tax rates; modifying provisions related to reporting of corporate income; providing a onetime refundable rebate credit; providing for conformity to certain federal tax provisions; modifying property tax exemptions, classifications, and refunds; modifying local government aid calculations; establishing soil and water conservation district aid; providing for certain sales tax exemptions and providing new definitions; modifying taconite taxes and distributions; converting the renter's property tax refund into a refundable individual income tax credit; modifying provisions related to tax increment financing and allowing certain special local provisions; modifying certain local taxes; establishing tourism improvement special taxing districts; requiring reports; appropriating money; amending Minnesota Statutes 2022, sections 3.8855, subdivisions 4, 7; 6.495, subdivision 3; 10A.31, subdivisions 1, 3; 13.46, subdivision 2; 41B.0391, subdivisions 1, 2, 4, 7; 116U.27, subdivisions 1, 4, 7; 118A.04, subdivision 5; 123B.61; 168B.07, subdivision 3; 256J.45, subdivision 2; 256L.15, subdivision 1a; 270A.03, subdivision 2; 270B.12, subdivision 8; 270B.14, subdivision

1; 270C.13, subdivision 1; 270C.19, subdivisions 1, 2; 270C.445, subdivisions 2, 3; 270C.446, subdivision 2; 270C.52, subdivision 2; 272.01, subdivision 2; 272.02, subdivisions 24, 73, 98, by adding a subdivision; 273.11, subdivision 12; 273.124, subdivisions 6, 13, 13a, 13c, 13d, 14; 273.1245, subdivision 1; 273.13, subdivisions 25, 34, 35; 273.1315, subdivision 2; 273.1341; 273.1392; 275.065, subdivisions 3, 3b, 4; 278.01, subdivision 1; 279.03, subdivision 1a; 282.261, subdivision 2; 289A.02, subdivision 7, as amended; 289A.08, subdivisions 7, as amended, 7a, as amended, by adding subdivisions; 289A.18, subdivision 5; 289A.38, subdivision 4; 289A.382, subdivision 2; 289A.50, by adding a subdivision; 289A.56, subdivision 6; 289A.60, subdivisions 12, 13, 28; 290.01, subdivisions 19, as amended, 31, as amended; 290.0132, subdivisions 4, 24, 26, 27, by adding subdivisions; 290.0133, subdivision 6; 290.0134, subdivision 18, by adding a subdivision; 290.06, subdivisions 2c, as amended, 2d, 22, 39; 290.067; 290.0671, as amended; 290.0674; 290.0677, subdivision 1; 290.0682, subdivision 2, by adding a subdivision; 290.0685, subdivision 1, by adding a subdivision; 290.0686; 290.091, subdivision 2, as amended; 290.17, subdivision 4, by adding a subdivision; 290.21, subdivision 9; 290.92, subdivision 20; 290.9705, subdivision 1; 290A.02; 290A.03, subdivisions 3, 6, 8, 12, 13, 15, as amended, by adding a subdivision; 290A.04, subdivisions 1, 2, 2h, 4, 5; 290A.05; 290A.07, subdivision 2a; 290A.08; 290A.09; 290A.091; 290A.13; 290A.19; 290A.25; 290B.03, subdivision 1; 290B.04, subdivisions 3, 4; 290B.05, subdivision 1; 291.005, subdivision 1, as amended; 295.50, subdivision 4; 296A.083, subdivision 3; 297A.61, subdivision 29, by adding subdivisions; 297A.67, subdivisions 2, 7; 297A.68, subdivisions 4, 25; 297A.70, subdivisions 2, 4, 18, 19; 297E.02, subdivision 6; 297E.021, subdivision 4; 297H.13, subdivision 2; 297I.20, subdivision 4; 298.015; 298.018, subdivisions 1, 1a; 298.28, subdivisions 5, 7a, by adding a subdivision; 298.296, subdivision 4; 299C.76, subdivisions 1, 2; 327C.02, subdivision 5; 349.11; 349.12, subdivision 12c, by adding a subdivision; 366.095, subdivision 1; 373.01, subdivision 3; 383B.117, subdivision 2; 410.32; 412.301; 462A.05, subdivision 24; 462A.38; 469.033, subdivision 6; 469.053, subdivisions 4, 6; 469.107, subdivision 1; 469.174, subdivision 14, by adding a subdivision; 469.175, subdivision 6; 469.176, subdivisions 3, 4; 469.1761, subdivision 1; 469.1763, subdivisions 2, 3, 4, 6; 469.1771, subdivisions 2, 2a, 3; 474A.02, subdivisions 22b, 23a; 475.54, subdivision 1; 477A.011, subdivision 34, by adding subdivisions; 477A.0124, subdivision 2; 477A.013, subdivisions 8, 9; 477A.03, subdivisions 2a, 2b, by adding a subdivision; 477A.12, subdivisions 1, 3, by adding a subdivision; 477A.30; 477B.01, subdivisions 5, 10, 11, by adding subdivisions; 477B.02, subdivisions 2, 3, 5, 8, 9, 10, by adding a subdivision; 477B.03, subdivisions 2, 3, 4, 5, 7; 477B.04, subdivision 1, by adding a subdivision; 477C.02, subdivision 4; 477C.03, subdivisions 2, 5; 477C.04, by adding a subdivision; 514.972, subdivision 5; Laws 1971, chapter 773, section 1, subdivision 2, as amended; Laws 1980, chapter 511, sections 1, subdivision 2, as amended; 2, as amended; Laws 2006, chapter 259, article 11, section 3, as amended; Laws 2008, chapter 366, article 5, sections 26, as amended; 36, subdivisions 1, 3, as amended; article 7, section 17; article 17, section 6; Laws 2014, chapter 308, article 6, section 12, subdivision 2; Laws 2023, chapter 1, section 15; proposing coding for new law in Minnesota Statutes, chapters 16A; 181; 290; 477A; proposing coding for new law as Minnesota Statutes, chapter 428B; repealing Minnesota Statutes 2022, sections 270A.04, subdivision 5; 290.01, subdivision 19i; 290.0131, subdivision 18; 290.0132, subdivision 33; 290A.03, subdivisions 9, 11; 290A.04, subdivision 2a; 290A.23, subdivision 1; 477A.011, subdivisions 30a, 38, 42, 45; 477A.013, subdivision 13; 477A.16, subdivisions 1, 2, 3; 477B.02, subdivision 4; 477B.03, subdivision 6.

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

TEXT OMITTED, DOES NOT PERTAIN TO FILM

Sec. 6. Minnesota Statutes 2022, section 116U.27, subdivision 1, is amended to read:

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

(b) "Allocation certificate" means a certificate issued by the commissioner to a taxpayer upon receipt of an initial application for a credit for a project that has not yet been completed.

(c) "Application" means the application for a credit under subdivision 4.

(d) "Commissioner" means the commissioner of employment and economic development.

(e) "Credit certificate" means a certificate issued by the commissioner upon submission of the cost

verification report in subdivision 4, paragraph (e).

(f) "Eligible production costs" means eligible production costs as defined in section 116U.26, paragraph (b), clause (1), incurred in Minnesota that are directly attributable to the production of a film project in Minnesota.

(g) "Film" has the meaning given in section 116U.26, paragraph (b), clause (2).

(h) "Project" means a film:

(1) that includes the promotion of Minnesota;

(2) for which the taxpayer has expended at least \$1,000,000 in ~~the taxable year a~~ **consecutive 12-month period beginning when expenditures are first paid in Minnesota** for eligible production costs; and

(3) to the extent practicable, that employs Minnesota residents.

(i) "Promotion of Minnesota" or "promotion" means visible display of a static or animated logo, approved by the commissioner and lasting approximately five seconds, that promotes Minnesota within its presentation in the end credits before the below-the-line crew crawl for the life of the project.

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

Sec. 7. Minnesota Statutes 2022, section 116U.27, subdivision 4, is amended to read:

Subd. 4. **Applications; allocations.** (a) To qualify for a credit under this section, a taxpayer must submit to the commissioner an application for a credit in the form prescribed by the commissioner, in consultation with the commissioner of revenue.

(b) Upon approving an application for a credit that meets the requirements of this section, the commissioner shall issue allocation certificates that:

(1) verify eligibility for the credit;

(2) state the amount of credit anticipated for the eligible project, with the credit amount up to 25 percent of eligible project costs; and

(3) state the taxable year in which the credit is allocated.

The commissioner must consult with the Minnesota Film and TV Board prior to issuing an allocation certificate.

(c) The commissioner must not issue allocation certificates for more than ~~\$4,950,000~~ **\$24,950,000** of credits each year. If the entire amount is not allocated in that taxable year, any remaining amount is available for allocation for the four following taxable years until the entire allocation has been made. The commissioner must not award any credits for taxable years beginning after December 31, ~~2024~~ **2032**, and any unallocated amounts cancel on that date.

(d) The commissioner must allocate credits on a first-come, first-served basis.

(e) Upon completion of a project, the taxpayer shall submit to the commissioner a report prepared by an independent certified public accountant licensed in the state of Minnesota to verify the amount of eligible production costs related to the project. The report must be prepared in accordance with generally accepted accounting principles. Upon receipt and review of the cost verification report, the commissioner shall determine the final amount of eligible production costs and issue a credit certificate to the taxpayer. The credit may not exceed the anticipated credit amount on the allocation certificate. If the credit is less than the anticipated amount on the allocation credit, the difference is returned to the amount available for allocation under paragraph (c). To claim the credit under section 290.06, subdivision 39, or 297I.20, subdivision 4, a taxpayer must include a copy of the credit certificate as part of the taxpayer's return.

EFFECTIVE DATE. This section is effective for allocation certificates issued after December 31, 2022.

Sec. 8. Minnesota Statutes 2022, section 116U.27, subdivision 7, is amended to read:

Subd. 7. **Expiration.** Subdivisions 1 to 5 expire January 1, ~~2025~~ **2033**, for taxable years

beginning after December 31, ~~2024~~ 2032.

EFFECTIVE DATE. *This section is effective for allocation certificates issued after December 31, 2022.*

TEXT OMITTED, DOES NOT PERTAIN TO FILM

Sec. 29. Minnesota Statutes 2022, section 290.06, subdivision 39, is amended to read:

Subd. 39. **Film production credit.** (a) A taxpayer, including a taxpayer to whom a credit has been assigned under section 116U.27, subdivision 3, may claim a credit against the tax imposed by this chapter equal to the amount certified on a credit certificate under section 116U.27, subject to the limitations in this subdivision.

(b) The credit is limited to the liability for tax, as computed under this chapter, for the taxable year. If the amount of the credit determined under this subdivision for any taxable year exceeds this limitation, the excess is a film production credit carryover to each of the five succeeding taxable years. The entire amount of the excess unused credit for the taxable year is carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit that may be added under this paragraph must not exceed the taxpayer's liability for tax, less any film production credit for the taxable year.

(c) Credits allowed to a partnership, a limited liability company taxed as a partnership, or an S corporation are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each based on the partner's, member's, shareholder's, or owner's share of the entity's assets, or as specially allocated in the organizational documents or any other executed agreement, as of the last day of the taxable year.

(d) Notwithstanding the approval and certification by the commissioner of employment and economic development under section 116U.27, the commissioner may utilize any audit and examination powers under chapter 270C or 289A to the extent necessary to verify that the taxpayer is eligible for the credit and to assess the amount of any improperly claimed credit. The commissioner may only assess the original recipient of the credit certificate for the amount of improperly claimed credits. The commissioner may not assess a credit certificate assignee for any amount of improperly claimed credits, and an assignee's claim for credit is not affected by the commissioner's assessment of improperly claimed credits against the assignor.

(e) This subdivision expires January 1, ~~2025~~ 2033, for taxable years beginning after December 31, ~~2024~~ 2032, except that the expiration of this section does not affect the commissioner of revenue's authority to audit or power of examination and assessment for credits claimed under this subdivision.

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

TEXT OMITTED, DOES NOT PERTAIN TO FILM

Sec. 44. Minnesota Statutes 2022, section 297I.20, subdivision 4, is amended to read:

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

(b) This subdivision expires January 1, ~~2025~~ 2033, for taxable years beginning after and premiums received after December 31, ~~2024~~ 2032.

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

TEXT OMITTED, DOES NOT PERTAIN TO FILM

(b) The purpose of the credit in article 1, sections 6 to 8, 29, and 44, is to continue to encourage investment in Minnesota film productions. The standard against which effectiveness is to be measured is the increase in the number of these productions and people employed in the state's film industry.

*****TEXT OMITTED, DOES NOT PERTAIN TO FILM*****