MINNESOTA CENTER for Fiscal Excellence

LEGISLATIVE SPOTLIGHT

Sound tax policy. Efficient spending. Accountable government.

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Perhaps the most interesting things happening at the Capitol in the last few weeks have been on the political, and not the policy end. House Speaker Hortman, Senate Majority Leader Gazelka, and Governor Walz have announced an agreement for deadlines (outside the traditional committee deadline, which we write about below) that are designed to ensure a smooth end-of-session process. The leaders have agreed to pass all major finance bills off their respective floors by May 1, to provide fiscal targets to the conference committees by May 6, and to have the conference committees complete their work by May 13. All that leaves a week before the May 20th mandatory adjournment date. All these are positive developments, although a cynic might wonder whether ending on time ought to be something we should celebrate.

The special election in the Senate deserves some attention as well. Governor Walz appointed former DFL Senator Tony Lourey as Commissioner of Human Services, and Republicans were able to flip the seat as Rep. Jason Rarick outpaced Stu Lourey. This has major implications for the Senate as a 35-32 majority is much easier to manage than a 34-33 one, where each majority senator effectively has a veto over controversial legislation and having even one member of the majority caucus absent can create difficulties. The Senate GOP is now on firmer ground, and probably better able to negotiate its positions than it was as session began in January.

Waiting patiently on deck is the governor's budget proposal, which itself will depend on the numbers in the state's February economic forecast. While we won't know for sure what the situation will be until MMB releases the forecast at the end of the month, data from the January economic update – which provides information on November and December tax collections – shows that total state tax collections came in 2.7% below forecast during the end of 2018. Of concern is that the state's workhorse – the individual income tax – came in nearly 10% below forecast. All this suggests that some of the $1.5 billion surplus projected back in November for FY 20-21 may not be there as legislators start the biennial budget-crafting exercise in earnest.

Summary of Tax Receipts: (November-December, 2018)

Tax Type	Forecasted	Actual	Variance	Variance vs. Forecasted
	-----------($ millions)-----------			
Income	1,810	1,641	(169)	(9.3%)
Sales	937	970	34	3.6%
Corporate	248	298	50	20.0%
Other	830	814	(16)	(2.0%)
Total	**3,825**	**3,723**	**(102)**	**(2.7%)**

Source: Minnesota Management & Budget

FROM THE COMMITTEE ROOMS

House Tax Committee Considers Section 179 Expensing and Bonus Depreciation Proposals

House Tax Committee members devoted their February 7th meeting to consider a variety of bills dealing with Section 179 expensing and bonus depreciation. Proposals before the committee included:

- **HF 235**, sponsored by Rep. Glenn Gruenhagen (R-Glencoe), which would provide for federal conformity for section 179 expensing and eliminate the 80% addback/five-year subtraction rules on a go-forward basis.
- **HF 515**, sponsored by Rep. Jeanne Poppe (DFL-Austin), which is similar to HF 235 except that it would apply the conformity retroactively to the date of the Tax Cuts and Jobs Act (TCJA) and eliminate the 80% addback/five-year subtraction rules retroactively to tax year 2018.
- **HF 518**, sponsored by Rep. Paul Marquart (DFL-Dilworth), which would provide federal conformity for both Section 179 expensing and Section 168 bonus depreciation provisions, retroactive to the date of the TCJA. It eliminates the 80% addback/five-year subtraction rules retroactively to 9/27/2017 (identical to the TCJA changes).

The costs to the General Fund for the first two proposals are identical: $222.6 million in the upcoming FY 20-21 biennium and $62.0 million for FY 22-23. The costs for HF 518 are substantially higher: $850.5 million in FY 20-21 and $152.3 million in FY 22-23.

Proponents of the measures focused on the benefits they would deliver to the business community, especially in the agricultural sector. Representatives from the Minnesota Farm Bureau and Minnesota Farmers Union endorsed action in this area and noted how timely it would be given the current stresses in the farm economy. From a broader perspective, the Minnesota Chamber of Commerce spoke to the prospects that these changes would encourage capital investment in private sector companies' Minnesota operations and shrink the costs of complying with the tax code and the National Federation of Independent Businesses testified to the importance this issue has for small businesses.

As Chair Marquart noted at the beginning of the hearing, last year's tax bill did include full section 179 conformity (with the elimination of the addback) and conformity to the higher federal section 168 bonus depreciation amounts, although that addback was retained. Our thought here is that this represents a great opportunity to spend one-time revenues that might be raised through conforming to the TCJA. Given the tone and tenor of the hearing – and the bipartisan support clearly shown for these proposals – we fully expect some movement in this area once the conference committee process begins in April (we hope).

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Issues With State-Assessed Property Come Before House Property and Local Tax Division

Concerns about the state's assessment of utility property took up about half of the House Property and Local Tax Division's February 11 hearing this week. The "hook" for the hearing on what Chair Diane Loeffler described as an "emerging issue" was HF 424, sponsored by Rep. Mike Sundin (DFL-Esko), which would require the state to pay for any property tax refunds local governments would be obligated to issue as the result of property tax judgments against state-owned property.

The hearing began with staffers from House Research providing a brief overview of the mechanics behind state assessment of airline flight and railroad, pipeline, and utility operating property and of the legal dispute between the state and Enbridge Energy over the valuation of its pipeline system. Enbridge has taken the state to court over assessment years 2012-2018. Last year the Tax Court ruled that the state over-assessed its pipeline system by 4% for assessment year 2012, 27% for assessment year 2013, and 64% for assessment year 2012.

Local government officials – largely from greatly affected counties in Greater Minnesota – turned out in force for the hearing. Their testimony centered on their frustration that they are caught in a problem that is not of their making – the Department of Revenue has supervised the rulemaking process, assesses the properties, and defends the values in court – leaving local governments as spectators until a value reduction sparks the need for a refund. Testifiers generally spoke to the financial hardships these refunds generate, since in many cases utilities are one of the largest, if not the largest, single taxpayers in the county. Large refunds, these officials testified, have serious implications for local governments' reserve funds, their bond ratings, and residents' willingness to finance bond issues when the tax base is so unstable.

Representatives from the industry spoke as well. Northern Natural Gas (NNG) provided valuable testimony about why the company decided to sue the state over its valuation, which was about 25% to 35% above valuations made by other states using similar methodologies. NNG's representative noted that in her 16 years in her position, this is the "first challenge that [NNG] has mounted against its assessed valuation. NNG stated that, as a partner with local governments, it appreciates the burden these refunds represent and endorsed the proposal. Given the opportunity to respond, the Department of Revenue stated that it would like to come before the division at a future date to provide an overview of its central assessment processes.

MCFE's recent report on this topic, *Assessing the State of Central Assessment in Minnesota,* was distributed to all committee members at the hearing. Our report provides information on the significance of utility and pipeline property to local tax base and tax collections in the state, examines trends in valuation litigation and associated costs, and explores issues and concerns underlying the valuation disputes. The standout finding for us was that this issue is not just "emerging," it is **escalating rapidly**. From 2005 to 2012, utility and pipeline companies generally took about two or three disputes past the Department's appeals process to the Tax Court in any given year. Beginning in 2013, that number increased to an average of seven to eight court filings through 2016, and more than doubled again in 2017 with 18 tax court filings. We have been told the 2018 figure exceeds 30. We estimate nearly 25% of the statewide utility/pipeline tax base was disputed in Tax Court just for assessment years 2016 and 2017. Just recently another Tax Court ruling found in favor of the plaintiff. Clearly this is not the last we have heard on this issue.

Committee Deadlines are Set

The House and Senate have adopted committee deadlines for the 2019 Session – providing a timeline for legislators to move policy bills through the committee process – which are as follows:

Fri., Mar. 15	1st Committee Deadline: bills out of committee in house of origin. (Senate and House files must pass out of all policy committees in their respective bodies to be further considered.)
Fri., Mar. 29	2nd Committee Deadline: bills out of committee in the second house. (Assuming the 1st deadline was met in one body, the companion file in the other body must pass out of all policy committees by this date.)
Fri., Apr. 12	3rd Committee Deadline: budget divisions have until this time to put together their one omnibus funding bill, which include numerous smaller bills.

(The Taxes, Rules, Finance, and Capital Investment committees in both bodies and the House Ways and Means Committee are exempt from these three deadlines because they deal with nonpolicy issues.)

Mandatory adjournment is May 20.

BILL INTRODUCTIONS

Tax bills are listed first by tax type in alphabetical order, then additional topics in alphabetical order. Within each topic, House bills (HF--for "House File") are listed first, then Senate bills (SF--for "Senate File"). The bills are in numerical order within each chamber. Each bill heading contains the chief author and his or her political party, city or township of residence, and the last four digits of his or her capital office phone number. Note that "NR" designates members of the House's New Republican caucus. All members' offices have a 651 area code and 296 exchange unless shown otherwise.

TAXES

This first portion of tax bills consists of more comprehensive bills. The bills included under various "combinations" are bills with more than one tax in them, but are not considered comprehensive. Unless otherwise noted, effective dates for bills are as follows:

- *Corporate franchise and individual income taxes: Tax years beginning after December 31, 2018*
- *Property tax: Taxes levied in 2019, payable in 2020*
- *Sales tax: Sales and purchases made after June 30, 2019*

Combinations of Taxes (Corporate and Individual Income)

HF 0821 (Anderson, P., R, Starbuck, 4317)
Conforms Minnesota's individual and corporate tax regimes to the higher section 179 expensing deduction and threshold amounts while leaving the state's 80% addback/5-year subtraction rules in place. Eliminates the 80% addback/5-year subtraction rules governing section 179 expensing only for farm machinery placed in service in taxable years beginning after 12/31/2017. Effective retroactively to tax year 2018.

According to Revenue, full conformity to federal treatment of Section 179 expensing would cost $222.6 million in the FY 20-21 biennium and $62.0 million in FY 22-23 as the largely one-time costs of conformity phase out. This bill is an interesting hybrid of partial federal conformity and state industrial policy.

HF 0871 (Davids, R, Preston, 9278)
Authorizes pass-through business entities to file a "C-option corporation" tax return and calculate its tax liability as a corporation. Directs that such liability be calculated by multiplying the entity's Minnesota taxable income times the highest individual income tax rate. Authorizes individual income tax filers to subtract income from a business entity making this election when calculating Minnesota taxable income. Makes such an election binding on the entity for the four taxable years following the taxable year of the election. Allows the election only if made by persons holding more than 50% ownership interest in a qualifying entity. Companion to SF 0304 (Rest, DFL-New Hope) in Spotlight 19-02.

The idea here – as we have learned in the last week – is to allow owners of pass-through entities to circumvent the newly-enacted $10,000 cap on state/local tax deductions for federal income tax filers by allowing pass-throughs to file as C-corps. The proposal is unlike many we saw earlier in 2018, where payments to government are considered to be charitable contributions, which would be offset with some sort of tax credit – a concept that the IRS has shot down. According an article in State Tax Notes, Wisconsin and Connecticut have both enacted similar proposals.

HF 0961 (Davids, R, Preston, 9278)
Creates a refundable credit against the individual income and corporate franchise taxes equal to 25% of film production and postproduction expenditures made in Minnesota that are directly attributable to film production in Minnesota.

The Tax Foundation of Washington, DC is highly critical of these programs based on their "fanciful estimates of economic activity and tax revenue," their ability to escape "routine oversight about benefits, costs and activities," and unnecessary risks with taxpayer dollars.

HF 1034 (Pryor, DFL, Minnetonka, 3964); and SF 1110 (Anderson, P., R, Plymouth, 9261)
Creates a refundable individual income tax credit for child care professionals based on the filer's "career lattice step" (a step-based system using training hours, credentials, college credits and degrees earned) as follows: a $500 credit for filers with the equivalent of a child development associate credential, a $1,000 credit for filers with the equivalent of an associate's degree, a $2,000 credit for filers with the equivalent of a bachelor's degree, and a $3,000 credit for filers with the equivalent of a master's degree.

Creates a refundable individual income and corporate tax credit for child care providers equal to the following amounts, as appropriate, times the average monthly number of children the filers cares for who are not yet enrolled in kindergarten and are either homeless, in foster care, or in need of child protective services.

Provider's Facility Quality Rating	Credit per Qualifying Child
Four stars	$2,000
Three stars	$1,500
Two stars	$1,000
One star	$500

Prohibits filers claiming this credit from also claiming the credit created above for child care professionals.

Creates an individual income tax credit equal to the amount paid to a childcare facility on behalf of a dependent child as follows:

Facility Quality Rating	Percent of Amount Paid Eligible for Credit	Maximum Credit One Child / 2+ Children
Four stars	150%	$1,050 / $2,100
Three stars	100%	$850 / $1,700
Two stars	50%	$650 / $1,300
One star	25%	$500 / $1,000

Provides that, for this nonrefundable credit, filers may carry excess credit forward for up to five years.

This proposal would restructure the tax code to incentivize enrollment in higher quality (as determined by the Department of Human Services) childcare facilities, provide greater incentives for higher quality facilities, and provide greater incentives for child care provider education and training. With regard to parents' enrollment decisions, the question is: if prices rise with quality, does the additional $33.33 per month per child (less if one has more than two children in childcare) that the maximum state credit provides for parents who move from a two-star to a four-star facility outweigh any cost increases associated with that move? Since providers of four-star facilities would be extremely cognizant of the refundable credit, we would not be surprised to see the primary economic benefit of the credit accrue to providers through their pricing rather than parents.

HF 1122 (Lien, DFL, Moorhead, 5515); and SF 1197 (Senjem, R, Rochester, 3903)
Directs that the state not conform to the TJCA's repeal of the unreimbursed employee expense deduction.

This bill is highly unusual in that it is written in a way that doesn't make sense as a stand-alone bill. Enacting it as-is would just be confusing. What the bill is effectively doing is expressing an opinion about one topic in the very complex area of conforming to the TCJA.

SF 0996 (Senjem, R, Rochester, 3903)
Authorizes individual income and corporate franchise tax filers that qualify for the research credit to elect to calculate its base amount under an alternative simplified method where it is equal to 50% of the average qualified research expenses for the three preceding taxable years. Sets the credit under this method equal to 6% of all qualified research expenses over the base amount.

As far as tax incentives go, the R&D credit stands out in the literature, which by-and-large indicates that it may actually does what it claims to do: promoting private-sector research and development activity. If it does stimulate this kind of activity, then making the credit (a necessary evil) more generous and/or easier to access should be near the top of Minnesota's "to-do" list.

SF 1008 (Nelson, R, Rochester, 4848)
Directs individual income tax and corporate franchise tax filers who wish to claim the research and development credit but do not have the records necessary to compute or verify the base percentage to use a fixed base percentage of 16%.

SF 1239 (Nelson, R, Rochester, 4848)
Provides for federal conformity with regard to section 179 expensing. Eliminates the existing state 80% addback/5-year subtraction rules on a go-forward basis (i.e., any amounts that have already been added back and are in the 5-year subtraction period must continue on that schedule). Identical to HF 0235 (Gruenhagen, R-Glencoe) and SF 0575 (Lang, R-Olivia) in Spotlight 19-02, where there is a comment.

Combinations of Taxes (Corporate. Individual Income and Insurance)

HF 1156 (Tabke, DFL, Shakopee, 8872)
Creates an individual income, corporate franchise, and insurance tax credit equal to contributions to a state program for awarding grants and loans for development of low- and moderate-income housing. Requires a minimum contribution of $100 to qualify for the credit. Caps the maximum credit for any individual taxpayer at $5 million annually and in the aggregate at $25 million annually. Companion to SF 0404 (Nelson, R-Rochester) in Spotlight 19-02, where there is more information.

Combinations of Taxes (Motor Vehicle Registration and Motor Vehicle Sales)

HF 0731 (Brand, DFL, St. Peter, 8634); and SF 1174 (Newton, DFL, Coon Rapids, 2556)
Exempts veterans with a total service-connected disability from the motor vehicle sales tax; from the motor vehicle registration taxes on passenger autos, one-ton pickup trucks, motorcycles, and recreational vehicles; and from various other fees related to driver's licenses and motor vehicles. HF 0731 also exempts such individuals from similar taxes and fees associated with watercraft. HF 0731 is the companion to SF 0333 (Newton, DFL-Coon Rapids) and SF 1174 is the companion to HF 0330 (Lien, DFL-Moorhead); both of which were summarized in Spotlight 19-02.

Combinations of Taxes (Property and Sales)

HF 1216 (Schultz, DFL, Duluth, 2228); and SF 1207 (Simonson, DFL, Duluth, 4188)
Creates a "regional exchange district" in the city of Duluth's medical district with a governing board of stakeholders to oversee various infrastructure projects within the district. Authorizes the state to issue up to $164 million in appropriations bonds once the city has spent $75 million of its own money on projects in the district, to be paid for through an appropriation of up to $13.47 million from the general fund, to be made available beginning FY 22 through FY 55 (*not a typo*). Provides that the city pay the state 50% of all revenues in excess of operational and maintenance expenses generated from parking facilities and structures constructed in the district over the first 25 years of their life. Requires that the city pay the state $250,000 annually over 25 years toward the debt service payments on the appropriations bonds.

Authorizes the city to create a value capture mechanism similar to tax increment financing to finance the projects. Authorizes the city to increase its local sales tax rate by 0.5%, as approved by voters, to finance public infrastructure costs in its street improvement plan and in the regional exchange district. Directs that this incremental tax expire at the earlier of 25 years or when all bonds underwritten by these taxes for eligible projects have been fully financed.

Directs that once the city makes a total of $75 million in qualified expenditures within the district, the state will provide support annually to the city through fiscal year 2054 *(not a typo)* as follows:

Cumulative Expenditures	Annual Support Payment
$75 million	$2,002,500
Over $75 million to $1 billion	$2,002,500 plus 1.24% of expenditures > $75 million;

Requires that these revenues be used to finance public infrastructure projects. Sets the maximum annual payment to the city at $13.47 million and cumulatively to whatever amount is sufficient to finance $164 million of public infrastructure projects.

Exempts the sale and purchase of materials, supplies used in, and equipment incorporated into, the construction or improvement of buildings and infrastructure within the district from the sales and use taxes, effective for purchases made between 7/1/19 and 6/30/26. Provides that the taxes must be collected upfront at the time of purchase and then be refunded upon application.

This proposal represents a complex arrangement between the state and the city of Duluth to finance a major overhaul of its medical district. Here's our understanding of how this will work. Essentially, once the city spends $75 million on the project state financing kicks in. The state will issue appropriations bonds which – unlike general obligation bonds – are not backed by the full faith and credit of the government. Those bonds will be backed by annual general fund appropriations, which will themselves be financed to some extent by a $250,000 annual payment from the city plus 50% of any "profit" realized on any newly-built parking facilities. The state will also provide an additional stream of *revenue for the city that will be proportional to the amount the city has spent on the project. The proposal also creates a variety of new sources of revenue for the city to tap into the for effort.*

The proposal clearly represents a cost-sharing effort between the city and the state. We look forward to any tax committee hearing on this proposal, where we hope to hear more about exactly how much skin the state looks to have in the game, and the rationale for this complex financing arrangement.

Corporate Income Taxes

HF 0870 (Davids, R, Preston, 9278)
Repeals the corporate alternative minimum tax. Companion to SF 0345 (Rest, DFL-New Hope) in Spotlight 19-02, where there is a comment.

HF 1035 (Davids, R, Preston, 9278)
Creates a corporate franchise tax credit equal to 10% of the employer share of Social Security FICA taxes (but not the 1.45% Medicare tax) paid on wages subject to withholding.

HF 1085 (McDonald, R, Delano, 4336)
Reduces the corporate franchise tax rate from 9.8% to 8.8% and the corporate alternative minimum tax rate from 5.8% to 5.2%.

A fundamental tenet of good tax policy involves the combination of broad bases and low rates. According to the Council on State Taxation, Minnesota's corporate tax base is estimated to increase 12% under conformity with the federal Tax Cuts and Jobs Act, which translates into a revenue neutral cut of one percentage point in the tax rate. If this proposal were paired with federal conformity, it could improve Minnesota's corporate tax regime with a lower rate.

HF 1154 (Xiong, T., DFL, Maplewood, 7807)
Directs that the amounts a tax-exempt nonprofit pays as a qualified transportation fringe benefit (QTFB) to its employees not be treated as unrelated business taxable income (UBIT) and therefore be exempt from the corporate franchise tax. Further directs that the provisions in section 512(a)(6) of the Internal Revenue Code where income and losses from unrelated "trade or business" may not offset income or losses from another unrelated "trade or business" (the so-called "silo-ing" provision) not apply or purposes of computing any corporate tax owed by a tax-exempt organization on its UBIT. Effective retroactively to tax year 2018.

These provisions were enacted as part of the TCJA and have given the nonprofit community heartburn. Congress added QTFBs to the definition of UBIT, which likely pushed many nonprofits who over the $1,000 UBIT threshold for filing a 990-T for the first time. Charitable organizations are also concerned about the silo-ing provisions, especially since many charities use investment proceeds to finance other –unrelated – activities that are run at a loss.

Excise Taxes

SF 1173 (Mathews, R, Milaca, 8075)
Prohibits local governments from imposing a new excise tax or fee or increasing an existing excise tax or fee on the manufacture, distribution, wholesale, or retail sale of food or on any container used for transporting, protecting, or consuming food. Stipulates that the provisions do not apply to reasonable license fees imposed by a local government in the exercise of its regulatory authority.

The four co-sponsors on this bill are the chair and ranking DFL member of the Senate Tax Committee and the chamber's majority and minority leaders. Read into that what you will.

Gambling Taxes

HF 0722 (McDonald, R, Delano, 4336); and SF 0876 (Anderson, B., R, Buffalo, 5981)
Allows organizations conducting lawful gambling to deduct amounts actually expended for lawful purpose contributions (i.e., charitable contributions, allowable purchases of real property and capital assets, and transfers to like groups), except for payments of local, state, and federal taxes on lawful gambling receipts, when computing "combined net receipts". Reduces the tax rates on bingo, raffle, and paddlewheel combined net receipts as follows:

Net Receipts	Current Tax Rate	Proposed Tax Rate
Up to $87,500	9%	6%
$87,501 – $122,500	18%	12%
$122,501 – $157,500	27%	18%
Over $157,000	36%	24%

HF 1027 (Davids, R, Preston, 9278)
Allows organizations conducting lawful gambling to deduct amounts actually expended for lawful purpose contributions except for payments of local, state, and federal taxes on lawful gambling receipts, when computing "combined net receipts". Companion to SF 0414 (Eichorn, R-Grand Rapids) in Spotlight 19-02, where there is more information.

Individual Income Taxes

HF 0730 (Morrison, DFL, Deephaven, 4315)
Creates a refundable individual income tax credit for filers with modified adjusted gross income (MAGI) in excess of the income eligibility limit for Medicaid and who are not eligible for a federal premium tax credit because either: 1) the filer's household income exceeds 400% of the applicable federal poverty guidelines; 2) the filer has access to an employer-sponsored health care plan through a spouse's employer that is deemed minimum essential coverage and where the employee's annual premium exceeds the federally-required contribution percentage; or 3) the filer purchased a qualified plan through MNsure under which he/she is insured for the entire period for which the credit is claimed. Sets the credit equal to the annual premium cost of the applicable second lowest silver plan available to the filer minus 9.6% of the filer's MAGI. Companion to SF 0352 (Jensen, R-Chaska) in Spotlight 19-02, where there is a comment with more information.

HF 0766 (Edelson, DFL, Edina, 4363); and SF 1070 (Hall, R, Burnsville, 5975)
Authorizes medical cannabis manufacturers to subtract expenses related to the medical cannabis business on their individual income tax or corporate franchise tax returns that are not allowed as a

subtraction for federal purposes under section 280E of the Internal Revenue Code when computing Minnesota taxable income. Also includes other medical cannabis-related provisions.

HF 0770 (Franson, R, Alexandria, 3201)
Raises the threshold above which the dependent care credit phases out from $50,000 to $75,000 of federal adjusted gross income. Increases the FAGI threshold at which the credit is fully phased out from $62,000 to $100,000 for families with one dependent and from $74,000 to $112,500 for families with two or more dependents. Also includes other child care-related provisions.

HF 0865 and HF 0866 (Loeffler, DFL, Minneapolis, 4219)
Exempts income from the individual income tax derived from: any Minnesota or federal public pension plan, public service for which the member or survivor is not receiving Social Security benefits; or any public pension plan operated by another state if that state's income tax laws permit a similar/reciprocal deduction or exemption. HF 0865 provides that 10% of such income be exempt in tax year 2019 and increases the exemption by 10% annually until such income is fully exempt. HF 0866 provides that the exemption follow the same rules as apply to Minnesota's exemption of Social Security income. HF 0865 is the companion to SF 0147 and HF 0866 is the companion to SF 0151 (both Dziedzic, DFL-Minneapolis) in Spotlight 19-01, where there is a comment.

HF 0883 (Cantrell, DFL, Savage, 4212)
Increases the maximum amount of Social Security benefits that may be exempt from the income tax from $4,500 to $5,000 for married-joint filers, from $3,500 to $3,810 for single and head of household filers, and from $2,250 to $2,500 for married-separate filers. Makes conforming changes in statute to adjust for inflationary changes in the phase-out thresholds.

HF 0885 (Wazlawik, DFL, White Bear Twp, 3018)
Increases the amount of Social Security benefits that are exempt from the income tax to match the federal amount for married-joint filers with adjusted gross income (FAGI) up to $110,000, for single or head-of-household filers with up to $80,000 of FAGI, and for married-single filers with up to $55,000 of income. Provides that exemption phases out above those levels at a rate of 10% per $1,000 of FAGI. Directs that the thresholds continue to be adjusted annually for inflation.

MCFE's biennial income tax study has consistently found that Minnesota imposes tax rates on senior incomes that are relatively very high – largely because of our treatment of Social Security income. It will be interesting to see how the changes the state made in 2017 that exempt more Social Security benefits will move the needle. Clearly Minnesota suffers from an income tax disadvantage when it comes to the relatively mobile senior age group.

However, policymakers need to balance this mobility issue with concerns that economists have raised about providing tax preferences for senior incomes. Researchers from Carnegie Mellon University and the International Monetary Fund have concluded that the combination of Pennsylvania's aging population and its exemption of all retirement income – including Social Security income as well as 401(k) and IRA distributions – from the individual income tax is "increasingly untenable". And researchers from the University of Hartford, University of New Hampshire, and Reed College have published research suggesting that treating the elderly differently for income taxation purposes is consistently associated with ***lower*** *levels of economic growth.*

One final observation. According to the Pew Research Center, since 1971 the senior 65-and-older demographic has improved their income status more than any other demographic – and it's not even close. Far better than the 45-64 demographic and FAR FAR better than the 30-44 and under 29 demographics.

HF 0886 (Huot, DFL, Rosemount, 4306)
Increases the standard deduction for the state's income tax regime for tax year 2019 as follows:

Filer Type	Tax Year 2018	Tax Year 2019
Married-Joint	$13,000	$15,300
Head of Household	$9,550	$11,200
Single/Married-Separate	$6,500	$7,650

HF 0890 (Xiong, J., DFL, St. Paul, 4201)
Creates a refundable individual income tax credit equal to 50% of the amount the filer paid for nursing home care for a veteran who is eligible to reside in a Minnesota veterans home and who has applied for admission to such but is on a waiting list. Disallows the credit for nursing home expenses in any month when the veteran receiving care receives Medical Assistance benefits. Limits the maximum annual credit to $30,000 for married couples filing separate returns and to $60,000 for all other filers. Companion to SF 0334 (Newton, DFL-Coon Rapids) in Spotlight 19-02.

HF 1032 (Klevorn, DFL, Plymouth, 5511)
Increases the additional standard deduction for blind and aged taxpayers by $1,800 for married filers and surviving spouses (from $1,300 to $3,100) and by $2,150 for single and head-of-household filers (from $1,600 to $3,750).

HF 1986 (Gruenhagen, R, Glencoe, 4229)
Increases the long-term care credit amount from 25% to 100% of the policy premiums. Increases the maximum annual credit from $200 to $500 for married-joint filers and from $100 to $250 for all other filers.

HF 1192 (Hansen, DFL, South St. Paul, 6828)
Creates an individual income tax credit equal to 50% of the costs of installing a sauna on an owner-occupied residential property located in Minnesota after 12/31/2019. Disallows the credit for any expenses that are deducted as a medical expense. Effective for tax years 2020 through 2022 only.

SF 0788 (Anderson, P., R, Plymouth, 9261)
Revives the angel investor individual income tax credit and makes the program permanent. Increases the maximum total credit that may be issued in any tax year from $10 million (in tax year 2017, the last year the program was in effect) to $20 million.

SF 0891 (Benson, R, Ham Lake, 3219)
Provides a subtraction from Minnesota taxable income for the value of charity health care service provided by a licensed medical

professional, dentist, or chiropractor acting within the scope of his or her license. Requires claimants to value the services at the appropriate Medicare reimbursement rates. Requires claimants to file informational reports with Revenue documenting the value of the services used to claim the deduction. Companion to HF 0442 (Gruenhagen, R-Glencoe) in Spotlight 19-02.

SF 0892 (Benson, R, Ham Lake, 3219)
Authorizes individual income tax filers to subtract medical care expenses when calculating Minnesota taxable income. Prohibits any subtraction for amounts compensated by insurance or reimbursed by an employer or a plan through: an accident or health plan, a health care reimbursement account, a cafeteria or flexible spending account, a health care savings account, or a similar provision under the Internal Revenue Code. Prohibits subtraction of any amount used to calculate the long-term care insurance credit. Companion to HF 0443 (Gruenhagen, R-Glencoe) in Spotlight 19-02, where there is more information.

SF 0922 (Marty, DFL, Roseville, 5645)
Creates an individual income tax credit equal to the costs of purchasing and installing a system to reduce the arsenic or nitrate concentrations of well water below the maximum levels provided for in federal law. Caps the maximum credit for any filer at $500.

SF 1066 (Eichorn, R, Grand Rapids, 7079)
Reduces the state's four individual income tax rates by 0.125% each, as follows:

Tier	Current Rate	Proposed Rate
First	5.35%	5.225%
Second	7.05%	6.925%
Third	7.85%	7.725%
Fourth	9.85%	9.725%

Companion to HF 0174 (Koznick, R-Lakeville) in Spotlight 19-01.

SF 1187 (Little, DFL, Lakeville, 5252)
Creates a subtraction from Minnesota taxable income for certain volunteer firefighter pension benefits. Requires that benefits be paid by a plan established under Minnesota law to be eligible for the subtraction and that any claimant have at least 20 years of credited service. Limits the total subtraction to $50,000 if the benefits are paid as a lump-sum payment and to $6,000 in any taxable year if the benefits are paid on a monthly basis. Eliminates the current in-lieu of income tax exclusion for supplemental benefits being provided to some retired volunteer firefighters.

SF 1206 (Little, DFL, Lakeville, 5252)
Provides a subtraction from Minnesota taxable income for the value of charity dental services provided by a licensed dentist, dental therapist, or advanced dental therapist providing volunteer services outside the seven-county metropolitan area and Chisago, Isanti, Sherburne, and Wright counties. Requires claimants to value the services at the appropriate Medicare reimbursement rates. Requires claimants or their employers to file informational reports with DOR documenting the value of the services used to claim the deduction.

SF 1233 (Anderson, P., R, Plymouth, 9261)
Extends the research and development credit to sole proprietors.

Lodging Taxes

HF 0877 (Klevorn, DFL, Plymouth, 5511); and SF 1040 (Rest, DFL, New Hope, 2889)
Authorizes the city of Plymouth to impose a local lodging tax of up to 3%. Dedicates these revenues to finance capital improvements to public recreational facilities and for marketing and promotion of the community.

HF 0933 (Davids, R, Preston, 9278)
Authorizes the city of La Crescent to impose a 2% lodging tax. Dedicates the revenues equally between the city chamber of commerce and the La Crescent Area Event Center to be spent for promoting tourism.

HF 1218 (Lesch, DFL, St. Paul, 4224)
Increases the local lodging tax rate the city of St. Paul may impose from 3% to 4%.

SF 0808 (Bakk, DFL, Cook, 8881)
Authorizes Lake County to impose a lodging tax of up to 4%. Dedicates 96% of the revenues to fund a new Lake County Event and Visitors Bureau, with the remaining 4% of revenues dedicated for marketing, promotional, and event funding activities.

Mining Taxes (including Aggregate)

HF 0844 (Lislegard, DFL, Aurora, 0170); and SF 1114 (Eichorn, R, Grand Rapids, 7079)
Creates an occupation tax credit equal to the lesser of: the amount of production tax the taxpayer paid during the taxable year, the number of gross tons of merchantable iron ore concentrate the taxpayer produced in the prior year times 15¢, or the taxpayer's occupation tax liability after applying any carryover credit. Deems that excess credits may be carried forward for up to 15 taxable years, to be applied at the earliest opportunity.

SF 0989 (Tomassoni, DFL, Chisholm, 8017)
Stipulates that the guaranteed distribution formula for the taconite municipal aid account be based on the 1983 production year. Indexes the municipal aid account allocation to inflation using the Gross Domestic Product Implicit Price Deflator (which is used elsewhere in the taconite formulas). Companion to HF 0324 (Lislegard, DFL-Aurora) in Spotlight 19-02.

Motor Vehicle Registration Taxes

SF 0819 (Kiffmeyer, R, Big Lake, 5655)
Converts the motor vehicle registration tax calculation from $10 plus 1.25% of the vehicle's base value to $10 plus 1.25% of the vehicle's purchase price. Directs that any value deducted from the sales price of a vehicle as the results of a "trade-in" transaction must be added back for purposes of calculating the tax.

Motor Vehicle Sales Tax

HF 0702 (Swedzinski, R, Ghent, 5374); and SF 0877 (Dahms, R, Redwood Falls, 8138)
Expands the existing motor vehicle sales tax exemption for townships' purchases of motor vehicles that are to be used exclusively for road maintenance so that it applies to cities,

counties, and special districts comprised of cities, counties, and/or townships.

Property Tax (except Aids and Credits & TIF)

HF 0693 (Layman, R, Cohasset, 4936)
Expands the Iron Range Fiscal Disparities (IRFD) program area to include the remaining portions of any county where at least 35% of the county's net tax capacity is within the current IRFD area. Authorizes any municipality to withdraw from the program by resolution of its governing body. Companion to SF 0222 (Eichorn, R-Grand Rapids) in Spotlight 19-01, where there is a comment.

HF 0694 (Layman, R, Cohasset, 4936); and SF 0893 (Eichorn, R, Grand Rapids, 7079)
Repeals the Iron Range Fiscal Disparities program.

HF 0735 (Lillie, DFL, North St. Paul, 1188)
Extends the maximum period over which a surviving spouse of a permanently disabled veteran or an active duty service member who dies from a service-connected cause may claim the applicable market value exclusion from eight years until such time as the surviving spouse remarries, or sells, transfers, or otherwise disposes of the property.

HF 0755 (Sundin, DFL, Esko, 4308); HF 0756 (Cantrell, DFL, Savage, 4212); and SF 1161 (Clausen, DFL, Apple Valley, 4120)
HF 0755 authorizes the cities of Cromwell and Wright, along any contiguous township or city, to establish the Cromwell Wright Area Fire District as a special taxing district for the provision of cooperative fire services. Includes other language specifying provisions for governing the district. HF 0756 and SF 1161, which are companion bills, provide general authorization to any two or more townships or cities to establish special taxing districts for such purposes and authorizes such districts to issue certificates of indebtedness to purchase capital equipment.

HF 0818 (Persell, DFL, Bemidji, 5516)
Directs counties to abate, upon application by the owner, the state general levy on personal property located outside the seven-county metro that is part of an intrastate natural gas transportation or distribution pipeline system if: construction of the system began after 1/1/18 and the area in which the system is located has households or businesses which lacked access to natural gas distribution systems as of 1/1/18. Provides for a 12-year abatement period. Prohibits any parcel from qualifying for the abatement for more than once. Effective beginning taxes payable in 2021. Companion to SF 0318 (Johnson, R-East Grand Forks) in Spotlight 19-02.

HF 0833 (Lucero, R, Dayton, 1534)
Provides that for contiguous property tax parcels owned by the same person or entity, the first tier rate of 1.5% applies to the first $100,000 of market value for each individual parcel, instead of to the first $100,000 of combined property value.

It seems like this proposal provides an incentive for business property owners to subdivide their holdings as much as humanly possible.

HF 0917 (Hertaus, R, Greenfield, 9188)
Provides that the owner of a parcel which has been enrolled in the metropolitan agricultural preserves program for 8 years may request early termination from the program by providing notice to the appropriate planning and zoning authority. Permits that authority to authorize immediate withdrawal by majority vote. Companion to SF 0632 (Bigham, DFL-Cottage Grove) in Spotlight 19-02.

HF 1093 (Youakim, DFL, Hopkins, 9889)
Reinstates the "This Old House" valuation exclusions for homesteads, effective for improvements initially subject to assessment on 1/2/2012, except that the age threshold for the structure is lowered from 45 to 30 years. Extends the program to commercial-industrial (C/I) property with buildings that: are at least 30 years of age, have an assessor's estimated market value of no more than $2 million, and have had improvements from a single project or over any one year which add at least 12% to its market value. Provides for an addback of excluded value after the ten-year exclusion period for C/I property either in equal installments over two years if the qualifying value is no more than $40,000 or in equal installments over five years otherwise. Limits the total amount of C/I property value that may be excluded under these provisions to $125,000 for a property with a building less than 70 years old or $250,000 otherwise. Prohibits valuation increases attributable to improvements in cases where 50% or more of the square footage of the C/I building is voluntarily razed or removed from qualifying for the exemption.

Does anybody ever stop to contemplate even for a moment the real world implementation issues of this kind of social engineering of the tax code? It turns an already confusing and disliked tax into an administrative Superfund site.

HF 1181 (Davnie, DFL, Minneapolis, 0173); and SF 1275 (Westrom, R, Elbow Lake, 3826)
Directs Revenue to issue an appropriate conveyance in fee for tax-forfeited land sales upon approval from the county auditor or when approval from the county auditor is given based on written confirmation from a licensed closing agent, title insurer, or title insurance agent. Provides administrative rules governing the use and destruction of such conveyances.

HF 1259 (Sandstede, DFL, Hibbing, 0172)
Changes the due date for applying for the disabled veterans homestead exclusion from July 1 to December 15. Allows veterans issued a disability rating of 100% after 7/1/18 and before 12/15/18 relating to a permanent disability suffered prior to 7/1/17 and who therefore did not apply for the disabled veterans homestead exclusion for assessment year 2017 or 2018 to apply for a refund of taxes paid in 2018 or 2019 in excess of what would have been paid with the exclusion. Requires such application by 12/15/19. Directs counties to recalculate taxes for applicants and refund any difference accordingly.

SF 1106 (Eichorn, R, Grand Rapids, 7079)
Limits, for purposes of payments-in-lieu of taxation, any reductions in the appraised value of acquired natural resourced land below the

2010 values. Reduces the period between appraisals of such properties' value by the county assessor from six years to four years.

SF 1203 (Hoffman, DFL, Champlin, 4154)
Directs that property qualify for Green Acres treatment if it received such treatment in assessment year 2012 and did not receive such treatment in assessment years 2013 through 2019 only because the parcel fell below 10 acres in size due to eminent domain actions.

SF 1274 (Dziedzic, DFL, Minneapolis, 7809)
Increases the maximum disabled veterans homestead exclusion from $150,000 to $165,000 for veterans with at least a 70% disability rating and from $300,000 to $330,000 for veterans with a 100% disability rating. Companion to HF 0064 (Davnie, DFL-Minneapolis) in Spotlight 19-01.

Property Tax – Aids, Credits, & Refunds

HF 0807 (Persell, DFL, Bemidji, 5516)
Increases the payment to counties with a Native American casino and where the tribal government has a tax sharing agreement with the state from 10% to 20% of the taxes collected under that agreement. Increases the payment made to counties with Native American casinos where there is no tax sharing agreement from 5% to 10% of the excise taxes generated from activities on the reservation.

HF 0904 (Kresha, R, Little Falls, 4247)
Directs the Department of Revenue to make LGA and small city assistance payments to the city of Flensburg equal to the 2017 aid withheld because the cities failed to file calendar year 2016 reports with the State Auditor, so long as such reports were filed with the OSA by 6/1/18. Appropriates $38,400 from the general fund to make such a payment.

HF 0949 (Hansen, DFL, South St. Paul, 6828); and SF 1176 (Klein, DFL, Mendota Heights, 4370)
Increases the LGA payment to the city of Lilydale by $275,000 for aids payable 2020 only. Leaves the existing LGA appropriation unchanged, meaning that the payment will be financed as other cities lose some small portion of the payment they would otherwise be entitled to under the formula.

HF 0969 (Murphy, DFL, Hermantown, 2676)
Creates a permanent extra $200,000 LGA payment to the city of Hermantown, beginning with aids payable in 2020. Leaves the existing LGA appropriation unchanged, meaning that the payment will be financed as other cities lose some small portion of the payment they would otherwise be entitled to under the formula.

HF 1101 (Brand, DFL, St. Peter, 8634); HF 1102 (Lislegard, DFL, Aurora, 0170); SF 1304 (Weber, R, Luverne, 5650) and SF 1305 (Eken, DFL, Twin Valley, 3205)
Increases the Local Government Aid appropriation by $30.6 million, from $534.4 million to $565.0 million. HF 1101 and SF 1305 index the appropriation to the sum of the increase in the implicit price deflator for state and local government and the percentage change in total city population, with a minimum annual increase of 2.5% and a maximum annual increase of 5%. All four proposals make modifications to the city revenue need formulas that are outside the scope of this bill summary; we will provide staff materials when and if the proposal receives a hearing. Note that HF 1101 and SF 1305 are companion bills, as are HF 1102 and SF 1304.

We are a bit surprised the era of distribution formula harmony and accord lasted as long as it did.

HF 1104 (Lien, DFL, Moorhead, 5515); and SF 1240 (Johnson, R, East Grand Forks, 5782)
Creates a $1 million standing appropriation to the border city enterprise zones for additional tax reductions and divides the money among the participating cities on a per-capita basis. Removes the prohibition against allowing businesses engaged in automobile sales or service from participating in the program.

As currently constituted, the border city enterprise zone program benefits the cities of Breckenridge, Dilworth, East Grand Forks, Moorhead, and Ortonville on Minnesota's western border and the Development Zone of Taylors Falls in the east.

HF 1131 (Fabian, R, Roseau, 9635); and SF 1162 (Johnson, R, East Grand Forks, 5782)
Modifies the East Grand Forks-specific LGA formula provisions relating to pre-1940 housing to refine the term as the share of total housing in the most recent Census count that was built prior to 1970 instead of the share of total housing in the 1990 Census count that was built prior to 1940.

HF 1163 (Marquart, DFL, Dilworth, 6829); and SF 0986 (Dahms, R, Redwood Falls, 8138)
Increases the Local Government Aid appropriation by $30.45 million, from $534.4 million to $564.8 million, for aids payable in 2020. Increases the County Program Aid (CPA) appropriation by $30.55 million, from $234.7 million to $265.2 million, for aids payable in 2020. Directs the additional CPA appropriation in virtually equal amounts between the county need aid and county tax base equalization aid components.

We recently wrote two posts on "Fiscal Fitness", the MCFE blog, (https://www.fiscalexcellence.org/blog.html) with a number of our thoughts about the LGA program and its future.

SF 0771 (Klein, DFL, Mendota Heights, 4370)
Provides an additional LGA payment of $1.84 million to the city of West St. Paul for aids payable in 2020 through 2034. Provides an additional one-time grant of $3.68 million to West St. Paul. Identical to HF 0461 (Hansen, DFL-South St. Paul) and SF 0693 (also Klein) in Spotlight 19-02, where there is a comment.

SF 0872 (Dziedzic, DFL, Minneapolis, 7809)
Reduces the threshold for qualifying for the targeting property tax refund from a year-on-year property tax increase of 12% to 10%. Companion to HF 0527 (Davnie, DFL-Minneapolis) in Spotlight 19-02.

SF 1043 (Koran, R, North Branch, 5419)
Authorizes shareholders of manufactured home park cooperatives to include 17% of their ground lease payments when filing for the homestead credit state refund. Companion to HF 0458 (Bernardy, DFL-New Brighton) in Spotlight 19-02, where there is a comment.

SF 1117 (Limmer, R, Maple Grove, 2159)
Excludes nontaxable scholarship or fellowship grants, or the cash value of any tuition discount provided by a college or university, when computing income for purposes of the property tax refund programs.

SF 1135 (Bakk, DFL, Cook, 8881)
Provides a one-time payment of $97,260 in additional LGA to the city of Hermantown, for aids payable in 2020. Leaves the existing LGA appropriation unchanged, meaning that the payment will be financed as other cities lose some small portion of the payment they would otherwise be entitled to under the formula.

From House Research's summary of an identical bill in the 2017-18 biennium: "In 2017 a "glitch" was discovered in the city LGA formula that caused 20 cities to lose aid they otherwise would have gotten in 2017. The glitch in the formula was fixed going forward but those cities lost about $167,300 in aid between 2016 and 2017. The city of Hermantown's loss was $97,260 or 58% of the total aid lost to the 20 cities due to the formula glitch."

Property Tax – Tax Increment Financing

HF 0655 (Cantrell, DFL, Savage, 4212); and SF 0885 (Hall, R, Burnsville, 5975)
Authorizes the creation of tax increment financing districts with special rules in the city of Burnsville.

HF 0671 (Lee, DFL, Minneapolis, 4262); and SF 0786 (Champion, DFL, Minneapolis, 9246)
Creates special TIF rules that would apply to the city of Minneapolis' Upper Harbor Terminal Redevelopment Project.

HF 1193 (Elkins, DFL, Bloomington, 7803)
Modifies the special TIF rules enacted in 2014 for the city of Edina's Southeast Edina Redevelopment Project Area. Companion to SF 0685 (Franzen, DFL-Edina) in Spotlight 19-02.

Sales Tax

HF 0651 (Hansen, DFL, South St. Paul, 6828)
Authorizes the city of West St. Paul to impose the 0.5% sales and use tax approved by voters at the 2018 general election. Dedicates these revenues to finance costs of certain street projects. Authorizes bonding authority of up to $28 million for these projects. Directs that the taxes expire when sufficient revenues to finance the bonds have been collected or 20 years after imposition of the taxes, whichever is earlier. Companion to SF 0395 (Klein, DFL-Mendota Heights) in Spotlight 19-02, where there is more information.

HF 0662 (McDonald, R, Delano, 4336)
Expands the sales tax exemption for capital equipment purchases to include machinery and equipment restaurants use in the furnishing, preparing, or serving of prepared foods. Exempts complementary meals and beverages a restaurant provides to customers at no cost from the sales and use taxes. Exempts food and drinks purchased for and served to employees of restaurants from the sales and use taxes.

HF 0667 (Lislegard, DFL, Aurora, 0170); and SF 0994 (Tomassoni, DFL, Chisholm, 8017)
Authorizes the city of Virginia to impose a 1.0% sales and use tax, as approved by voters at the 2018 general election. Dedicates these revenues to finance the costs of renovating, reconstructing, expanding, and improving the Miner's Memorial recreation complex and convention center. Authorizes bonding authority of up to $30 million for the project. Directs that the tax expire when funds sufficient to pay the project costs have been collected or 20 years after the tax is first imposed, whichever is earlier. Allows the city to end the tax at an earlier date if it so chooses. Requires excess funds be placed in the city's general fund.

HF 0670 (Freiberg, DFL, Golden Valley, 4176); HF 0779 (Swedzinski, R, Ghent, 5374); and SF 0901 (Rest, DFL, New Hope, 2889)
Exempts construction materials or equipment incorporated into buildings or facilities used principally by: school districts; local governments; publicly-owned hospitals or nursing homes; public libraries including library systems; nonprofit groups; hospitals, outpatient surgical centers, and critical access dental care providers; nursing homes and boarding care homes from the sales and use taxes. Exempts school district and local government contractors' and subcontractors' purchases of materials, supplies, and equipment used in public infrastructure of any kind from the sales tax. Requires that the tax be collected upfront and then refunded upon application. HF 0670 and SF 0901 are companion bills; HF 0779 is not identical but achieves substantially the same purpose.

The 2014 tax bill included a sales tax exemption for local governments' purchases. This proposal would expand on that by exempting construction materials for all facilities primarily used by local governments, regardless of who builds or owns them.

HF 0695 (Drazkowski, NR, Mazeppa, 2273); and SF 0849 (Goggin, R, Red Wing, 5612)
Exempts purchases of building materials and supplies used for constructing or replacing real property in Mazeppa affected by the 3/11/2018 fire from the sales and use taxes. Exempts purchases of capital equipment made to replace capital equipment destroyed in the same fire from the sales and use taxes. Provides in both instances that the tax must be imposed and then refunded upon application, and that the exemption be effective retroactively from 3/12/2018 through 12/31/2021. Appropriates $2,600 for the city of Mazeppa and $2,400 for Wabasha County on a one-time basis to pay for property tax abatements and other costs incurred by private and public entities relating to the fire.

HF 0709 (McDonald, R, Delano, 4336)
Exempts sales by county fair boards, including admissions and concessions, during a county fair from the sales and use taxes. Requires those boards to annually determine the amount of sales tax savings from this provision and spend an equal amount on maintaining, improving and expanding fairground buildings and facilities. Companion to SF 0741 (Dahms, R-Redwood Falls) in Spotlight 19-02.

HF 0736 and HF 0737 (Torkelson, R, Hanska, 9303)
HF 0736 proposes to amend the Minnesota Constitution to dedicate the state sales tax revenue related to motor vehicle repair and replacement parts exclusive to fund roads and bridges. Both bills include statutory language to dedicate sales tax revenues in this fashion and direct Revenue to estimate the appropriate amount to be dedicated. Both bills phase this dedication of such revenues in as follows: 70% during FY 2022, 80% during FY 2023, 90% during FY 2024, and 100% thereafter.

HF 0778 (Swedzinski, R, Ghent, 5374)
Exempts sales of grain bins from the sales and use taxes.

HF 0867 (Zerwas, R, Elk River, 4237); and SF 0997 (Howe, R, Rockville, 2084)
Authorizes the city of Elk River to impose a 0.5% sales and use tax, as approved by voters at the 2018 general election. Dedicates these revenues to finance the costs of various stated recreational facility and park improvements. Authorizes bonding authority of up to $35 million for the projects. Directs that the tax expire when funds sufficient to pay the project costs have been collected or 25 years after the tax is first imposed, whichever is earlier. Allows the city to end the tax at an earlier date if it so chooses. Requires excess funds be placed in the city's general fund.

HF 0869 (Wolgamott, DFL, St. Cloud, 6612)
Exempts vendors of construction materials (defined using specific four- and five-digit NAICS codes) from the requirement to remit June sales tax collection on an accelerated basis. Companion to SF 0329 (Relph, R-St. Cloud) in Spotlight 19-02.

HF 1073 (Davnie, DFL, Minneapolis, 0173)
Expands the sales tax exemption for instructional materials to include charts and models used in the course of study; art supplies for art classes; and equipment, tools, and supplies required during a course of study that is necessary to obtaining a degree or certification for a trade or career. Companion to SF 0236 (Dibble, DFL-Minneapolis) in Spotlight 19-01.

HF 1083 (Petersburg, R, Waseca, 5368)
Clarifies that the sales and use tax exemption on nonprofit tickets or admissions applies to the Minnesota Agricultural Interpretive Center (Farmamerica).

HF 1130 (Morrison, DFL, Deephaven, 4315)
Authorizes the city of Excelsior to impose a 0.5% sales and use tax, with revenues dedicated to certain capital and administrative costs of improvements to the commons. Authorizes bonding authority of up to $7 million for these projects. Directs that the taxes must expire when sufficient revenues to finance the bonds have been collected or 25 years after imposition of the taxes, whichever is earlier. Companion to SF 0041 (Osmek, R-Mound) in Spotlight 19-01, where there is more information.

HF 1164 (Swedzinski, R, Ghent, 5374); and SF 1099 (Koran, R, North Branch, 5419)
Exempts the sale and purchase of gun safes from the sales and use taxes.

HF 1217 (Brand, DFL, St. Peter, 8634)
Authorizes the city of North Mankato to impose a 1.0% food and beverage tax. Dedicates these revenues to finance the operating, maintenance, and capital costs for the Caswell Park Regional Sporting Complex; and costs related to regional tourism events. Stipulates that debt service payments related to the construction of the Caswell Park Regional Sporting Complex are allowable expenses. Companion to SF 0438 (Frentz, DFL-North Mankato) in Spotlight 19-02.

SF 0764 (Ingebrigtsen, R, Alexandria, 7-8063)
Authorizes the city of Perham to impose a 0.5% sales and use tax, as approved by voters at the 2018 general election. Dedicates these revenues to finance debt, capital, and administrative costs associated with the Perham Area Community Center project. Authorizes bonding authority of up to $5.2 million for the project. Directs that the tax expire when funds sufficient to pay the project costs have been collected or after 20 years, whichever is earlier. Companion to HF 0388 (Nornes, R-Fergus Falls) in Spotlight 19-02, where there is more information.

SF 0817 (Newton, DFL, Coon Rapids, 2556)
Dedicates sales taxes collected from sales and purchases made at the National Sports Center in Blaine to the Amateur Sports Commission for the purpose of promoting and developing amateur sports in Minnesota.

Surprise, surprise. What's good for auto parts/transportation finance is good for amateur sports. We have stated many times that ideas like this should be funded via appropriations – where the effectiveness of the spending is reviewed at least every two years – and not through the tax code, where policies live on like zombies and are nearly as hard to kill. If proposals like this or the dedication of auto part/repair revenues to transportation are successful, expect a conga line of special interests pushing for similar proposals as time goes on.

SF 0845 (Relph, R, St. Cloud, 6455)
Exempts property awarded as prizes in connection with lawful gambling from the sales and use taxes. Exempts the lease or purchase of gambling equipment by an organization licensed to conduct lawful gambling from the sales and use taxes. Removes the requirements that sales taxes on a distributor's sale of pull-tabs and tipboards be imposed on the retail sales price.

SF 0943 (Rest, DFL, New Hope, 2889)
Expands the current sales tax exemption for nonprofit groups to include most nonprofit organizations, so long as the item purchased is used in the performance of its exempt function. Defines "nonprofit organization" as either a 501(c)(3) organization with a Minnesota tax i.d. number or a 501(c) senior citizen group or association of groups that limits members to persons either age 55 or older to disabled and is organization and operated exclusively for pleasure, recreation, and other nonprofit purposes. Stipulates that these provisions do not apply to nonprofit veterans groups, health care providers, and nursing homes and boarding homes, which already have more expansive exemptions in law.

SF 1041 (Simonson, DFL, Duluth, 4188)
Exempts building materials and supplies used in a private redevelopment project on the site of the former Duluth Central High School from the sales and use taxes, provided the resulting development is subject to property taxes. Requires that such taxes be paid upfront and then be refunded upon application. Limits the total amount that may be refunded to $5 million. Effective for purchases made between 7/1/2019 and 12/31/2020. Companion to HF 0435 (Olson, DFL-Duluth) in Spotlight 19-02.

SF 1065 (Nelson, R, Rochester, 4848)
Eliminates the 7/1/2027 sunset date for the sales tax exemption of admission to events sponsored by the Minnesota State High School League. Companion to HF 0382 (Marquart, DFL-Dilworth) in Spotlight 19-02.

SF 1068 (Miller, R, Winona, 5649)
Exempts purchases made by the Department of Public Safety using fire safety account revenues if the purchased items will ultimately be provided to an organized fire department, fire protection district, fire-related regional response team, or fire company responsible for providing fire protection services to the state, a substate region, or a political subdivision from the sales tax. Exempts purchases made by a 501(c)(3) volunteer firefighter organization from the sales tax if a local government would purchase the good or service on a tax exempt basis. Exempts all accessories, equipment, and supplies purchased by a licensed ambulance service from the sales tax if used directly in equipping and supplying or resupplying an ambulance or first responder vehicle. Companion to HF 0351 (Davids, R-Preston) in Spotlight 19-02.

SF 1188 (Little, DFL, Lakeville, 5252)
Eliminates the allocation of motor vehicle lease sales tax revenue to the Minnesota state transportation fund and the highway user tax distribution fund (meaning that all revenues would be split evenly between the county state-aid highway fund and the greater Minnesota transit account).

SF 1220 (Ingebrigtsen, R, Alexandria, 7-8063)
Exempts the purchase of construction materials and equipment incorporated into the improvement of an existing structure located at a resort or a recreational camping area. Specifically states that the exemption applies to such items used for a cabin located on resort property and any other structure available for use by guests of the resort or camping area.

SF 1272 (Rest, DFL, New Hope, 2889)
Authorizes a city or group of cities to impose a local sales and use tax of up to 0.5% without need for a special law. Requires such revenues be used to finance capital costs of certain listed regional projects, which generally relate to public facilities; improvements related to state highways; parks, trails, and recreational centers; or flood control and water quality projects. Requires voter approval for the imposition of such a tax. Prohibits any such tax from being imposed over a period longer than 20 years.

Historically, the state has approved local sales taxes on a case-by-case basis, except for those on lodging whose revenues are dedicated for tourism purposes. The approach has been to approve taxes to fund projects that are regional in nature and benefit the public at large – justifying the imposition of a tax that is likely imposed in some proportion to those who benefit from it. This proposal would basically provide blanket approval for these kinds of projects, provided local voters will support the tax.

Giving local governments general authority to levy a sales tax comes with inevitable inequalities between cities and regions that have retail bases strong enough to make a local sales tax viable, and those that do not. It may also have some unintended consequences, as studies have also shown that the "chase" for sales tax base can create distortions in land use decisions and exacerbate issues such as affordable housing. We'll watch any hearing on this proposal with keen interest to see how the "One Minnesota" proponents react.

Waste Taxes

HF 1215 (Hornstein, DFL, Minneapolis, 9281); and SF 1227 (Ruud, R, Breezy Point, 4913)
Increases the proportion of solid waste management tax revenues dedicated to the environmental fund from 70% in FY 2019 to 75% in FY 20 and 21, 80% in FY 22 and 23, and 100% thereafter; with a corresponding reduction in the proportion dedicated to the general fund. Requires those increased environmental fund revenues be distributed to counties to fund waste reduction and recycling efforts.

EDUCATION – FINANCE

HF 0882 (Sandstede, DFL, Hibbing, 0172); and SF 1028 (Cwodzinski, DFL, Eden Prairie, 1314)
Increases the $6,312 per pupil basic education formula aid allowance by 3% in FY 20 (to $6,501) and again in FY 21 (to $6,696). Indexes the amount to the change in the Consumer Price Index thereafter. Virtually identical to SF 0024 (Wiger, DFL-Maplewood) and SF 0122 (Clausen, DFL-Apple Valley) in Spotlight 19-01, where there is a comment.

HF 1114 (Sandstede, DFL, Hibbing, 0172)
Increases capital revenue for school districts from $109 to $133 times the district's maintenance cost index times the number of district pupils. Increases the equalizing factor for the operating capital levy from $22,912 to $26,250 of adjusted net tax capacity per pupil, effective FY 2021 and thereafter. Appropriates money.

HF 1142 (Tabke, DFL, Shakopee, 8872)
Converts the existing three tier debt service equalization levy and aid system to a single tier where the portion of the school district's debt that is below 10% of the district's adjusted net tax capacity must be financed entirely through the local levy and the remainder is eligible for some level of aid.

As with most or all of these education finance proposals, this bill would increase the amount of aid paid to schools – in this case, the amount of debt service equalization aid.

HF 1143 (Huot, DFL, Rosemount, 4306)
Increases the first tier referendum equalization levy equalizing factor from $880,000 to $920,000 referendum market value (RMV)

per pupil and the second tier equalizing factor from $510,000 to $650,000 of such.

SF 0861 (Clausen, DFL, Apple Valley, 4120)
Increases the maximum safe schools levy from $36 to an undetermined per pupil. Increases the maximum safe schools levy applicable to intermediate school districts by a proportionate amount.

SF 0862 (Klein, DFL, Mendota Heights, 4370)
Provides that the referendum equalizing factor be $1 million for any special school district located wholly outside the boundaries of a city of the first class (which therefore applies only to the South St. Paul district). Appropriates $1.18 million for the additional aid this provision would require.

SF 0863 (Klein, DFL, Mendota Heights, 4370)
Increases the second-tier referendum revenue equalization allowance from $460 to $760 per pupil and the equalizing factor from $510,000 to $650,000 referendum market value per pupil.

SF 0900 (Anderson, P., R, Plymouth, 9261)
Increases the maximum safe schools levy from $36 to $72 per pupil. Increases the maximum safe schools levy applicable to intermediate school districts by a proportionate amount. Companion to HF 0514 (Pryor, DFL-Minnetonka) in Spotlight 19-02.

SF 1057 (Kent, DFL, Woodbury, 4166)
Increases the number of funded participants in the voluntary prekindergarten program from by 4,000, from 3,160 to 7,160, effective FY 2020 and thereafter. Appropriates money accordingly.

SF 1180 (Chamberlain, R, Lino Lakes, 1253)
Modifies the local optional revenue component of general education revenue, which equals $424 per pupil for every school district, by converting it to a levy and aid system which is equalized in two tiers as follows:

Tier	Total Revenue	Local Optional Levy	Local Optional Aid
First	$300 times # pupils	(Referendum market value (RMV) per pupil: $880,000) times Total Revenue	Difference Between Revenue And Levy
Second	$424 times # pupils	(RMV per Pupil: $510k times Total Revenue	"

Eliminates the third tier in the referendum equalization levy and aid system and resets the first tier equalizing factor from $880,000 to $510,000 and the second tier equalizing factor from $510,000 to $290,000. Makes conforming changes.

SF 1237 (Nelson, R, Rochester, 4848)
Changes the thresholds for first and second tier debt service equalization from 15.74% of adjusted net tax capacity (ANTC) and 26.24% of ANTC, respectively; to 10% of ANTC and 15% of ANTC, respectively. Increases the second tier equalizing factor for referendum revenue from $510,000 and $650,000.

EDUCATION – POLICY

HF 1120 (Youakim, DFL, Hopkins, 9889)
Requires school districts to offer kindergarten.

SF 0918 (Nelson, R, Rochester, 4848)
Authorizes any school district which chooses to do so to start the school year before Labor Day on a permanent basis, effective with the 2020-21 school year. Companion to HF 0314 (Youakim, DFL-Hopkins) in Spotlight 19-02.

ELECTIONS

HF 0677 (Huot, DFL, Rosemount, 4306)
Expands the current authorization for mail balloting in any townships and cities under 400 outside the seven-county metropolitan area to include townships and such cities within the seven-county metro. Companion to SF 0422 (Carlson, DFL-Eagan) in Spotlight 19-02.

HF 0980 (Gomez, DFL, Minneapolis, 7152)
Authorizes individuals under the age of 18 to vote at a primary election if he or she will be 18 years of age on or before the date of the general election and meets all other voting eligibility requirements.

HF 0983 (Elkins, DFL, Bloomington, 7803)
Authorizes cities, counties, townships, and school districts to adopt ranked-choice voting for local offices. Establishes procedures for its adoption, implementation, and use.

HF 1109 (Drazkowski, NR, Mazeppa, 2273)
Establishes a procedure for casting provisional ballots in cases where an individual whose eligible to vote as be challenged as permitted under existing law.

HF 1153 (Halverson, DFL, Eagan, 4128); and SF 0847 (Rest, DFL, New Hope, 2889)
Directs that presidential nomination primaries be conducted by mail ballot, with the only polling places being county auditors' offices and other locations the various auditors designate. Requires the use of a single ballot in the presidential nomination primary. Provides that the list of voters and their party choice in a presidential nomination primary be private data on individuals, except that the Secretary of State must provide each major party with a list of voters who selected that party in the most recent presidential nomination primary.

SF 1205 (Little, DFL, Lakeville, 5252)
Authorizes townships in the seven-county metropolitan area with fewer than 2,000 registered voters to conduct elections by mail.

LABOR

HF 1211 (Daudt, R, Crown, 5364)
Prohibits public sector unions from requiring a contribution to any political candidate, party, or committee as a condition for membership or participation in the union. Requires public sector unions wishing to make political contributions to do so from a political fund containing revenues raised separately from membership dues.

SF 1244 (Klein, DFL, Mendota Heights, 4370)
Proposes to amend the Minnesota Constitution to grant public and private employees the constitutional right to organize bargain collectively through labor unions; invalidate state and local laws that limit the ability to join unions and bargain collectively. Further proposes to amend the state Constitution to prohibit laws that limit the right to collectively bargain for compensation and other conditions of employment that exceed minimums in state law or to interfere in the financial relationship between employees and their union as agreed to in a collective bargaining agreement.

LEGISLATURE

HF 0986 (Bahr, NR, Bethel, 2439)
Proposes to amend the Minnesota Constitution to prohibit the title of a bill from being amended after its introduction except to reflect changes to the bill that further limit its scope. Proposes to further amend the constitution so that, in the event the Minnesota Supreme Court deems a bill constituting a portion of the state's biennial budget unconstitutional for violating this provision, funding for any affected portions of state government will be available at 95% of the previous level until subsequent appropriations are made.

To provide a sense of how widely this topic is resonating with legislators, the bill has co-sponsors from all three House causes who represent a wide range of political views. Issues like this – which address procedural issues in a way that limit leaders' power to manage end-of-session matters – have not gained any traction in the time we've covered the legislature. Given the incredible difficulties lawmakers have had enacting major bills over the last few years, it will be interesting to see how this proposal fares.

HF 1018 (Schultz, DFL, Duluth, 2228)
Creates a commission of five retired judges who have never served in a party-designated or -endorsed position to redraw legislative and congressional boundaries during redistricting. Provides that the commission submit up to three redistricting plans to the legislature and that the first one (and the second one, if the first fails to be enacted) be considered without amendment. Provides that in the case that a third plan is submitted, the legislature may amend the plan without limit. Companion to SF 0582 (Rest, DFL-New Hope) in Spotlight 19-02, where there is more information and a comment.

SF 0846 (Laine, DFL, Columbia Heights, 4334)
Requires the Minnesota House and Senate to adopt annual, binding joint budget targets at least 14 days before the constitutional adjournment date. Requires the Legislative Commission on Data Practices and Personal Data Privacy to study and recommend options for expanding public access to legislative records and meetings.

We like the concept but are having a tough time imagining what the practical consequences would be of violating such a law.

SF 0903 (Jensen, R, Chaska, 4837)
Reduces the size of the Minnesota Senate from 67 to 49 members and the size of the Minnesota House from 134 to 98 members, effective for sessions of the legislature convening on or after January 1, 2024. Directs that the amendment be placed on the general election ballot in 2020. Similar in nature to SF 0157 (also Jensen) in Spotlight 19-01, where there is a comment.

SF 1007 (Nelson, R, Rochester, 4848)
Proposes to amend the Minnesota Constitution to provide for staggered terms for state senators.

SF 1075 (Little, DFL, Lakeville, 5252)
Permits legislative employees to unionize for the purposes of collectively bargaining. Prohibits pages and interns, temporary employees, managerial employees, confidential employees, and supervisory employees from participating.

"*The very nature and purposes of Government make it impossible for administrative officials to represent fully or to bind the employer in mutual discussions with Government employee organizations. The employer is the whole people, who speak by means of laws enacted by their representatives in Congress. Accordingly, administrative officials and employees alike are governed and guided, and in many instances restricted, by laws which establish policies, procedures, or rules in personnel matters... All government employees should realize that the process of collective bargaining, as usually understood cannot be transplanted into public service.*"

Franklin Delano Roosevelt, 32nd President of the United States and famed anti-union activist

SF 1142 (Laine, DFL, Columbia Heights, 4334)
Expands the state's Data Practices Act and Open Meeting Law to include the legislative branch. Directs that legislative proposals, including preliminary drafts of bills, fiscal spreadsheets, and other working documents related to a legislative proposal be classified private/nonpublic data unless and until the proposal has been formally introduced as a bill. Directs that e-mail correspondence, written memos, bill summaries, and any other data created, collected, or maintained by a legislator or partisan legislative staff member for the exclusive use of the members of a legislative caucus or group of legislators representing a specific party, geographic region, or political subdivision also be classified private/nonpublic data. Requires three days' notice for a legislative committee, division, subcommittee, working group, or legislative commission meeting; a one-day notice for an emergency meeting of one of those entities; and 12 hours' notice for a conference committee meeting. Prohibits a conference committee from taking action on the conference committee report unless the report has been made available to each conference committee member and to the public for at least 12 hours, not including the hours between midnight and 7am. Requires conference committees to provide an opportunity for public testimony at the meeting in which it takes final action on adopting the committee report.

SF 1185 (Little, DFL, Lakeville, 5252)
Provides for the election of state legislators on a nonpartisan basis. Modifies the state's public subsidy program for elections so that all money designated for use by any particular political party is awarded only to candidates for constitutional offices, and that all money designated for general use is awarded to candidates for legislative office.

In 1913, state legislators changed the law to require non-partisan elections for the state House and Senate. Legislators removed this requirement beginning with the 1974 election for the House and the 1976 election for the Senate (since the Senate was not up for election in 1974). This did not stop legislators from caucusing in two groups – "Conservatives" and "Liberals" – during this period.

PENSIONS

HF 1103 (Vogel, R, Elko New Market, 7065)

Requires the Legislative Commission on Pensions and Retirement to conduct an annual stress test and risk assessment of each MSRS and PERA pension plan that has assets with at least $1 billion of market value and for TRA and SPTRFA. Directs that the consultant retained perform the assessment using a method in accordance with generally accepted and nationally recognized actuarial standards. Requires that the projections look ahead 30 years under current assumptions, model the potential impacts of significantly above and below baseline assumed returns, and perform tests using other methods deemed appropriate by the consultant. Appropriates an undetermined amount of money for the effort in FY 20 and FY 21.

At least seven states require pension plan stress testing, which is a welcome antidote to the always featured and highly misleading "path to full funding" charts that portray highly volatile, equity laden returns as reliable and predictable bond returns. Many such risk assessments are patterned after requirements for financial institutions in the 2010 Dodd-Frank Wall Street reform legislation.

STATE AND LOCAL GOVERNMENT

HF 0701 (Elkins, DFL, Bloomington, 7803); and SF 1088 (Little, DFL, Lakeville, 5252)

Provides for staggered terms for members of the Met Council.

HF 0703 (Masin, DFL, Eagan, 3533)

Repeals the compensation limit (currently $175,621) that applies to political subdivisions in Minnesota.

The state has been limiting the maximum pay for local government employees since the late 1970s. The current policy was enacted in 2005, when legislators set the cap at 110% of the governor's 2005 salary, indexed for inflation. Given that the governor's salary has not kept up with inflation since then, the cap is currently set at about 140% of the governor's 2018 salary.

This strategy raises a number of issues. Local governments note that complying with the law is complicated because of its interaction with fringe benefits and the payout of unused vacation. More importantly, this completely ignores important labor market issues. Should the pay for the county administrator for Traverse County (population <3,500) be capped at the same level as the pay for Hennepin County's administrator (population 1.25 million)? What rationale was used for setting the pay at 110% of the governor's salary – a seemingly arbitrary decision?

Regardless of how much it seems to annoy politicians and offend highly-attuned demands and sensibilities regarding equity, there is no escaping market realities and supply and demand dynamics in securing necessary talent for the public sector. Just because state government is insistent on hemorrhaging talent because of antiquated human resource and compensation policies doesn't mean local government should be required to incur the same self-inflicted wounds. City council members and county commissioners are elected by their constituents who can reasonably be expected to hold them accountable for the ways in which they spend property tax dollars. This is just one of a whole host of mandates that seem completely unnecessary.

HF 0839 (Huot, DFL, Rosemount, 4306)

Authorizes persons appointed to fill a vacancy on a school board to serve the entire unexpired term.

Current law requires that a special election must be held to fill school board vacancies, and that appointees serve only until the special election is held.

HF 0860 (Freiberg, DFL, Golden Valley, 4176); and SF 1089 (Rest, DFL, New Hope, 2889)

Authorizes local governments to finance parks, playgrounds, walking or biking trails, and recreational complexes by assessing a fee against property within its jurisdiction similarly to a special assessment, with the amount appearing on property tax statements. Allows such fees to be charged equally on all property or proportionally against property value. Provides that such fees may only be exercised under a parks and trails plan that the governmental unit has adopted. Directs that any excess fee revenues must be deducted from the next year's fees, except that the revenues must be dedicated to the maintenance of facilities already develop or pledged to any future plan if there are no other fees required for the plan.

Attempted property tax end-arounds such as this defeat the purpose of allocating resources on the basis of priority and need while creating ripe conditions for unaccountable mini "program empires" in government. One thing we can guarantee with this proposal if it were ever enacted: there would never be "excess fee revenues."

HF 0978 (Gomez, DFL, Minneapolis, 7152); and SF 0864 (Hawj, DFL, St. Paul, 5285)

Creates a preference in state procurement procedures for vendors whose highest paid executive's salary is equal to or less than an undetermined number of times the median employee's salary.

HF 1025 (Carlson, L., DFL, Crystal, 4255)

Directs that the fifth priority for the use of any general fund surplus at the end of a biennium be the amount necessary to increase that state's special education aid payment percentage to 100%. Eliminates obsolete language relating to a transfer to the clean water fund. Companion to SF 0484 (Rest, DFL-New Hope) in Spotlight 19-02, where there is a comment.

HF 1039 (Carlson, L., DFL, Crystal, 4255)

Requires the state's economic forecast to factor the effect of inflation into projections of future expenditures. Companion to SF 0376 (Cohen, DFL, St. Paul, 5931) in Spotlight 19-02. See HF 0150 (Schultz-DFL, Duluth) for our lengthy comments on this topic.

HF 1095 (Elkins, DFL, Bloomington, 7803); and SF 1271 (Senjem, R, Rochester, 3903)
Creates municipal street improvement districts to finance street improvements with fees from affected parcels. Authorizes cities to apportion costs to all properties in the district on a uniform basis based on either: estimated market value, tax capacity, front footage, land or building area, or any combination of the four. Prohibits rates from being apportioned such that one class of property would pay more than two times what if would if rates were apportioned uniformly to all classes. Sets the minimum duration of such a district at five years and the maximum duration at 20 years. Exempts property owned by 501(c)3 institutions.

HF 1150 (Xiong, T., DFL, Maplewood, 7807); and SF 1108 (Housley, R, St. Mary's Point, 4351)
Authorizes a county board to temporarily fill a county commissioner vacancy until such time as the vacancy is filled by special election. Requires opportunity for public testimony on the appointment before such appointment may be made.

HF 1213 (Marquart, DFL, Dilworth, 6829); and SF 1311 (Utke, R, Park Rapids, 9651)
Appropriates $3 million to Mahnomen County for various stated purposes.

SF 0921 (Marty, DFL, Roseville, 5645)
Proposes to amend the Minnesota Constitution to eliminate the requirement that the president of the Minnesota Senate assume the office of lieutenant governor in the case of a vacancy, and stipulates that the governor shall instead fill the office by appointment pursuant to Senate confirmation. Further proposes to amend the state constitution to require that any legislator appointed to the office of lieutenant governor must resign his or her legislative office upon acceptance of the governor's appointment. Companion to HF 0534 (Kunesh-Podein, DFL-New Brighton) in Spotlight 19-02.

SF 1183 (Little, DFL, Lakeville, 5252)
Adds two at-large members to the Metropolitan Council, provides that those positions be elected positions, and provides that those campaigns be subject to the state's campaign finance regulations. Provides guidelines for filling an elected at-large Metropolitan Council member vacancy. Directs that the remaining members, except for the Council chairperson, serve staggered four-year terms.

SF 1245 (Kiffmeyer, R, Big Lake, 5655)
Abolishes the Office of MN.IT Services. Establishes a division of information technology within the Department of Administration. Includes provisions that give state agencies additional flexibility with regard to contracting for information technology projects.

SF 1273 (Ruud, R, Breezy Point, 4913)
Directs that the fifth priority for the use of any general fund surplus at the end of a biennium be a $100 million transfer (in total, not annually) to the school trust land account.

TAX ADMINISTRATION/GENERAL POLICY

SF 1091 (Weber, R, Luverne, 5650)
Exempts businesses which have no presence in Minnesota and conduct no business in the state from the requirements associated with tax nexus if the business conducts disaster- or emergency-related work associated with critical infrastructure (as defined in the bill) in the state. Also applies to certain business licensing and registration requirements. Stipulates that such businesses are still liable for transaction taxes and fees (i.e., fuel taxes, state and local sales taxes, hotel taxes, etc.).

TRANSPORTATION

HF 1146 (Dehn, DFL, Minneapolis, 8659); and SF 1122 (Franzen, DFL, Edina, 6238)
Establishes a mileage-based user fee pilot program to facilitate development of a feasible mileage-based user fee system in Minnesota. Directs that certain information relating to participants in the program be classified as nonpublic data or as private data on individuals. Appropriates an undetermined amount of money for the effort.

It's clear that the idea of a mileage-based transportation funding system is incredibly contentious. Proponents of such a system claim the excise taxes on gasoline no longer work very well for a host of reasons largely related to increasing fuel efficiency in vehicles and a decline in the average number of miles being driven. Opponents of such a system wonder why in the world anyone would want the government tracking how many miles they drive – and potentially where and when they do so. Hence the direction in the proposal to make trip data – and other identifying information – nonpublic.

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