

This publication is for MCFE members only. Please respect the privileges of MCFE membership by sharing this only with colleagues in your company (for business members) and immediate family (for individual members). Please let our office know if you aren't receiving our electronic mailings and would like to; or if you need help accessing the members-only portion of our website.

Welcome to the first issue of Legislative Spotlight for the 2020 legislative session – our 29th year of keeping members informed about bill introductions and activities at the capitol! This publication summarizes most tax-related bills (generally excepting tax increment financing bills) and selected bills in other policy areas. We often add historical context and content, broader perspective, or our evaluation of a bill's relationship to sound tax policy or public finance principles. In most cases, we base our summary and editorial comments on our reading of the bill. In some cases, we rely on legislative staff or the bill author to help us understand a bill or its intent, but any errors are our responsibility and we are happy to correct errors brought to our attention.

As the 2020 legislative session begins, two new members join the Minnesota House, and a regional power shift occurs in the Senate as Sen. Susan Kent (DFL-Woodbury) assumes the role of minority leader, replacing Sen. Tom Bakk (DFL-Cook) who led the DFL Senate caucus since 2013.

In the House, the DFL continues to hold a 75-59 majority as the two special elections to fill vacant seats were won by candidates from the same party holding those seats in 2019. Paul Novotny (R-Elk River) replaced Nick Zerwas, and Sydney Jordan (DFL-Minneapolis) replaced Diane Loeffler.

In the Senate, Republicans increased their majority to 35-32 during the 2019 Legislature when Sen. Jason Rarick (R-Brook Park) filled the seat vacated by Tony Lourey (DFL-Kerrick). Sen. Rarick's House seat was filled by Rep. Nathan Nelson (R-Hinckley) and did not affect the balance of seats.

Both Senate Republicans and House DFLers have provided broad outlines of their respective session agendas, but details will only start to emerge after release of the February forecast on February 27 when the numbers to build a supplemental budget are released. Bonding, as usual in an even-numbered year, will take center stage, but with some big differences of opinion on the appropriate level of capital investment, and equally big differences on what to do with a \$1.3 billion surplus, this shorter session should not lack for political storylines.

We will work hard to keep you informed as the session progresses. The members-only portion of our website (<http://www.fiscalexcellence.org/legislative-spotlight.html>) provides frequent updates on committee proceedings and archived editions of Legislative Spotlight. And as always, thank you, members, for your continued support.

House and Senate Taxes Committee Membership

For your convenience, we list here the membership of the House and Senate Taxes Committees and any divisions, along with their party affiliation and contact information. All phone numbers are in the 651 area code.

House Taxes Committee

The committee meets in Room 5 of the State Office Building on Tuesdays, Wednesdays, and Thursdays at 8:00. There are 12 DFL members and 8 Republican members. Andrew Carlson, chair of the House Property and Local Tax Division, is new to the committee this year, replacing Diane Loeffler who passed away during the interim. You may e-mail House members using the following template: rep.firstname.lastname@house.mn.

<u>Title (where applicable) and Name</u>	<u>Party</u>	<u>Phone</u>
Chair: Paul Marquart	DFL	296-6829
Vice Chair: Dave Lislegard	DFL	296-0170
GOP Lead: Greg Davids	R	296-9278
Jamie Becker-Finn	DFL	296-7153
Jeff Brand	DFL	296-8634
Andrew Carlson	DFL	296-4218
Lyndon Carlson	DFL	296-4255
Sondra Erickson	R	296-6746
Dan Fabian	R	296-9635
Aisha Gomez	DFL	296-7152
John Lesch	DFL	296-4224
Ben Lien	DFL	296-5515
Joe McDonald	R	296-4336
Marion O'Neill	R	296-5063
John Petersburg	R	296-5368
Joe Schomacker	R	296-5505
Jennifer Schultz	DFL	296-2228
Chris Swedzinski	R	296-5374
Tou Xiong	DFL	296-7807
Cheryl Youakim	DFL	296-9889

Committee Staff

Administrator:	Nathan Jesson	296-5524
Legislative Assistant:	Urszula Gryska	296-5492

House Property and Local Tax Division

The division meets in Room 5 of the State Office Building on Mondays at 12:45. There are 8 DFL members and 5 Republican members.

Title (where applicable) and Name	Party	Phone
Chair: Andrew Carlson	DFL	296-4218
Vice Chair: Samantha Vang	DFL	296-3709
DFL Lead: Jerry Hertaus	R	296-9188
Connie Bernardy	DFL	296-5510
Steve Drazkowski	R	296-2273
Aisha Gomez	DFL	296-7152
Kaohly Her	DFL	296-8799
John Huot	DFL	296-4306
Paul Marquart	DFL	296-6829
Joe McDonald	R	296-4336
John Petersburg	R	296-5368
Linda Runbeck	R	296-2907
Tou Xiong	DFL	296-7807

Committee Staff

Administrator:	Nathan Jesson	296-5524
Legislative Assistant:	Ellen Larson	296-5517

Senate Taxes Committee

The committee meets in Room 15 of the Capitol on Tuesdays, Wednesdays, and Thursdays at 8:30. The committee has 6 DFL members and 4 Republican members; you may e-mail Senate members using the following template:

sen.firstname.lastname@senate.mn.

Title (where applicable) and Name	Party	Phone
Chair: Roger Chamberlain	R	296-1253
Vice Chair: David Senjem	R	296-3903
DFL Lead: Ann Rest	DFL	296-2889
Paul Anderson	R	296-9261
Tom Bakk	DFL	296-8881
Kari Dziedzic	DFL	296-7809
Melisa Franzen	DFL	296-6238
Jeff Howe	R	296-2084
Jeremy Miller	R	296-5649
Eric Pratt	R	296-4123

Committee Staff

Administrator:	Brian Steinhoff	296-5640
Legislative Assistant:	Judith Donovan	296-4197

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"). 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 capital office's phone number's last four digits. All members' phones 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, 2019
- Property tax: Taxes levied in 2020, payable in 2021
- Sales tax: Sales and purchases made after June 30, 2020

HH 3389 (Marquart, DFL, Dilworth, 6829);

Makes various policy and technical changes to taxes on income, corporate franchises, partnerships, and property. Includes retroactive provisions for several types of taxation, including the definitions of partnerships relating to federal adjustments. Specifies that income from trading options, futures contracts, forward contracts, foreign currency transactions, and notional principal contracts, such as currency and equity swaps, are not included in the sales factor. Also makes changes to state aids for fire and police. Requires the state auditor to certify relief associations to the commissioner of revenue, and specifies penalties and reporting requirements to the commissioner for fire protection special taxing districts.

HF 3245 (Marquart, DFL, Dilworth, 6829);

Conforms Minnesota with federal income, corporate franchise, and estate taxation from the Further Consolidated Appropriations Act, 2020. Allows distributions from 529 college savings plans to be used for apprenticeship costs and student loan payments. Establishes special rules for early distributions from retirement plans due to damages sustained in federally declared disaster areas. Allows a deduction for casualty losses in federally declared disaster areas (removing the 10% threshold so that the entire loss can be deducted) and allows claims from non-itemizers. Removes the 60% AGI limit on the deductibility of disaster-related charitable contributions. Prohibits income tax collection actions related to these federal conformity provisions.

December passage of the federal "Consolidated Appropriations Act" contains the usual end-of-year federal extenders, plus some retirement related tax changes which will throw Minnesota income tax out-of-whack with federal adjusted gross income

HF 3567 (Carlson, A., DFL, Bloomington, 4218)

Makes various technical and policy changes to property taxes. Stipulates that the construction dates for wind energy conversion systems and solar energy generating systems will not change if the system is replaced, repaired, or otherwise altered for the purposes of the wind energy production tax. Also makes changes to state aids for fire and police. Requires the state auditor to certify relief associations to the commissioner of revenue, and specifies penalties and reporting requirements to the commissioner for fire protection special taxing districts.

The article on fire and police aid is identical to HF 3389 (Marquart)

Combinations of Taxes (Corporate and Individual Income)**HF 2947 (Davids, R, Preston, 9278);**

Provides for federal conformity of section 179 expensing for Minnesota individual and corporate tax regimes, retroactive for taxable year 2018. Provides forgiveness for failure-to-pay tax penalties and refunds for interest and penalties paid.

Section 179 conformity is the poster child for how good tax policy gets subordinated to everything else in government. Everyone knows this should be done – the House, Senate and Governor all included full conformity in their tax bills last year. But inevitably, the short-term cost conflicts with everything else lawmakers want to do with money that provides a much higher political return on investment.

HF 3023 (Marquart, DFL, Dilworth, 6829); SF 3168 (Eken, DFL, Twin Valley, 3205)

Recognizes certain gains or losses on like-kind exchanges over a period of years for income and corporate franchise taxes. Retroactive to 2017 with proposed author's amendment.

The TCJA added a new wrinkle to the section 179 conformity debate. Capital gains from like-kind exchanges are now taxable (before TCJA, section 1031 took care of this by rolling over basis into the purchased property and deferring gain, but now only real estate qualifies – surprise, surprise, surprise). Those capital gains could be offset by the Section 179 deductions on new equipment purchases, but if the full 179 deduction is not available in Minnesota, that means a potentially big tax bill for some Minnesotans. This is especially relevant to the state's already beleaguered farm community. If we can't get to full conformity this year, this idea is to spread out the capital gains from like-kind exchanges to mimic state treatment of section 179. In essence, this is "Plan B" should this year's attempt at full 179 conformity go down the drain again.

HF3136 (Swedzinski, R, Ghent, 5374); SF 3431 (Dahms, R, Redwood Falls, 8138)

Allows carryover of unused 179 expensing and bonus depreciation subtractions.

HF 3253 (Tabke, DFL, Shakopee, 8872)

Creates a revolving fund in the state treasury administered by the Minnesota Housing Finance Agency (MHFA) called the Minnesota housing tax credit contribution fund. The tax credit is limited to \$25 million annually. The tax credit is against individual income, corporate franchise, and insurance premium taxes; and the fund is for development of single and multifamily housing for low and moderate-income families. Credit will equal 90 percent of the amount contributed by the taxpayer (between \$100 and \$5 million) and cannot exceed taxpayer's liability in the year of contribution, however, excess can be carried forward over 10 years. Contribution must be certified by the MHFA and sent to the commissioner of revenue to ensure availability of funds before the credit can be claimed. Credit may not be used to calculate any other state income tax deduction or credit. Credits granted to partnerships, LLCs, S-corps, or multiple property owners must pass through to members on a pro rata basis. Allows use of funds for new construction, acquisition, rehabilitation, demolition, interest rate reduction, and several forms of financing and refinancing. Taxpayer may indicate that the contribution is intended for a specific qualified project, but may not contribute in consecutive years or own and live in the project. Any recapture or repayment is deposited back into the fund and is not returned to the contributing taxpayer. Annual reporting required.

This is modeled on North Dakota's Housing Incentive Fund which began in 2011 as a way to stimulate needed housing for service workers necessary to support population growth in lower population areas due to the oil boom. It has potential to meet unmet housing needs particularly, if not only, in Greater Minnesota. After reauthorizing biennially, this has become a permanent program in North Dakota and was funded again in 2019 at \$7.5 million. This legislation authorizes up to 90% of tax liability in Minnesota, while North Dakota authorizes 100% and appropriates from the general fund. With the exception of an appropriation for administrative costs, the Minnesota version is a tax expenditure rather than an appropriation which North Dakota contributors could receive in the same year as the tax liability.

Combinations of Taxes (Individual Income and Property)**HF 2079 (Sandell, DFL, Woodbury, 1147); SF 3237 (Clausen, DFL, Apple Valley, 4120)**

Establishes a state referendum replacement levy, which effectively adds the existing school district referendum tax rates to the tax base for the state general levy. Imposes a 10% tax on net capital gain income included in adjusted gross income. Imposes a 19.85% tax on any capital gain not recognized when a decedent's capital assets are passed to an heir. Exempts any capital asset with a fair market value of \$25,000 or less at the time of a decedent's death (if the property is classified as a homestead) and the first \$50,000 of such unrecognized gains from the proposed 19.85% tax. Eliminates the local optional revenue and aid, equity revenue

and aid, transition revenue and aid and referendum revenue and aid funding streams for school districts. Increases the basic education aid from \$6,312 per pupil in FY 19 to \$6,501 in FY 20 and to \$7,500 in FY 21, with CPI-based inflationary increases thereafter. Finances 90% of school districts' initial special education cross subsidy costs.

This major reconstruction and state takeover of education finance obligations begs the question – why even have local control at all? Putting aside the numerous tax policy ramifications – all magnified in the TCJA era – this proposal would even further weaken the increasingly fragile strands connecting responsibilities for raising revenue with responsibilities for managing costs (a.k.a. local accountability) in educational delivery. We file this under “be careful what you ask for.”

HF 3102 (Moran, DFL, St. Paul, 5158);

Prohibits property value increases on homeowners over 65 with income under \$60,000. Requires application to the county assessor and proof of age.

A bad idea for several reasons. First, it will shift tax burden onto everyone else, including lower-income homeowners who do not have the good fortune of having most of their income already exempt from state taxation. Second, it's another example of offering tax relief to specific property owner situations subject to changing eligibility conditions which makes efficient, effective property tax administration a headache at best and impossible at worst. Last, but certainly not least, Minnesota already has the most generous and accessible property tax refund program in the nation based on the relationship between income and amount of property taxes paid. The current refund program extends well above \$60,000 in income. In addition, Minnesota has a Senior Citizens Property Tax Deferral Program which allows deferment of property taxes above 3 percent of household income up to \$60,000 until the title is transferred.

Individual Income Taxes

HF 3291 (Poston, R, Lake Shore, 4293);

Expands the income tax credit for educational expenses to include fees or tuition by a qualified instructor: outside of the regular school day or school year; tutoring; driver's education offered as part of a school curriculum; summer camps that supplement curricula and instruction available during the regular school year; and Internet-accessible educational software that allows qualified instructor monitoring and direct communication with the student.

HF 3460 (Davids, R, Preston, 9278)

Increases the income tax credit for student loans from \$500 to \$1,000.

SF 2962 (Nelson, C., R, Rochester, 4848)

Allows an unlimited Social Security income tax subtraction.

It's a marriage of terrific politics and bad tax policy creating horrendous tax fairness problems. And what we have now is not double taxation. Congress tackled this issue in 1993 when Social

Security's actuaries determined that exempting 15% of benefits from taxation would address this very problem. In fact, that 15% estimate errs on the side of being a generous exemption for the vast majority of SS recipients. Following federal law does not mean double taxation. And with Minnesota's new subtraction – which exempts even more income – the double taxation argument is even further discredited. See our upcoming article in the January/February issue of Fiscal Focus for a more detailed analysis.

SF 3148 (Newton, DFL, Coon Rapids, 2556)

Allows an unlimited Social Security income tax subtraction.

Identical to SF 2962 (Nelson, C.); see comments.

SF 3188 (Chamberlain, R, Lino Lakes, 1253)

Provides an income tax exemption for income earned by a nonresident who performed employment duties: 1) in more than one state; 2) for 30 or fewer days in the taxable year; and 3) whose state of residence provides a substantially similar exclusion or does not impose an individual income tax. Not applicable to duties performed as an entertainer.

SF 3404 (Goggin, R, Red Wing, 5612)

Allows an unlimited Social Security income tax subtraction.

Identical to SF 2962 (Nelson, C.); see comments.

MinnesotaCare Taxes

HF 3062 (Daudt, R, Crown, 5364);

Repeals the gross revenues tax on hospitals and health care providers.

The retention of the provider tax in its slightly diminished form was the cornerstone of the 2019 budget agreement. It's not going away. This is a statement bill targeting the decision-making being made in November, not May.

Motor Vehicle Registration Taxes

HF 2935 (Lucero, R, Dayton, 1534);

Authorizes pro rata registration taxes on unused vehicles; requires certification by the owner of non-use; applies to most passenger automobiles, electric vehicles, motorcycles, motorized bicycles, recreational vehicles, commuter vans, trailers, farm trucks, trucks, tractors, combinations, and street sweeping vehicles.

HF 3547 (Tabke, DFL, Shakopee, 8872)

Changes the definition of base value for the motor vehicle registration tax. Eliminating the destination charge as part of the calculation for motor vehicle registration taxes and using suggested retail price and the determinations of licensed dealers. Except for data integrity purposes, the commissioner of transportation must not adjust the base value in subsequent registration periods.

A recommendation of the Vehicle Registration Task Force authorized by the 2019 Legislature; this change would promote equity in registration taxes based on the base value of the vehicle.

HF 3552 (Bahner, DFL, Maple Grove, 5502); SF 3278 (Sparks, DFL, Austin, 9248)

Directs the commissioner of transportation to design and issue special license plates for purple heart recipients who will be exempt from license plate fees and tab renewals.

Property Tax (except Aids, Credits, & Refunds; & TIF)**HF 3049 (Dettmer, R, Forest Lake, 4124); SF 3091 (Anderson, B., R, Buffalo, 5981)**

Specifies property owned by congressionally chartered veterans' organizations within Class 4c property will be exempt from property taxes if the qualifying conditions for 4c property are met. Requires the commissioner of veterans affairs to annually provide a list to the commissioner of revenue.

HF 3050 (Dettmer, R, Forest Lake, 4124); SF 3090 (Anderson, B., R, Buffalo, 5981)

Specifies property owned, leased, or rented by congressionally chartered veterans' organizations within Class 4c property will be exempt from property taxes if the qualifying conditions for 4c property are met. Requires the commissioner of veterans affairs to annually provide a list to the commissioner of revenue. Specifies record-keeping and filing requirements.

HF 3118 (Quam, R, Byron, 9236);

Authorizes the designation of business retention zones, where cities may choose to designate up to 30 percent of qualifying properties and reduce the estimated market value of those properties for the city levy. After application is made, a notice and public hearing is required and the city must act by resolution to approve or disapprove. Value reductions are limited to 15 years and may be shorter.

We suspect this is primarily intended to shift property tax burden away from the "downtown hardware store" and onto the big box retail establishment on the state highway coming into town. But homeowner property taxes would be affected by these zones as well. It (of course) introduces more administrative complexity which the property tax system absolutely does not need. It would, however, be a fascinating case study on whether local citizen support for small businesses extends beyond shopping behaviors to assuming some of their tax burden as well.

HF 3154 (Sundin, DFL, Esko, 4308); SF 3182 (Rarick, R, Pine City, 1508)

Increases the maximum levy rate for the Cloquet Area Fire and Ambulance Special Taxing District from 0.019 percent of estimated market value to 0.048 percent of estimated market value.

HF 3214 (Sundin, DFL, Esko, 4308); SF 3321 (Rarick, R, Pine City, 1508)

Authorizes levy authority for the Carlton County and Pine County soil and water conservation districts. Levy may not exceed 0.048 percent of district estimated market value or \$1 million, whichever is less. Requires a public hearing.

HF 3215 (Sundin, DFL, Esko, 4308); SF 3271 (Rarick, R, Pine City, 1508)

Requires levy amount for soil and water conservation districts to be stated separately on property tax statements.

SF 3239 (Clausen, DFL, Apple Valley, 4120)

Authorizes school districts to renew expiring referendums by action of the school board if 1) the per-pupil amount of referendum remains the same, 2) the term of renewal is no longer than the initial term approved by voters, and 3) the school board adopts a written resolution after a meeting that allows public testimony. Allows for reverse referendums to revoke board-renewal authority if petition is signed by 25 percent of registered voters.

SF 3347 (Senjem, R, Rochester, 3903)

Eliminates the 0.75% class rate for the first tier of 4d property (up to \$100,000) and sets the class rate for the entire market value at 0.25%. 4d property is qualifying low-income rental housing certified to the assessor by the Minnesota Housing Finance Agency.

Any baby steps in reducing the number of classes and class rates is a good start

Property Tax – Aids, Credits, & Refunds**HF 3114 (Quam, R, Byron, 9236);**

Establishes a senior citizens' property tax credit that provides for state reimbursement to local governments for resulting tax reductions. The credit is based on the difference between the value of the senior-owned home and the median market value of homes in that municipality. Application by homeowners is to the county auditor, who is then responsible to report the resulting tax reductions to the commissioner of revenue for certification. Once approved, the eligibility will continue for subsequent years. Local governments are then reimbursed for tax revenue reductions by the state general fund.

Variations on the theme of senior tax relief. See comment to HF 3102. It all applies here as well.

HF 3511 (Freiberg, DFL, Golden Valley, 4176)

Ensures that no city can receive a reduction in the amount of local government aid (LGA). Makes the 2019-2020 one-year provision permanent.

We get the frustration with aid unpredictability, but this runs counter to the idea that cities will change and evolve in their "neediness" and that the state has other spending obligations and needs of its own that just may need to take priority over subsidizing local tax prices for city operations.

Property Tax – Tax Increment Financing**HF 3022 (Hamilton, R, Mountain Lake, 5373);**

Extends the rule that activities must occur in 5 years from the opening of a TIF district to 10 years for districts No. 1-8 in Mountain Lake.

HF 3167 (Cantrell, DFL, Savage, 4212); SF 3364 (Hall, R, Burnsville, 5975)

Establishes special rules under which Burnsville may operate TIF redevelopment district(s), limited to the parcels comprising the Burnsville Center mall and adjacent roads and right-of-way. Upon opening, the district(s) are deemed to meet all requirements of a redevelopment district. The district(s) will not be subject to redevelopment district rules that: 1) limit expenditures outside the district and 2) require 90 percent of the revenues to be used to finance costs of correcting conditions that led to a redevelopment designation. Instead, increments may be used for construction and acquisition of property for a bridge, tunnel or other connectors from the property.

Sales Tax

All bills authorizing local sales taxes include the following provisions unless otherwise noted:

- Must be approved by voters in a general election.
- Bonds issued do not impact debt and levy limits.
- Any funds remaining must be deposited in the city or county general fund.

HF 2931 (Layman, R, Cohasset, 4936); SF 3345 (Eichorn, R, Grand Rapids, 7079)

Authorizes the city of Grand Rapids to impose by ordinance a sales tax of 1 percent to finance up to \$10.98 million for improvements to the Grand Rapids IRA Civic Center.

HF 2952 (Garofalo, R, Farmington, 1069);

Providing a sales tax exemption for burial site goods (headstones and footstones).

HF 2955 (O'Neill, R, Maple Lake, 5063); SF 2968 (Anderson, B., R, Buffalo, 5981)

Exempts construction materials from the sales tax for a fire station in the city of Buffalo. Purchases must be between April 30, 2020 and November 1, 2021.

HF 2956 (Lueck, R, Aitkin, 2365); SF 2992 (Ruud, R, Breezy Point, 4913)

Authorizing the city of Crosslake to impose a one-half percent sales tax to fund sewer system and treatment expansion. Termination of tax is 15 years or when city has received \$4.8 million to fund projects.

Does not include approval by voters

HF 2980 (Gruenhagen, R, Glencoe, 4229); SF 3040 (Newman, R, Hutchinson, 4131)

Providing a retroactive sales tax exemption for purchase of an integrated warehousing and logistical storage and retrieval system. Written for a specific purchase by a specific company.

HF 3004 (Noor, DFL, Minneapolis, 4257); SF 3010 (Dziedzic, DFL, Minneapolis, 7809)

Clarifies the sales tax on prewritten computer software to include transferred and "delivered" electronically.

HF 3134 (Xiong, T., DFL, Maplewood, 7807); SF 2955 (Wiger, DFL, Maplewood, 6820)

Authorizes the city of Oakdale to establish a half-percent sales tax to fund a new public works facility (\$15 million) and expansion of the police department facility (\$12 million). The tax is terminated at 20 years or \$27 million in funding.

Does not include approval by voters

HF 3155 (Sundin, DFL, Esko, 4308); SF 3037 (Rarick, R, Pine City, 1508)

Authorizes Carlton County to establish a half-percent sales tax to fund construction of a new law enforcement center and jail serving a regional female offender program. The tax is terminated at 20 years or \$40 million in funding.

HF 3178 (Nelson, N., R, Hinckley, 0518);

Provides a sales tax exemption for propane tanks of 100 gallons or more when purchased by the user of the tank.

HF 3258 (Gunther, R, Fairmont, 3240); SF 3145 (Rosen, R, Vernon Center, 5713)

Provides a sales tax exemption for senior living and care facility organizations that charge recipients based on their ability to pay.

HF 3278 (Carlson, L., DFL, Crystal, 4255); SF 2987 (Rest, DFL, New Hope, 2889)

Provides a sales tax exemption for construction materials to build a new police station in the city of Crystal.

HF 3279 (Layman, R, Cohasset, 4936); SF 3082 (Eichorn, R, Grand Rapids, 7079)

Provides a refundable sales tax construction exemption for the Grand Rapids civic center.

HF 3280 (Layman, R, Cohasset, 4936); SF 3083 (Eichorn, R, Grand Rapids, 7079)

Provides a refundable sales tax construction exemption for a Grand Rapids fire station.

HF 3281 (Grossell, R, Clearbrook, 4265); SF 2932 (Utke, R, Park Rapids, 9651);

Provides a sales tax exemption for construction and improvement of the Lake of the Woods International Arena (ice arena) by the nonprofit arena board.

HF 3320 (Huot, DFL, Rosemount, 4306); SF 3233 (Clausen, DFL, Apple Valley, 4120)

Exempts fundraising sales by elementary and secondary school student organizations from the sales tax for sports, educational, or other extracurricular activity if the school district reserves that revenue for that activity only.

HF 3362 (Sandstede, DFL, Hibbing, 0172); SF 3052 (Chamberlain, R, Lino Lakes, 1253)

Exempts fundraising sales by elementary and secondary school student organizations from the sales tax for sports, educational, or other extracurricular activity if the school district reserves that revenue for that activity only.

Identical to HF 3320 (Huot).

HF 3403 (Persell, DFL, Bemidji, 5516); HF 3346 (Eichorn, R, Grand Rapids, 7079)

Authorizes the city of Bemidji to impose a sales tax of one-half percent to fund 1) \$8 million for a new, upgraded, municipal water treatment plant, 2) \$10 million for expansion and improvements to the existing municipal waste water treatment plant, and 3) \$9 million for capital repair and replacement costs for the Sanford Event Center. Termination of tax is 10 years or when the city council determines that the amount received is sufficient to pay project and related bond issuance costs.

HF 3415 (Heintzeman, R, Baxter, 4333); SF 3200 (Eichorn, R, Grand Rapids, 7079)

Provides a sales tax holiday for school supplies over the seven days prior to Labor Day. Defines school supplies.

Sales tax holidays are one of those rare topics in which experts from both the left and the right find common ground: they are bad tax policy. Research has found sales tax holidays just trigger shifts in the timing of spending. Although holidays are often pitched as measures that provide assistance to the poor, other studies show the most significant increases in consumption come from the wealthiest households. The cost benefit analysis (forgone revenue compared to individual savings realized) is poor and the compliance costs for small business can be a burden. More and more states are dumping their holidays.

HF3416 (Heintzeman, R, Baxter, 4333); SF 3220 (Eichorn, R, Grand Rapids, 7079)

Provides for sales tax holidays for certain firearms seven day prior to open deer hunting season and certain fishing equipment for seven days prior to open season for angling.

Where should it ever stop? Why shouldn't Titleists be tax free in April?

HF 3546 (Lien, DFL, Moorhead, 5515); SF 3464 (Eken, DFL, Twin Valley, 3205)

Authorizes the city of Moorhead to impose a sales tax of one-half percent to fund 1) \$25 million for a regional community and aquatics center, 2) \$25.3 million for a regional library and city hall complex, 3) \$75.5 million for regional transportation improvements, 4) \$1 million for construction and equipping a regional playground, and 5) \$4.7 million for construction and renovation of regional trails. Termination of tax is December 31, 2048, or when the city council determines that the amount received is sufficient to pay project and related bond issuance costs.

HF 3559 (Layman, R, Cohasset, 4936); SF 3446 (Eichorn, R, Grand Rapids, 7079)

Authorizes Itasca County to impose a sales tax of one percent to raise up to \$75 million for new construction and upgrades to correctional facilities, court facilities and county offices. Termination of tax is 30 years, or when the county board

determines that the amount received is sufficient to pay project and related bond issuance costs.

HF 3560 (Brand, DFL, St. Peter, 8634);

Authorizes the city of St. Peter to impose a sales tax of one-half percent to raise \$9.1 million for construction of a new fire station. Termination of tax is 40 years, or when the city council determines that the amount received is sufficient to pay project and related bond issuance costs.

HF 3561 (Fischer, DFL, Maplewood, 5363); SF 3370 (Wiger, DFL, Maplewood, 6820)

Exempts construction materials from the sales tax for a new fire station and emergency management center in Maplewood. Include surrounding access and lighting improvements.

Tobacco Taxes

HF 3457 (Schultz, DFL, Duluth, 2228)

Establishes a tobacco prevention and cessation account in a special revenue fund that appropriates \$15 million in tobacco taxes annually to the commissioner of health.

EDUCATION – FINANCE

SF 3312 (Nelson, C., R, Rochester, 4848)

Amends uses of the safe school levy to include costs associated with purchasing, installing and maintaining devices that detect vapor.

ELECTIONS

HF 3068 (Dehn, DFL, Minneapolis, 8659); SF 2986 (Rest, DFL, New Hope, 2889);

Allows voters to request that their data be excluded from the presidential nomination primary voter list. Data may only be used to verify compliance with applicable national party rules governing the nomination.

HF 3217 (Scott, R, Andover, 4231);

Prohibits the collection of political party data by Secretary of State, county auditors, or any other election officials related to the administration of a presidential primary. Prior data must be destroyed within 10 days of effective date.

HF 3333 (Long, DFL, Minneapolis, 5375);

Proposes a constitutional amendment for the 2020 election stating that elections shall be free, fair and equal and that no civil or military power shall interfere with exercising the right to vote.

HF 3365 (Elkins, DFL, Bloomington, 7803); SF 3380 (Jensen, R, Chaska, 4837)

Authorizes cities, counties, school districts and townships to adopt ranked choice voting. Adoption may occur either through ordinance or resolution by the local government, or through a ballot question presented to voters. Authority may be repealed by the same methods. Establishes procedures for adoption and implementation of ranked choice voting.

HF 3405 (Stephenson, DFL, Coon Rapids, 5513); SF 3199 (Klein, DFL, Mendota Heights, 4370)

Prohibits contributions by foreign-influenced corporations to political campaigns. Defines foreign-influenced corporations as meeting at least one of the following conditions: 1) a single foreign owner holds 1 percent or more of total equity, outstanding voting shares, or membership units; 2) two or more foreign owners in aggregate hold more than 5 percent of same; or 3) a foreign owner participates directly or indirectly in the corporation's decision-making with respect to U.S. political activities. Defines foreign investors to include foreign governments, political parties organized in a foreign country, partnerships, associations, corporations, and individuals who are not admitted for permanent residence in the United States. Requires certification to the Campaign Finance and Public Disclosure Board by the donating corporation that it was not a foreign-influenced corporation.

SF 3055 (Abeler, R, Anoka, 3733)

Allows voters to request that their data be excluded from the presidential nomination primary voter list. Data may only be used to verify compliance with applicable national party rules governing the nomination.

Identical to HF 3068/SF 2986 (Dehn/Rest).

SF 3385 (Koran, R, North Branch, 5419)

Prohibits political subdivisions from establishing or enforcing ranked-choice voting.

SF 3439 (Cwudzinski, DFL, Eden Prairie, 1314)

Allowing individuals under 18 to vote in a primary if they will be 18 and meet all other eligibility requirements for voting when the general election takes place.

STATE AND LOCAL GOVERNMENT**HF 2961 (West, R, Blaine, 4226);**

Authorizing a two-day suspension without pay for a state employee who willfully fails to notify the legislative auditor of misuse of public money or resources.

HF 3119 (Quam, R, Byron, 9236);

Establishes the state agency value initiative (SAVI) to encourage innovation and cost savings. Agencies that choose to participate may retain 50 percent of unspent appropriations due to innovation, efficiencies and creative cost savings for agency operations, and carry it forward for mission-specific agency proposal to projects that do not create future budget obligations beyond retained savings. Participating agencies must establish peer review process and panels that are balanced between department employees credited with cost-saving initiatives and department management. Approval of projects is through the commissioner of management and budget who requests review and recommendation by the Legislative Advisory Commission. Requires a SAVI-dedicated account or special revenue fund within the department.

HF 3113 (Torkelson, R, Hanska, 9303); SF 3232 (Jasinski, R, Faribault, 0284)

Provides a onetime subtraction for deputy registrar reimbursement grants.

We presume this is to help registrars who were left in the lurch from the MNLARS debacle.

HF 3237 (Freiberg, DFL, Golden Valley, 4176); SF 2984 (Rest, DFL, New Hope, 2889);

Amends the Minnesota Constitution. Entering into the Agreement Among the States to Elect the President by National Popular Vote.

HF 3267 (Schomacker, R, Luverne, 5505);

Directs the legislative auditor to contract with a third-party vendor to conduct a comprehensive program and financial audit of the Department of Human Services.

HF 3287 (Kresha, R, Little Falls, 4247); SF 3286 (Jasinski, R, Faribault, 0284)

Requires municipalities to publish notice of any gift or grant in excess of \$50,000. Notice must occur at least 14 days before the meeting where the local government will vote to accept the gift. The notice must include identification of the donor/grantor, value of the gift, intended use, and any conditions to which the local government must agree.

SF 3080 (Jensen, R, Chaska, 4837)

Proposes a constitutional amendment to limit Minnesota legislators to 16 years (8 House terms; 4 Senate terms) and the Governor to two terms (8 years).

SF 3407 (Rosen, R, Vernon Center, 5713)

Establishes the stadium payoff fund in the state treasury. Requires commissioner of management and budget to operate fund and consult with the Legislative Advisory Commission to transfer balances. Requires the commissioner to report annually to the legislature the amount of actual and projected payoff of balance transfers. Authorizes the commissioner to add up to \$20 million each year from taxes imposed if available revenues are deemed insufficient.

TRANSPORTATION**HF 3019 (Drazkowski, R, Mazeppa, 2273); SF 2981 (Goggin, R, Red Wing, 5612)**

Proposes a constitutional amendment to include cities under 5,000 in the formula for municipal state-aid street funds. Amendment would be on the 2020 ballot.

Smaller cities in Minnesota are often large recipients of local government aid (LGA) from the state. There are 187 Minnesota cities that actually receive more in LGA than they raise through their property tax levy. Of these 187 cities, 175 of them are under 5,000 in population. We would like to see some assessment of need compared to cities over 5,000 before considering this amendment.

TAX ADMINISTRATION/GENERAL POLICY**HF 3496 (Youakim, DFL, Hopkins, 9889); SF 3320 (Rest, DFL, New Hope, 2889)**

Appropriates \$175,000 for a Free Filing Report to be conducted by the Department of Revenue. Minimum requirements for the report include: a review of options in other states; assessment of taxpayer needs; analysis of alternative options to provide free filing; and an analysis of IRS Free File Program usage. Directs the commissioner to survey tax preparation software vendors about system development, capability, security and cost; and about income thresholds for free filing, providing and maintaining appropriate links with IRS and MN DOR, and ensuring that taxpayer return information is maintained and protected as required.

SF 3290 (Chamberlain, R, Lino Lakes, 1253)

Directs the Department of Revenue to establish and implement a program for issuing private letter rulings to provide taxpayers with guidance as to how it will apply state law to a particular situation involving the taxpayer. The ruling is binding if: 1) there was no misstatement or omission of fact in the application or materials provided, 2) subsequently developed facts are not materially different from the facts on which the case was based, 3) All applicable statutes, rules and laws have not changed, and 4) the taxpayer acted in good faith in applying for and relying on the ruling. Broadens DOR's authority to decline to impose tax penalties or abate them. Rulings have no precedential effect for other taxpayers. Department must redact information that permits identification and publish on website. Requires biennial legislative report. Appropriates an undetermined amount of money to pay for the private letter ruling program.

This is the skeleton of last year's bi-partisan bill from Sen. Chamberlain and Rep. Lislegard (HF1663/SF1537) and does not include much of the former's specificity. Only the basic provisions for: establishment; application and fees; effects of the ruling; public access; and legislative reporting remain. The Department's recurring argument against PLRs – and other potential administrative changes that might be considered part of a "Taxpayers Bill of Rights" – has been the need to preserve equity in tax administration. Programs like this, they have argued, are only accessible to taxpayers with substantial resources. Yet, Revenue has for some time now placed a heavy emphasis on thinking about and treating taxpayers as its "customers". Ask any businessperson and he/she will tell you it is essential to take very good care of your biggest customers – which in this case includes the large multistate and multinational businesses that provide such large shares of business tax revenue to the state. Providing greater predictability and certainty for their decision-making in the highly complex tax situations they frequently face is an important pursuit and should not be viewed as preferential treatment. In our view, this isn't favoritism, just smart tax administration.