

**2023 INDIVIDUAL INCOME AND CORPORATE
FRANCHISE TAX
LEGISLATIVE BULLETIN**



Appeals, Legal Services, and Disclosure Division
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FINAL

INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES

Beginning farmer program tax credit. Minn. Stat. § 41B.0391, subs. 1, 2, 4, 6, and 7, were amended by adding the definition of “emerging farmer” within the meaning of section 17.055, subd. 1. Removes the prohibition on sales between spouses and family members for qualifying sales of agricultural land. Increases the credit rate for agricultural assets from five percent to eight percent (or 12 percent for emerging farmers) and increases the maximum credit for these sales from \$32,000 to \$50,000. Increases the credits that can be allocated from \$6,000,000 to \$6,500,000 for tax year 2023 and decreases the annual credit after tax year 2023 from \$6,000,000 to \$4,000,000. Cancels credits authorized but not allocated before tax year 2023. Requires that 50% of newly allocated credits be allocated to emerging farmers, but if such credits are not allocated by September 30 of a taxable year, are reallocated to other applicants. The Rural Finance Authority must report to the legislature the number of beginning farmers and, to the extent available, emerging farmers. Moves the sunset date from taxable years beginning after 2023 to tax year 2030. The changes to the report to the legislature are effective May 25, 2023, and the remaining sections are effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, §§ 1-5.

Angel investment credit. Minn. Stat. § 116J.8737, subs. 5 and 12, were amended to allocate \$5,000,000 in credits for tax years 2023 and 2024. The reporting requirements were adjusted accordingly. The changes for the reporting requirements are effective May 25, 2023, and the remaining changes are effective for taxable years beginning after December 31, 2022. The expired provisions of Minn. Stat. § 116J.8737, subs. 1 to 9, 11, and 12, as amended by Minn. Laws 2021, First Special Session Ch. 14, Art. 1, §§ 1 and 2, and §§ 6 and 7, are revived and reenacted. The expired provisions of Minn. Stat. § 290.0692, are revived and reenacted. 2023 Minn. Laws, Ch. 64, Art. 1, §§ 6, 7 and 51.

Film production credit. Minn. Stat. § 116U.27, subs. 1, 4, and 7, were amended to modify the definition of “film project” to allow the \$1,000,000 expenditure threshold to apply in any 12-month period instead of a taxable year. Also modified the definitions of “allocation certificate” and “credit certificate” to mean receipt and/or approval of initial applications and cost verification reports. Increased the annual allocation for the film credit from \$4,950,000 per year to \$24,950,000 per year and makes a conforming change due to the effective date. Requires taxpayers to provide documents required by the commissioner upon approval of the cost

verification report. Moves the sunset date from tax year 2025 to tax year 2031. Effective for allocation certificates issued after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, §§ 8-10.

Sexual harassment or abuse settlement subtraction; payment as severance or wages prohibited. Minn. Stat. § 181.141 was created to prohibit a financial settlement between employer and employee for sexual harassment or abuse from being provided as wages or severance pay. Effective May 25, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 11.

Long-Term services and supports and nursing home workforce incentive grants; subtractions; income definitions. Minn. Stat. §§ 256.4764 and 256.4766 were created to provide a grant program to facilitate the recruitment and retention of direct health care support professionals such as nurses, personal care assistants, home care services providers and nursing home workers respectively. The grants may be made to defray postsecondary loan and tuition payments, childcare costs, transportation costs etc. Eligible workers providing long-term care services may receive up to \$1,000 per year, and eligible nursing home workers may receive up to \$3,000 per year. Subdivision 8 in both sections allows a subtraction for these grant payments in the determination of Minnesota taxable income under section 290.0132. The payments are also excluded from the definitions of income used to determine eligibility for the Minnesota education credit in section 290.0674 and the property tax refund in Chapter 290a. Both grant programs are effective July 1, 2023. 2023 Minn. Laws, Ch. 61, Art. 1, § 10 and 2023 Minn. Laws, Ch. 74, § 1.

Composite income tax returns for nonresident partners, shareholders, and beneficiaries. Minn. Stat. § 289A.08, subd. 7, was amended to remove the definition of income from the tax administration chapter for purposes of composite income tax returns. The definition was moved to Minn. Stat. § 290.01, subd. 19(h). The investment income tax liability, of a partner must be calculated under section 290.033. Effective for taxable years beginning after December 31, 2023. 2023 Minn. Laws, Ch. 64, Art. 1, §§ 12 and 13.

Pass-through entity tax. Minn. Stat. § 289A.08, subd. 7a, was amended to move the definition of income for the pass-through entity tax into section 290.01, subd. 19(i). The section was also amended to state how a qualifying owner of a qualifying entity must allocate income to this state. It was also clarified that a limited liability company must be taxed as a partnership or S-Corp for it to be a qualifying entity. Lastly, changes were made to allow entities that have both qualifying owners and non-qualifying owners to be eligible to qualify for the pass-through entity tax credit. Any qualifying owners must calculate their net investment tax under section 290.033. The net investment tax section is effective for taxable years beginning after December 31, 2023; and the balance of the changes are effective for tax years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 14.

Reporting and payment requirements for partnerships and tiered partners. Minn. Stat. § 289A.382, subd. 2, was amended to clarify that all direct partners must file an amended return and pay any additional amounts in the case of federal audit changes. Effective retroactively for taxable years beginning after December 31, 2020. 2023 Minn. Laws, Ch. 64, Art. 1, § 15.

Nonresident withholding tax refund. Minn. Stat. § 289A.50 was amended to add a new subd.

3a, to clarify that when there is an overpayment of nonresident withholding tax by a partnership or S corporation, a refund allowable under that section to the payor is limited to the amount of the overpayment that was not deducted and withheld from the shares of the payor's partners or shareholders. Effective May 25, 2023. 2023 Minn. Laws, Ch 64, Art. 16, § 1.

Electric-assisted bicycle rebate. A new section 289A.51, creates a program to issue a one-time rebate to a qualifying resident individual taxpayer for the purchase from an eligible retailer of a qualifying electric-assisted bicycle (“e-bike”). An eligible taxpayer is a resident individual or married filing joint taxpayer who is 15 years or older who is not claimed as a dependent on another's return. The amount of the rebate is limited based on the adjusted gross income of the qualifying taxpayer and the cost of the qualifying e-bike. The amount of the rebate is 75% of the eligible expenses of the e-bike, but is reduced 1% for each \$4,000 the taxpayer makes over \$25,000, or \$50,000 for those married filing joint, until it reaches 50%, or \$125,000 for individuals and \$150,000 for those who are married filing joint. The maximum rebate is \$1,500. An eligible retailer is one that has applied to and been certified by the Department of Revenue. A rebate is claimed by a taxpayer in an application submitted to the Department of Revenue before purchasing a qualifying e-bike. In response to the application for a rebate, the Department will issue a rebate certificate that can be provided to an eligible retailer when purchasing a qualifying e-bike. The retailer in turn can seek payment of the rebate from the Department by submitting the rebate certificate. A maximum of \$2,000,000 in certificates may be issued in each of the years 2024 and 2025 on a first-come first served basis. A rebate certificates expire two months after it is issued and an eligible retailer that is assigned a certificate must apply for the rebate within one month of the purchase date. A total of \$4,000,000 is appropriated in fiscal year 2024 and available until June 30, 2026, for rebates under the program. Effective July 1, 2023. 2023 Minn. Laws, Ch. 68, Art. 3, § 1.

Net Income definition. Minn. Stat. § 290.01, subd. 19, was amended to include definitions of “income” for both the composite tax and the pass-through entity tax. Effective for taxable years beginning after December 31, 2022. Effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 16.

Adjusted gross income. Minn. Stat. § 290.01, subd. 21a, was amended to provide a new paragraph (b) to make clear that, when computing federal adjusted gross income for purposes of deductions and credits, a taxpayer that is a member, shareholder, or partner of a pass-through entity that elected to pay the pass-through entity tax must not take any deduction for “specified income tax payments” as defined in IRS Notice 2020-75. Effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 17.

Itemized deductions limited; inflation adjustment. Minn. Stat. § 290.0122, subd. 2, was amended to limit a taxpayer's itemized deductions by reducing the amount allowable by three percent of a taxpayer's adjusted gross income over \$220,650 but not over \$304,970 and by an additional ten percent of the taxpayer's adjusted gross income over \$304,970. The most a taxpayer's itemized deduction may be reduced is the lesser of the adjusted gross income calculation or 80% of the taxpayer's itemized deductions. Taxpayers married filing separately will reduce these adjusted gross income amounts by one-half. For all taxpayers with an adjusted gross income over \$1,000,000, the taxpayer's itemized deductions are reduced by 80 percent.

The adjusted gross income thresholds will be adjusted for inflation under Minn. Stat. § 270C.22. Effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 18.

Standard deduction limited. Minn. Stat. § 290.0123, subd. 5, was amended to limit a taxpayer's standard deduction by reducing the amount allowable by three percent of a taxpayer's adjusted gross income over \$220,650 but not over \$304,970 and by an additional ten percent of the taxpayer's adjusted gross income over \$304,970. The most a taxpayer's standard deduction may be reduced is the lesser of the adjusted gross income calculation or 80% of the taxpayer's standard deduction. Taxpayers married filing separately will reduce these adjusted gross income amounts by one-half. For all taxpayers with an adjusted gross income over \$1,000,000, the taxpayer's standard deductions are reduced by 80 percent. Effective for taxable years beginning after December 31, 2023. 2023 Minn. Laws, Ch. 64, Art. 1, § 19.

Standard deduction inflation adjustment. Minn. Stat. § 290.0123, subd. 6, was amended to update the inflation adjustment to be made to the amount of adjusted gross income used in calculating the standard deduction under section 290.0123. Effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 20.

Foreign-derived intangible income. Amends Minn. Stat. § 290.0131, subd. 17, to clarify that the full amount of income deducted under section 250 of the Internal Revenue Code must be added to Minnesota taxable income. Effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 21.

Education expenses subtraction. Minn. Stat. § 290.0132, subd. 4, was amended to update cross-references to amended definitions in the Minnesota education credit in section 290.0674. Effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 22.

Student loan discharges subtraction. Minn. Stat. § 290.0132, subd. 24, was amended to allow a subtraction for a qualified student loan discharge and permanently adopt the American Rescue Plan Act exclusion for discharged student loans (section 9675 of Public Law 117-2). Effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 23.

Social Security benefits subtraction. Minn. Stat. § 290.0132, subd. 26, was amended to create two methods to determine a taxpayer's subtraction for social security benefits. A taxpayer's subtraction is equal to the greater amount calculated under the two methods.

The "simplified method" allows a subtraction for the amount of taxable social security benefits reduced by ten percent for each \$4,000 of adjusted gross income in excess of \$100,000 for a married taxpayer filing a joint return or surviving spouse, or \$78,000 for a single or head of household taxpayer. For a married taxpayer filing a separate return, the amount of the subtraction is reduced by ten percent for each \$2,000 of adjusted gross income in excess of \$50,000.

The "alternative method" allows a subtraction equaling the lesser amount of taxable

social security benefits or a maximum subtraction. The maximum subtraction, for married filers, is \$5,840 reduced by 20 percent of provisional income over \$88,630. For single or head-of-household taxpayers, the maximum subtraction is \$4,560 reduced by 20 percent of provisional income over \$69,250. Married taxpayers filing separate returns will use one-half of the maximum credit and provisional income phaseout threshold provided for married joint filers. Effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 24.

Deferred foreign income. Minn. Stat. § 290.0132, subd. 27, was amended to make it clear that income included because of section 965 of the Internal Revenue Code must be subtracted from Minnesota taxable income. Effective May 25, 2023. 2023 Minn. Laws, Ch. 64, Art. 1, § 25.

Qualified retirement benefits subtraction. Minn. Stat. §290.0132 was amended to create a subd. 34, allowing a subtraction for the amount of a qualified public pension income based on service for which the recipient or survivor is not also receiving Social Security benefits. The subtraction is limited to \$25,000 for a married taxpayer filing a joint return or surviving spouse, \$12,500 for all other filers. The amount of the subtraction is reduced by ten percent for each \$2,000 of adjusted gross income above \$100,000 for a married taxpayer filing a joint return or surviving spouse, and \$78,000 for a single or head of household taxpayer. Married taxpayers filing separate returns will use one-half of the maximum subtraction and phaseout threshold provided for married joint filers. The subtraction limits and phaseout thresholds are annually adjusted under section 270C.22. Taxpayers with eligible qualified pensions include members of the State Patrol Retirement Plan, members of the legacy Legislators Retirement Fund, certain legacy members of the Public Employee Retirement Association (PERA) General Plan, legacy members of the Minneapolis Employees Retirement Fund, members of the PERA Police & Fire Plan, certain legacy members of the Teacher Retirement Association, certain legacy members of the St. Paul Teachers Retirement Fund Association, and certain legacy members of the PERA Correctional Employees Retirement Fund. Effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 26.

Damages for sexual harassment or abuse subtraction. Minn. Stat. § 290.0132, was amended to create a new subd. 35, allowing a subtraction for amounts received as damages under a sexual harassment or abuse claim which were not already excluded from federal adjusted gross income. Effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 27.

Deferred foreign income; special deductions. Minn. Stat. § 290.0133, subd. 6, was amended to remove the addition for section 965 of the Internal Revenue Code income, because the full amount of section 965 income is subtracted from Minnesota taxable income under the contemporaneous amendment to section 290.0134, subd. 18. This section is effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 28.

Deferred foreign income. Minn. Stat. § 290.0134, subd. 18, was amended to clarify that any amount of income included under section 965 of the Internal Revenue Code is a subtraction from Minnesota taxable income. This section is effective May 25, 2023. 2023 Minn. Laws, Ch. 64, Art. 1, § 29.

Net investment income tax. A new net investment tax was created in Minn. Stat. § 290.033. A tax of one percent on net investment income is imposed over \$1,000,000. Net investment income is income as defined by section 1411(c) of the Internal Revenue Code. The net investment income tax is in addition to the tax under section 290.06, subdivision 2c. Individuals who are not a Minnesota resident for the entire year must calculate the tax as if a full year resident and multiply that by the ratio of net investment income allocable to Minnesota over the total amount of the taxpayer's net investment income for that taxable year. For estates and trusts, the ratio is the amount of net investment income allocable to Minnesota over net investment income everywhere. This section is effective for taxable years beginning after December 31, 2023. 2023 Minn. Laws, Ch. 64, Art. 1, § 30.

Credit for taxes paid. Minn. Stat. § 290.06, subd. 22, was amended to create new para. (m), to allow a credit so that a sole member of an entity disregarded for income tax purposes can receive credit for tax on net income paid by the entity in another state because that state does not disregard the entity. As of this publication, this applies to the states of New Hampshire and Tennessee. Effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 16, § 3.

Refund of contributions to political parties and candidates. Minn. Stat. § 290.06, subd. 23, was amended to increase the maximum refund amounts from \$50 to \$75 for individuals and from \$100 to \$150 for married couples filing jointly. Effective January 1, 2024, and applies to refunds for contributions made in calendar year 2024 and thereafter. 2023 Minn. Laws, Ch. 64, Art. 1, § 31.

Pass-through entity tax paid to another state. Minn. Stat. § 290.06 was amended to add a new subd. 23a, to provide that a qualifying owner of a pass-through entity may receive a credit for pass-through entity tax paid to another state. This section expires at the same time and on the same terms as provided in section 164(b)(6)(B) of the Internal Revenue Code, except that the expiration does not impact the commissioner's authority to examine and assess credits claimed. Effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 32.

Film production credit. Minn. Stat. § 290.06, subd. 39, was amended to extend the sunset of the film production credit from January 1, 2025 to January 1, 2031. Effective May 25, 2023. 2023 Minn. Laws, Ch. 64, Art. 1, § 33.

Minnesota child tax credit. Minn. Stat. § 290.0661 was created to allow a credit to resident taxpayers of \$1,750 per qualifying child. In order to qualify the taxpayer must also be eligible for the working family credit under Minn. State. § 290.0671, except for taxpayers with earned income insufficient to otherwise qualify. The credit is reduced, jointly with the working family credit, by 12 percent of earned income or adjusted gross income above \$35,000 for a married taxpayer filing a joint return, \$29,500 for all other filers. The credit for part year residents is equal to the credit otherwise calculated times the percentage calculated under section 290.06, subd. 2c, para. (e). The credit amount and phaseout thresholds are adjusted annually for inflation. The commissioner may establish a process to provide advance payments of the credit.

Effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 34.

Amount of credit. Minn. Stat. § 290.067, subd. 1, was amended to a strike cross reference to the income modification provision “290.0132, subdivision 10.” which expired in 2016. Effective July 1, 2023. 2023 Minn. Laws, Ch. 25, § 155.

Dependent care credit. Minn. Stat. § 290.067, subd. 1, was amended to allow all filers, including unmarried taxpayers, with a newborn child who do not have dependent care expenses to claim a refundable tax credit (the “newborn credit.”) The credit deems the taxpayer to have paid the maximum amount of expenses for one dependent for the purposes of the credit. Effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 35.

Working family credit. Minn. Stat. § 290.0671, subd. 1, was amended to strike reference to the income modification provision “290.0132, subdivision 10.” expired in 2016. Effective July 1, 2023. 2023 Minn. Laws, Ch. 25, § 156.

Working family credit. Minn. Stat. § 290.0671, was amended to change the working family credit to equal four percent of the first \$8,750 of earned income for the taxpayer. The credit amount is increased by \$925 for a taxpayer with one qualifying older child, \$2,100 for a taxpayer with two qualifying older children, or \$2,500 for a taxpayer with three or more qualifying older children. The credit eligibility is expanded to individuals with individual taxpayer identification numbers or adoption taxpayer identification numbers. The commissioner is no longer required to construct tables showing the amount of the credit. Effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 36.

Minnesota education credit. Minn. Stat. § 290.0674, was amended to change the income measure used to phase out the credit from household income to adjusted gross income and increased the phaseout threshold from \$33,500 to \$70,000. The phaseout threshold will be annually adjusted for inflation. The maximum credit per qualifying child was increased from \$1,000 to \$1,500. The section was also amended to make technical changes to clarify which expenses qualify for the credit. Effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 37.

Credit allowed; current military service. Minn. Stat. § 290.0677, subd. 1, was amended to strikes paragraphs (a) and (c). These paragraphs, now obsolete, provided certain credit amounts periods prior to 2009. Effective July 1, 2023. 2023 Minn. Laws, Ch. 25, § 157.

Credit allowed; current military service. Minn. Stat. § 290.0677, subd. 1, was amended to provide that the credit is available per calendar year instead of per taxable year. Effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 38.

Military service credit; definitions. Minn. Stat. § 290.0677, subd. 2, was amended to change a cross-reference to the Internal Revenue Code from “61” to “62” for the definition of “Adjusted gross income.” Effective August 1, 2023. 2023 Minn. Laws, Ch. 25, § 158.

Credit for increasing research activities. Minn. Stat. § 290.068, subd. 3(a), was amended to remove obsolete language related to the taxable years beginning after December 31, 2009, and before January 1, 2013. Effective August 1, 2023. 2023 Minn. Laws, Ch. 25, § 159.

Historic structure rehabilitation credit. Minn. Stat. § 290.0681, subd. 10, was amended to allow the program to sunset in 2030. An uncodified provision (Ch. 64, Art.1, § 50) that allows projects that started rehabilitation work after June 30, 2022, and before July 1, 2023, that otherwise meet all other requirements of section 290.0681, subd. 3, to be eligible for the credit if the application is received on or before August 30, 2023. Another uncodified provision (Ch. 64, Art. 1, § 51) revives the provisions previously subject to the prior sunset. The expired provisions of Minn. Stat. § 290.0681, subs. 1 to 9, are revived and reenacted. The uncodified provisions are effective May 25, 2023. The extension of the program is effective retroactively from July 1, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, §§ 39, 50 and 51.

Sustainable aviation fuel credit. A new section 41A.30, was added allowing credit against the taxes imposed under Chapter 290 of \$1.50 per gallon of sustainable aviation fuel either produced or blended in Minnesota and sold in Minnesota to a purchaser who certifies such fuel is used in aircraft leaving from a Minnesota airport. A qualifying taxpayer must apply for a credit certificate with the commissioner of agriculture within 2 months after the close of its taxable year for sustainable aviation fuel sold in the taxable year. Credit certificates are allowed up to \$7,400,000 for fiscal year 2025 and \$2,100,000 for each of fiscal years 2026 and 2027. Any unallocated amounts from fiscal years 2025 or 2026 may be allocated through June 30, 2030. The refundable credit sunsets in tax year 2030. Effective for taxable years beginning after December 31, 2023, for sustainable aviation fuel sold after June 30, 2024, and before July 1, 2030. 2023 Minn. Laws, Ch. 68, Art. 3, § 1.

Credit for sales of manufactured home parks to cooperatives. A new section 290.0694, was added to allow a credit for the seller of a manufactured home park to a manufactured home park cooperative equal to five percent of the amount of the sale. The credit is not refundable, but a five-year carryforward is allowed. The credit must be allocated under current law requirements for nonresidents and part-year residents. The credit passed through to partners, members, shareholders, or owners of a partnership, LLC taxed as a partnership, S corporation, or multiple owners of property must be allocated according to their interest in the business entity or as specified in their organizational documents. The credit sunsets January 1, 2031 for taxable years beginning after December 31, 2030. Effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 40.

Short line railroad infrastructure modernization credit. A new section 290.0695, was added to allow a credit of 50 percent of the taxpayer's qualified railroad reconstruction or replacement expenditures, up to \$3,000 per mile, times the number of miles of railroad track owned or leased in Minnesota by the taxpayer as of the end of the taxable year for which the taxpayer made qualified railroad expenditures. The credit is nonrefundable but may be carried forward for up to five years. The credit is mutually exclusive from a new credit allowed under section 297I.20, which is determined in the same manner as this credit. An eligible taxpayer may transfer any unused portion of credits where a transfer agreement made by transferor and transferee is filed

with the commissioner of revenue within 30 days of transfer, and the commissioner must issue a credit certificate within 30 days after the transfer agreement is filed. In case of an audit or assessment, the transferee is liable for repayment of credits claimed in excess of the allowed amount. The credit passed through to partners, members, shareholders, or owners of a partnership, LLC taxed as a partnership, S corporation, or multiple owners of property must be allocated according to their interest in the business entity or as specified in their organizational documents. The credit must be allocated under current law requirements for nonresidents and part-year residents. Effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, §§ 41 and 48.

Alternative Minimum Tax. Minn. Stat. §290.091, subd. 2, was amended to include in the definition of “regular tax” the amount of net investment tax paid by an individual taxpayer (Art. 1, § 43). Effective for taxable years beginning after December 31, 2023. The statute was also amended to include in the definition of “alternative minimum taxable income” the new subtractions for qualified retirement benefits and damages for sexual harassment or abuse allowed under section 290.0132, subdivisions 34 and 35, respectively (Art. 1, § 42). Effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, §§ 42 and 43.

Net operating loss deduction. Minn. Stat. § 290.095, subd. 2, was amended to reduce the taxable net income limit for the net operating loss deduction from 80 percent to 70 percent. Effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 44.

Dividends received from another corporation; controlled foreign corporations; global intangible low-taxed income. Minn. Stat. § 290.21, subs. 4, 9, and 10, were amended. Subdivision 4 was amended to state that the dividends received deduction is lowered to 50 percent, or in the case of dividends received by a corporation that owns less than 20% of the stock of the recipient, 40 percent. The change to subdivision 4 is effective for taxable years beginning after December 31, 2022. Subdivision 9 was amended to make a technical clarification. The change to subdivision 9 is effective May 25, 2023. Subdivision 10 was amended to provide that income that is included pursuant to section 951A of the Internal Revenue Code should be treated as dividend income. the change to subdivision 10 is effective for taxable years beginning after December 31, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, §§ 45-47.

Miscellaneous withholding arrangements. Minn. Stat. § 290.92, subd. 20, was amended to establish a withholding rate of 6.25 percent, or the rate directed by the recipient, for periodic payments and nonperiodic distributions such as annuities and IRA distributions. Non-substantive organizational changes for readability and clarity were also made. Effective for periodic payments and nonperiodic distributions made on or after May 25, 2023. For periodic payments and nonperiodic distributions made on or after May 25, 2023, but before January 1, 2024, the Department cannot assess penalties relating to this amendment against a payor who complies with Minn. Stat. 2021 Supplement, § 290.92, subd. 20. 2023 Minn. Laws, Ch. 64, Art. 16, § 3.

Withholding of payments to out-of-state contractors. Amends Minn. Stat. § 290.9705, subd.

1(b), was amended to clarify that the obligation to withhold surety deposits on construction contracts exceeding \$50,000 applies to payments to construction companies that are corporations and cooperatives that are not organized under Minnesota law. Effective May 25, 2023. 2023 Minn. Laws, Ch. 64, Art. 16, § 4.

Property tax refund, homestead application. Minn. Stat. § 290A.03, subd. 13, was amended to change the deadline for filing a homestead application, and for the property to be classified as homestead, from December 15 to December 31, for purposes of the property tax refund, to match the deadlines for homestead applications for purposes of the homestead market value exclusion. Effective retroactively for refund claims based on property taxes payable in 2022 and thereafter. 2023 Minn. Laws, Ch. 64, Art. 16, § 5.

Owner or managing agent to furnish rent certificate. Minn. Stat. § 290A.19, was amended to authorize the Department to require CRP issuers to submit their taxpayer identification number to the Department with an e-filed CRP, when a required CRP e-filing system is operational. Effective for refund claims based on rent paid in 2023 and thereafter. 2023 Minn. Laws, Ch. 64, Art. 18, § 4.

Waiver of withholding. Minn. Stat. § 290.9705, subd. 3, was amended to strike reference to repealed subdivision 2 of the same section. Effective July 1, 2023. 2023 Minn. Laws, Ch. 25, § 160.

Subtraction; certain unemployment compensation. An uncodified provision allowed a subtraction for unemployment compensation received in tax year 2021, which was previously denied to teenagers and later distributed because of the decision In the Matter of Muse, 956 N.W.2d 1 (Minn. Ct. App. 2021). Effective for taxable year beginning after December 31, 2020, and before January 1, 2022. 2023 Minn. Laws, Ch. 64, Art. 1, § 52.

Repealer. Minn. Stat. § 290.01, subd. 19i, repealing the definition of “deferred foreign income;” § 290.0131, subd. 18, repealing a duplicate addition for sections 250 and 965 of the Internal Revenue Code; § 290.0132, subd. 28, repealing the subtraction for income pursuant to section 951A of the Internal Revenue Code; and § 290.0134, subd. 17, repealing the corporate subtraction for income pursuant to section 951A of the Internal Revenue Code. 2023 Minn. Laws, Ch. 64, Art. 1, § 53

ONE-TIME REFUNDABLE TAX CREDIT PAYMENT

One-time refundable credit payment. An uncodified provision created a one-time payment in the form of a retroactive refundable credit against 2021 individual income tax.

The credit is equal to \$520 for married couples filing a joint return and \$260 for all other filers. The credit is increased by \$260 for each of the first three dependents.

Payments will be made based entirely on information available in the commissioner's records and individuals are not required to file a claim. The decision of the commissioner to not make an advance payment to an individual is not appealable.

Eligibility. To be eligible for the credit, the individual must:

1. Have been a resident of Minnesota for at least part of 2021;
2. Not have been a dependent in 2021;
3. Have filed a 2021 Minnesota individual income tax return or a 2021 property tax refund return by December 31, 2022;
4. Have had adjusted gross income of under \$75,000 for single and married separate filers and \$150,000 for all other filers; and
5. Have been alive on January 1, 2023.

The credit for part year residents is equal to the credit otherwise calculated times the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

Adjustments. If the commissioner determines that a taxpayer received an improper payment, the commissioner can recover the overpayment. If the commissioner determines that an eligible taxpayer did not receive the correct payment the commissioner can make the payment. The adjustments must be using assessment and collection procedures in chapter 270C and chapter 289A within the period limitation to make changes to the 2021 income tax return. No interest is payable on any payments made by the commissioner.

Contracting with third parties. The commissioner may contract with a third party to administer the one-time payments and may share non-public or private taxpayer information with the third party to the extent necessary. In administering the law, the commissioner is exempt from Minn. Stat. §§ 9.031, 16A.15, 16B.49, 16C.05, 16C.06 and other Minnesota procurement and procedural laws.

Payment not subject to set off. The commissioner of revenue must not apply, nor certify to another agency to apply, a one-time payment to any unpaid tax or nontax debt.

Payment not considered income. An advance payment or refund of a credit is not considered income in determining Minnesota income tax, Minnesota income tax credits, the Minnesota property tax refund, or the Minnesota senior citizen property tax deferral. An advance payment or refund of a credit is not considered income, assets, or property under various assistance programs under Minn. Stat. chapters, 119B, 256B, 256D, 256I, 256L, and 256P.

Appropriation. The amount necessary to make payments is appropriated to the commissioner of revenue from the general fund. Effective May 25, 2023. 2023 Minn. Laws, Ch. 64, Art. 1, § 49.

RENTER'S CREDIT

The Minnesota renter's property tax refund under Minn. Stat. Chapter 290A was changed into a refundable income tax credit under Minn. Stat. Chapter 290. The income measure used to calculate the credit was changed from "household income" to adjusted gross income. Because of this change, rather than filing for a renter's credit on a separate form and receiving a credit payment in August or September, a taxpayer will file for and receive the credit during the normal income tax filing period.

Renter's credit. Minn. Stat. § 13.46, subd. 2, was amended to include Individual Taxpayer Identification Number along with Social Security numbers. Reference to the renter's credit is removed. Effective for taxable years beginning after December 31, 2023. 2023 Minn. Laws, Ch. 64, Art. 7, § 1.

County assessors; homestead classification and renter's credit. Minn. Stat. § 270B.12, subd. 8, was amended to include Individual Taxpayer Identification Number along with Social Security numbers. Reference to property tax refund as a renter is removed. Effective for claims based on rent paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 2.

Disclosure to commissioner of human services. Minn. Stat. § 270B.14, subd. 1, was amended to include individual taxpayer identification numbers along with Social Security numbers. References were added to include property tax refund filers under both to include refund filers under chapter 290A or renter's credit filers under section 290.0693. Effective for taxable years beginning after December 31, 2023. 2023 Minn. Laws, Ch. 64, Art. 7, § 3.

Property tax refund claims. Minn. Stat. § 289A.138, subd. 5, was amended to remove references to claims for refunds based on rent for property tax refunds. Effective for property taxes payable in 2025 and thereafter. 2023 Minn. Laws, Ch. 64, Art. 7, § 4.

Property tax refund. Minn. Stat. § 289A.38, subd. 4, was amended removing reference to year rent was paid. Effective for claims based on rent paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 5.

Property tax refunds under chapter 290A. Minn. Stat. § 289A.56, subd. 6, was amended to remove reference to the property tax refunds for renters. Effective for claims based on rent paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 6.

Penalties relating to property tax refunds. Minn. Stat. § 289A.60, subd. 12, was amended to update certificate of rent constituting property tax to certificate of rent paid. Cross reference added to the renter's credit in Minn. Stat. § 290.0693. Effective for claims based on rent paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 7.

Penalties for tax preparers. Minn. Stat. § 289A.60, subd. 13, was amended to add cross reference for applicable claims filed to the renter's credit in Minn. Stat. § 290.0693. Effective for taxable years beginning after December 31, 2023. 2023 Minn. Laws, Ch. 64, Art. 7, § 8.

Renters Credit. Minn. Stat. § 290.0693 was created establishing a refundable income tax credit replacing the credit under Minn. Stat. § 290A.04, subd. 2a. The credit is equal to the amount of rent constituting property taxes which exceeds the percent of household income as determined on a table in subdivision 3. "Rent constituting property taxes" is 17 percent of gross rent paid or portion of rent paid in lieu of property taxes for the property the taxpayer may claim as a homestead. The "gross rent" definition also establishes gross rent amounts for residents of nursing homes or intermediate care facilities as \$600 a month and of adult foster care homes as \$930 a month, to be annually adjusted for inflation. Household income includes all income

received by members of the household other than income of a dependent. Income means adjusted gross income less an exemption amounts determined under Minn. Stat. § 290.0121 and multiplied by 1.4 for the first dependent, 1.3 for the second dependent, 1.2 for the third dependent, 1.1 for the fourth dependent, and the exemption amount for the fifth dependent and if the taxpayer, or taxpayer's spouse, had a disability or age 65 or over. The owner or managing agent of the property must furnish a certificate of rent paid by February 1 of the year after the rent was paid. The owner or managing agent must retain a copy of the certificate for four years and be made available to the commissioner upon request. The commissioner may require certificates of rent paid be filed through a simple process on or before January 31. Part-year residents will have the amounts be only for the period of Minnesota residency. If two individuals of a household qualify for the renter's credit, they may determine among themselves who gets the credit. If they are unable to agree the commissioner shall make a final decision. The taxpayer must have rented or leased a unit in which property taxes, including special assessments, are payable. Residents of nursing homes, intermediate care facilities, long-term care facilities, or facilities accepting housing support payments that rent is paid by Social Security and Medicare cannot claim the renter's credit. Only one taxpayer per household is entitled to claim the renter's credit and the amount is based on household income. Unmarried couples residing together will have the rent will be deemed as paid equally, and each individual will file a separate claim using their individual household income. Effective for taxable years beginning after December 31, 2023. 2023 Minn. Laws, Ch. 64, Art. 7, § 9.

Purpose. Minn. Stat. § 290A.03, was amended to remove reference of rent from the purpose statement. Effective for claims based on rent paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 10.

Income. Minn. Stat. § 290A.03, subd. 3, was amended to remove reference rent paid from the income definition for the property tax refund. Effective for claims based on rent paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 11.

Homestead. Minn. Stat. § 290A.03, subd. 6, was amended to remove rented homestead from the homestead definition for the property tax refund. Effective for claims based on rent paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 12.

Claimant. Minn. Stat. § 290A.03, subd. 8, was amended update the definition of claimant for the property tax refund by deleting reference to claims for rent constituting property taxes. Effective for claims based on rent paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 13.

Gross rent. Minn. Stat. § 290A.03, subd. 12, was amended to remove references to services as part of a rental agreement and the gross rent for residents of nursing homes or intermediate care facilities and of adult foster care homes. Effective for claims based on rent paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 14.

Property taxes payable. Minn. Stat. § 290A.03, subd. 13, was amended to remove reference homesteads which are manufacturing homes located in communities organized by cooperative organizations from the "property taxes payable" definition. Effective for claims based on rent

paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 15.

Manufactured home. Minn. Stat. § 290A.03, was amended to add subdivision 16, creating a definition for “manufactured home” for purposes of the property tax refund. Effective for claims based on rent paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 16.

Refund. Minn. Stat. § 290A.04, subd. 1, was amended to remove references to rent constituting property taxes and the year in which rent is paid. Effective for claims based on rent paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 17.

Additional refund. Minn. Stat. § 290A.04, subd. 2h, was amended to require information from county officials to be provided electronically instead of by magnetic computer disk. Effective May 25, 2023. 2023 Minn. Laws, Ch. 64, Art. 7, § 18.

Homeowner refund and renter's credit. Minn. Stat. § 290A.04, subd. 5, was amended to allow a claimant to make claim for refund in addition to the renter’s credit under Minn. Stat. § 290.0693. Effective for claims based on rent paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 19.

Combined household income; rental agreements and reduction of property taxes payable. Minn. Stat. § 290A.05 was amended to remove reference to rent constituting property tax for property tax refunds for unrelated persons residing together. Effective for claims based on rent paid in 2024 and property taxes payable in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 20.

Time of payment to manufactured home homeowner. Minn. Stat. § 290A.07, subd. 2a, was amended to remove renters as claimants for the property tax refund. Effective for claims based on rent paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 21.

One claimant per household. Minn. Stat. § 290A.08 was amended to remove reference to rent constituting property tax. Effective for claims based on rent paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 22.

Proof of claim. Minn. Stat. § 290A.09 was amended to remove reference to rent paid. Removes the requirement of the name and address of owner or managing agent of property rented to be furnished for proof of claim for property tax refunds but continues this requirement for manufactured homes rented. Effective for claims based on rent paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 23.

Claims of tenants in leasehold cooperatives. Minn. Stat. § 290A.091 was amended to remove reference to rent constituting property tax and instead adds reference to the renter’s credit under Minn. Stat. § 290.0693. Effective for claims based on rent paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 24.

No relief allowed in certain cases. Minn. Stat. § 290A.13 was amended to remove the reference to tenancy for purposes of the property tax refund. Effective for claims based on rent

paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 25.

Owner or managing agent to furnish rent certificate. Minn. Stat. § 290A.19 was amended to change managing agent to park owner of a property as required to furnish a certificate of rent paid. The commissioner is may also require the Social Security number, individual taxpayer identification number, federal employer identification number, or Minnesota taxpayer identification number of the park owner who is required to furnish a certificate of rent paid under this paragraph. Effective for claims based on rent paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 26.

Verification of social security or individual taxpayer identification numbers. Minn. Stat. § 290A.25 was amended to include individual taxpayer identification numbers along with Social Security numbers. Reference to property tax refund to a renter is updated to refer to the renter’s credit under Minn. Stat. § 290.0693. Effective for claims based on rent paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 27.

Written notice required. Minn. Stat. § 327C.02, subd. 5, was amended to remove reference to rent constituting property tax and instead adds reference to the renter’s credit under Minn. Stat. § 290.0693. Effective May 25, 2023. 2023 Minn. Laws, Ch. 64, Art. 7, § 28.

Housing for elderly, persons with physical or developmental disabilities, and single parent families. Minn. Stat. § 462A.05, subd. 24, was amended to add a reference to the renter’s credit under Minn. Stat. § 290.0693 for the housing sponsors information sharing program. Effective for claims based on rent paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 29.

Tax credit outreach; appropriations. An uncodified provision for the commissioner to grant to eligible organizations to publicize and promote tax credits or provide taxpayer assistance services. Appropriates \$1,000,000 in fiscal year 2024 and \$1,000,000 in fiscal year 2025 for the grants. July 1, 2023. 2023 Minn. Laws, Ch. 64, Art. 7, § 30.

Repealer. Minn. Stat. § 290A.03, subds. 9 and 11, Minn. Stat. § 290A.04, subd. 2a, and Minn. Stat. § 290A.23, subd. 1, are repealed with the creation of the renter’s credit and removing property tax refunds for renters. Effective for claims based on rent paid in 2024 and following years. 2023 Minn. Laws, Ch. 64, Art. 7, § 31.

FEDERAL CONFORMITY

Internal Revenue Code. Minn. Stat. § 289A.02, subd. 7, was amended to bring Minnesota statutes into conformity with the Internal Revenue Code through May 1, 2023. This will bring in the SECURE 2.0 Act provisions, which were passed federally with the Consolidated Appropriations Act of 2023, and signed into law on December 29, 2022. The SECURE 2.0 Act is focused on retirement provisions – including automatic enrollment into retirement plans, changes to required minimum distributions, changes to “catch-up” contribution limits for SIMPLE IRAs, changes to distribution rules, and other retirement focused changes. Effective May 25, 2023, except the changes incorporated by federal changes are effective retroactively at

the same time the changes were effective for federal purposes. 2023 Minn. Laws, Ch. 64, Art. 2, § 1.

Net income and Internal Revenue Code. Minn. Stat. § 290.01, subds. 19 and 31, were amended to bring Minnesota statutes into conformity with the Internal Revenue Code through May 1, 2023. Effective May 25, 2023, except the changes incorporated by federal changes are effective retroactively at the same time the changes were effective for federal purposes. 2023 Minn. Laws, Ch. 64, Art. 2, §§ 2 and 3.

Schedules of rates for individuals, estates, and trusts. Minn. Stat. § 290.06, subd. 2c, was amended to bring in the new additions and subtractions included in sections 290.0131 and 290.0132 in the calculation for part-year residents. Effective retroactively for taxable years beginning after December 31, 2018. 2023 Minn. Laws, Ch. 64, Art. 2, § 4.

Internal Revenue Code. Minn. Stat. § 290A.03, subd 15, was amended to bring Minnesota statutes into conformity with the Internal Revenue Code through May 1, 2023. Effective beginning with refunds based on rent paid in 2023 and property taxes payable in 2024. 2023 Minn. Laws, Ch. 64, Art. 2, § 5.

Scope. Minn. Stat. § 291.005, subd. 1, was amended to bring Minnesota statutes into conformity with the Internal Revenue Code through May 1, 2023. Effective May 25, 2023, except the changes incorporated by federal changes are effective retroactively at the same time the changes were effective for federal purposes. 2023 Minn. Laws, Ch. 64, Art. 2, § 6.

Effective Date. Minn. Laws 2023, Ch. 1, § 15, was amended to make a technical correction to the original effective date from taxable year 2023 to make it retroactive to taxable year 2020. This section is effective May 25, 2023. 2023 Minn. Laws, Ch. 64, Art. 2, § 7.

Repealer. Minn. Stat. § 290.0132, subd. 33, was repealed to conform Minnesota statutes to federal treatment of excess business losses. This subdivision was originally added by Laws 2023, Ch. 1, § 12, but never became effective. Effective May 25, 2023. 2023 Minn. Laws, Ch. 64, Art. 2, § 8.