

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

S.F. No. 1837

(SENATE AUTHORS: LUCERO)

DATE
02/20/2023

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901 Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to taxation; providing for direct payments to taxpayers; appropriating
1.3 money; amending Minnesota Statutes 2022, sections 16A.152, subdivision 2, by
1.4 adding a subdivision; 290.0132, by adding a subdivision; 290.091, subdivision 2,
1.5 as amended.

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

1.7 Section 1. Minnesota Statutes 2022, section 16A.152, subdivision 2, is amended to read:

1.8 Subd. 2. **Additional revenues; priority.** (a) If on the basis of a forecast of general fund
1.9 revenues and expenditures, the commissioner of management and budget determines that
1.10 there will be a positive unrestricted budgetary general fund balance at the close of the
1.11 biennium, the commissioner of management and budget must allocate money to the following
1.12 accounts and purposes in priority order:

1.13 (1) the cash flow account established in subdivision 1 until that account reaches
1.14 \$350,000,000;

1.15 (2) the budget reserve account established in subdivision 1a until that account reaches
1.16 \$2,377,399,000;

1.17 (3) the amount necessary to increase the aid payment schedule for school district aids
1.18 and credits payments in section 127A.45 to not more than 90 percent rounded to the nearest
1.19 tenth of a percent without exceeding the amount available and with any remaining funds
1.20 deposited in the budget reserve;

1.21 (4) the amount necessary to restore all or a portion of the net aid reductions under section
1.22 127A.441 and to reduce the property tax revenue recognition shift under section 123B.75,
1.23 subdivision 5, by the same amount;

2.1 (5) the amount necessary to increase the Minnesota 21st century fund by not more than
 2.2 the difference between \$5,000,000 and the sum of the amounts credited and canceled to it
 2.3 in the previous 12 months under Laws 2020, chapter 71, article 1, section 11, until the sum
 2.4 of all transfers under this section and all amounts credited or canceled under Laws 2020,
 2.5 chapter 71, article 1, section 11, equals \$20,000,000; ~~and~~

2.6 (6) for a forecast in November only, the amount remaining after the transfer under clause
 2.7 (5) must be used to reduce the percentage of accelerated June liability sales tax payments
 2.8 required under section 289A.20, subdivision 4, paragraph (b), until the percentage equals
 2.9 zero, rounded to the nearest tenth of a percent. By March 15 following the November
 2.10 forecast, the commissioner must provide the commissioner of revenue with the percentage
 2.11 of accelerated June liability owed based on the reduction required by this clause. By April
 2.12 15 each year, the commissioner of revenue must certify the percentage of June liability
 2.13 owed by vendors based on the reduction required by this clause; and

2.14 (7) for a forecast in November only, the amount remaining, if any, after the transfers in
 2.15 clauses (1) to (6), to make the budget surplus refunds required under subdivision 2a.

2.16 (b) The amounts necessary to meet the requirements of this section are appropriated
 2.17 from the general fund within two weeks after the forecast is released or, in the case of
 2.18 transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations
 2.19 schedules otherwise established in statute.

2.20 (c) The commissioner of management and budget shall certify the total dollar amount
 2.21 of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of education.
 2.22 The commissioner of education shall increase the aid payment percentage and reduce the
 2.23 property tax shift percentage by these amounts and apply those reductions to the current
 2.24 fiscal year and thereafter.

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

2.26 Sec. 2. Minnesota Statutes 2022, section 16A.152, is amended by adding a subdivision to
 2.27 read:

2.28 Subd. 2a. **Budget surplus refunds; direct payments.** (a) For purposes of this
 2.29 subdivision, "qualifying taxpayer" means an individual or married couple who:

2.30 (1) filed a Minnesota individual income tax return within six months of the due date for
 2.31 filing a return; and

2.32 (2) was a resident of this state in the taxable year for which the return was filed.

3.1 (b) By December 31, the commissioner of revenue must make a direct payment to a
3.2 qualifying taxpayer as required by this subdivision. The amount of each direct payment for
3.3 single filers and married individuals filing a separate return is:

3.4 (1) the amount allocated for refunds in subdivision 2, paragraph (a), clause (7); divided
3.5 by

3.6 (2) the sum of:

3.7 (i) the estimated number of single filers and married individuals filing a separate return;
3.8 plus

3.9 (ii) two times the sum of the estimated number of married couples filing a joint return
3.10 and head of household filers.

3.11 (c) The amount of each direct payment for married couples filing a joint return and head
3.12 of household filers is two times the amount of the direct payment calculated in paragraph
3.13 (b).

3.14 (d) For a qualifying taxpayer who was a resident of Minnesota for less than the entire
3.15 taxable year for which the return was filed, the direct payment equals the direct payment
3.16 amount determined under paragraph (b), multiplied by the percentage determined in section
3.17 290.06, subdivision 2c, paragraph (e), as calculated on the qualifying taxpayer's original
3.18 income tax return.

3.19 (e) A direct payment under this subdivision must be paid by the commissioner of revenue
3.20 based on information available in the commissioner's records. The commissioner must not
3.21 require a qualifying taxpayer to file a claim to receive the payment.

3.22 (f) The direct payment is a "Minnesota tax law" for purpose of section 270B.01,
3.23 subdivision 8.

3.24 (g) If a qualifying taxpayer dies prior to the issuance of the direct payment, the right to
3.25 the payment lapses.

3.26 (h) A payment under this section is not considered income of a recipient in determining
3.27 the Minnesota property tax refund or the Minnesota senior citizen property tax deferral. A
3.28 direct payment must not be counted as income or as an asset, personal property, or resource
3.29 when determining eligibility for any program administered by the Department of Human
3.30 Services. A direct payment is not assistance based on need for purposes of section 550.37,
3.31 subdivision 14.

4.1 (i) If the commissioner of revenue cannot locate a qualifying taxpayer within two years
4.2 of the date that the original check or warrant was issued, or if a qualifying taxpayer to whom
4.3 a direct payment was made has not cashed the check or warrant within two years of the date
4.4 that the original check or warrant was issued, the right to the payment lapses. If a qualifying
4.5 taxpayer to whom a direct payment was made by debit card has not withdrawn from the
4.6 card the total amount of the direct payment within two years of the date of issuance of the
4.7 original debit card, the right to any remaining balance lapses to the state general fund.

4.8 (j) If a direct payment check or warrant is cashed by someone other than the payee or
4.9 payees of the check or warrant, and the commissioner of revenue determines that the check
4.10 has been forged or improperly endorsed, the commissioner may recover the amount of the
4.11 check or warrant from the endorsee or forger. The recovery may be made using the same
4.12 procedures used in assessing additional tax under section 270C.33. The assessment must
4.13 be made within two years after the check or warrant is cashed. If a direct payment was made
4.14 through a debit card and the commissioner determines that the card was activated and
4.15 accessed by an unauthorized person, the commissioner may recover from the unauthorized
4.16 person the amount of any unauthorized withdrawals. The recovery may be made using the
4.17 same procedures used in assessing additional tax under section 270C.33. The assessment
4.18 must be made within two years after the last unauthorized withdrawal.

4.19 (k) Notwithstanding sections 9.031 and 16B.49, chapter 16C, and any other law to the
4.20 contrary, the commissioner of revenue may take whatever actions the commissioner deems
4.21 necessary to make the direct payments required by this subdivision. The commissioner may,
4.22 in consultation with the commissioner of management and budget, contract with a private
4.23 vendor or vendors to process, print, mail, or deliver the checks, warrants, or debit cards that
4.24 may be required under this subdivision and receive and disburse state funds to make the
4.25 direct payments by check, warrant, electronic funds transfer, or debit card.

4.26 (l) The amount necessary to make the direct payments provided in this subdivision is
4.27 annually appropriated from the general fund to the commissioner of revenue.

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

4.29 Sec. 3. Minnesota Statutes 2022, section 290.0132, is amended by adding a subdivision
4.30 to read:

4.31 Subd. 34. **Budget surplus refunds.** The amount of a direct payment made under section
4.32 16A.152, subdivision 2a, is a subtraction.

5.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
5.2 31, 2022.

5.3 Sec. 4. Minnesota Statutes 2022, section 290.091, subdivision 2, as amended by Laws
5.4 2023, chapter 1, section 18, is amended to read:

5.5 Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following
5.6 terms have the meanings given.

5.7 (a) "Alternative minimum taxable income" means the sum of the following for the taxable
5.8 year:

5.9 (1) the taxpayer's federal alternative minimum taxable income as defined in section
5.10 55(b)(1)(D) of the Internal Revenue Code;

5.11 (2) the taxpayer's itemized deductions allowed in computing federal alternative minimum
5.12 taxable income, but excluding:

5.13 (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;

5.14 (ii) the medical expense deduction;

5.15 (iii) the casualty, theft, and disaster loss deduction; and

5.16 (iv) the impairment-related work expenses of a person with a disability;

5.17 (3) for depletion allowances computed under section 613A(c) of the Internal Revenue
5.18 Code, with respect to each property (as defined in section 614 of the Internal Revenue Code),
5.19 to the extent not included in federal alternative minimum taxable income, the excess of the
5.20 deduction for depletion allowable under section 611 of the Internal Revenue Code for the
5.21 taxable year over the adjusted basis of the property at the end of the taxable year (determined
5.22 without regard to the depletion deduction for the taxable year);

5.23 (4) to the extent not included in federal alternative minimum taxable income, the amount
5.24 of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue
5.25 Code determined without regard to subparagraph (E);

5.26 (5) to the extent not included in federal alternative minimum taxable income, the amount
5.27 of interest income as provided by section 290.0131, subdivision 2;

5.28 (6) the amount of addition required by section 290.0131, subdivisions 9, 10, and 16;

5.29 (7) the deduction allowed under section 199A of the Internal Revenue Code, to the extent
5.30 not included in the addition required under clause (6); and

6.1 (8) to the extent not included in federal alternative minimum taxable income, the amount
6.2 of foreign-derived intangible income deducted under section 250 of the Internal Revenue
6.3 Code;

6.4 less the sum of the amounts determined under the following:

6.5 (i) interest income as defined in section 290.0132, subdivision 2;

6.6 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision
6.7 3, to the extent included in federal alternative minimum taxable income;

6.8 (iii) the amount of investment interest paid or accrued within the taxable year on
6.9 indebtedness to the extent that the amount does not exceed net investment income, as defined
6.10 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted
6.11 in computing federal adjusted gross income;

6.12 (iv) amounts subtracted from federal taxable or adjusted gross income as provided by
6.13 section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, 26 to 29, ~~and 31~~, and 34;

6.14 (v) the amount of the net operating loss allowed under section 290.095, subdivision 11,
6.15 paragraph (c); and

6.16 (vi) the amount allowable as a Minnesota itemized deduction under section 290.0122,
6.17 subdivision 7.

6.18 In the case of an estate or trust, alternative minimum taxable income must be computed
6.19 as provided in section 59(c) of the Internal Revenue Code, except alternative minimum
6.20 taxable income must be increased by the addition in section 290.0131, subdivision 16.

6.21 (b) "Investment interest" means investment interest as defined in section 163(d)(3) of
6.22 the Internal Revenue Code.

6.23 (c) "Net minimum tax" means the minimum tax imposed by this section.

6.24 (d) "Regular tax" means the tax that would be imposed under this chapter (without regard
6.25 to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed
6.26 under this chapter.

6.27 (e) "Tentative minimum tax" equals 6.75 percent of alternative minimum taxable income
6.28 after subtracting the exemption amount determined under subdivision 3.

6.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
6.30 31, 2022.