

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

S.F. No. 2921

(SENATE AUTHORS: MILLER)

DATE
03/15/2023

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1794 Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to taxation; establishing the Minnesota refund program; transferring certain
1.3 forecasted positive unrestricted general fund balances to the Minnesota refund
1.4 account; establishing criteria for statutory sales tax refunds; requiring reports;
1.5 appropriating money; amending Minnesota Statutes 2022, section 16A.152, by
1.6 adding a subdivision; proposing coding for new law as Minnesota Statutes, chapter
1.7 297J.

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

1.9 Section 1. Minnesota Statutes 2022, section 16A.152, is amended by adding a subdivision
1.10 to read:

1.11 Subd. 1c. **Transfer to Minnesota refund account.** If, on the basis of a November
1.12 forecast of general fund revenues and expenditures, the commissioner of management and
1.13 budget determines that there will be a positive unrestricted general fund balance at the close
1.14 of the biennium and that the provisions of subdivision 2, paragraph (a), are satisfied, the
1.15 commissioner shall transfer to the Minnesota refund account in the special revenue fund 75
1.16 percent of the positive unrestricted general fund balance remaining after the provisions of
1.17 subdivision 1b have been satisfied.

1.18 **EFFECTIVE DATE.** This section is effective July 1, 2023.

1.19 Sec. 2. **[297J.01] MINNESOTA REFUND PROGRAM; STATEMENT OF PURPOSE.**

1.20 (a) The state of Minnesota derives revenues from a variety of taxes, fees, and other
1.21 sources, including the state sales tax.

2.1 (b) It is fair and reasonable to refund certain state budget surplus amounts in the form
2.2 of a Minnesota refund program refund of nonbusiness consumer sales taxes paid by
2.3 individuals in previous calendar years.

2.4 (c) Information concerning the amount of sales tax paid at various income levels is
2.5 contained in the Minnesota tax incidence report, which is written by the commissioner of
2.6 revenue and presented to the legislature according to section 270C.13.

2.7 (d) It is fair and reasonable to use information contained in the most recent Minnesota
2.8 tax incidence report to determine a reasonable amount of a sales tax refund due to each
2.9 eligible taxpayer since no effective or practical mechanism exists for determining the amount
2.10 of actual sales tax paid by each eligible individual.

2.11 **EFFECTIVE DATE.** This section is effective July 1, 2023.

2.12 Sec. 3. **[297J.02] DEFINITIONS.**

2.13 Subdivision 1. **Applicability.** The following terms when used in this chapter have the
2.14 meanings given in this section.

2.15 Subd. 2. **Commissioner.** "Commissioner" means the commissioner of revenue.

2.16 **EFFECTIVE DATE.** This section is effective July 1, 2023.

2.17 Sec. 4. **[297J.03] MINNESOTA REFUND ACCOUNT; APPROPRIATION.**

2.18 Subdivision 1. **Account established.** The Minnesota refund account is established in
2.19 the special revenue fund to receive amounts transferred under section 16A.152, subdivision
2.20 1c.

2.21 Subd. 2. **Legislative enactment; certification.** (a) On March 1, 2024, and annually
2.22 thereafter, the commissioner of revenue must certify to the commissioner of management
2.23 and budget whether one or more qualifying bills have, in total, reduced net general fund tax
2.24 revenues in the current or proximate biennium by an amount estimated to be at least equal
2.25 to the greater of:

2.26 (1) the most recent estimated cost of paying minimum sales tax refunds as reported under
2.27 section 297J.05, paragraph (b); or

2.28 (2) the balance of the Minnesota refund account as reported in the most recent November
2.29 forecast of general fund revenues and expenditures, after any transfer required under section
2.30 16A.152, subdivision 1c.

3.1 (b) For the purposes of this subdivision, "qualifying bill" means a bill that is enacted
3.2 before March 1, 2024, but after the preceding November forecast of general fund revenues
3.3 and expenditures and annually thereafter.

3.4 Subd. 3. **Conditional transfer.** On March 2, 2024, and annually thereafter, if the
3.5 commissioner of revenue's most recent certification under subdivision 2 indicates that the
3.6 conditions of subdivision 2, paragraph (a), have been satisfied, the commissioner of
3.7 management and budget must transfer any remaining balance in the Minnesota refund
3.8 account to the general fund.

3.9 Subd. 4. **Conditional appropriation.** (a) On March 2, 2024, and annually thereafter,
3.10 the amount in the Minnesota refund account is appropriated to the commissioner to pay the
3.11 sales tax refunds authorized under this chapter and for administrative costs authorized under
3.12 paragraph (b), if:

3.13 (1) the balance of the Minnesota refund account as reported in the most recent November
3.14 forecast of general fund revenues and expenditures, after any transfer required under section
3.15 16A.152, subdivision 1c, is at least equal to 105 percent of the most recent estimated cost
3.16 of minimum refunds as reported under section 297J.05, paragraph (b); and

3.17 (2) the commissioner's most recent certification under subdivision 2 indicates that the
3.18 conditions of subdivision 2, paragraph (a), have not been satisfied.

3.19 (b) The commissioner may retain up to \$..... from the amount appropriated under this
3.20 subdivision to pay the costs of administering the refunds under this chapter.

3.21 **EFFECTIVE DATE.** This section is effective July 1, 2023.

3.22 Sec. 5. **[297J.04] REFUNDS AUTHORIZED.**

3.23 Subdivision 1. **Sales tax refunds.** When money is appropriated under section 297J.03
3.24 for the purpose of paying sales tax refunds, the commissioner must determine eligibility
3.25 and pay the sales tax refunds as provided in this section.

3.26 Subd. 2. **Eligibility; amount of refund.** (a) An individual qualifies for a sales tax refund
3.27 if the individual is a United States citizen and:

3.28 (1) was a resident of Minnesota for all or part of the previous calendar year and filed a
3.29 Minnesota income tax return on or before October 15 in the year that the return was originally
3.30 due, had a tax liability before refundable credits on that return of at least \$1, and was not
3.31 allowed to be claimed as a dependent on a federal income tax return filed by another person
3.32 for the same taxable year; or

4.1 (2) was a resident of Minnesota for all of the previous calendar year, was not eligible
4.2 for a refund under clause (1), attained the age of 18 on or before December 31 of the previous
4.3 calendar year, and received Social Security benefits as defined in section 86(d)(1) of the
4.4 Internal Revenue Code in the previous calendar year.

4.5 (b) Except as provided under paragraph (c), the sales tax refund allowed under paragraph
4.6 (a) equals:

4.7 (1) \$500 for married joint filers; and

4.8 (2) \$250 for all other filers.

4.9 (c) If the amount appropriated for sales tax refunds under this chapter, after subtracting
4.10 any administrative expense allowed, exceeds the amount necessary to pay the minimum
4.11 refund amounts under paragraph (b), the commissioner must proportionately increase the
4.12 refund amounts to a level that would refund the entire amount appropriated.

4.13 (d) For an individual who was a resident of Minnesota for less than the entire year, the
4.14 sales tax refund equals the sales tax refund calculated under paragraph (b) multiplied by
4.15 the percentage determined under section 290.06, subdivision 2c, paragraph (e), as calculated
4.16 on the individual's most recent income tax return, including subsequent adjustments to that
4.17 return made within the time limits specified in subdivision 3, paragraph (b).

4.18 Subd. 3. **Payment of refund; other requirements.** (a) The commissioner must issue
4.19 sales tax refunds as soon as possible following the appropriation of money under section
4.20 297J.03.

4.21 (b) The refund must not be adjusted based on changes to an income tax return that are:
4.22 (1) made by order of assessment after the date the refund is processed; or (2) made by the
4.23 taxpayer by a filing with the commissioner after the date the refund is processed.

4.24 (c) Individuals who filed a joint income tax return for the most recent calendar year must
4.25 receive a joint sales tax refund under the provisions of this paragraph. After the sales tax
4.26 refund has been issued, but before the check has been cashed if the refund is issued by
4.27 check, either joint claimant may request a separate payment for one-half of the joint sales
4.28 tax refund. The amount payable to each person equals one-half of the total joint refund.
4.29 Notwithstanding any provision in this section to the contrary, if, prior to payment of the
4.30 refund, the commissioner has been notified that taxpayers who filed a joint income tax
4.31 return are living at separate addresses, the commissioner may issue separate checks to each
4.32 individual listed on the joint return.

5.1 (d) The sales tax refund is a Minnesota tax law for purposes of section 270B.01,
5.2 subdivision 8.

5.3 (e) The sales tax refund is an overpayment of any tax collected by the commissioner for
5.4 purposes of section 270C.64. For purposes of this paragraph, a joint sales tax refund is
5.5 payable to each spouse equally.

5.6 (f) The right to a sales tax refund lapses and the refund check must be deposited in the
5.7 Minnesota refund account in the special revenue fund if the commissioner:

5.8 (1) cannot locate an individual entitled to a sales tax refund under subdivision 2 within
5.9 one year of the date of issuance of the refund check; or

5.10 (2) if an individual to whom a sales tax refund was issued has not cashed the refund
5.11 check within one year of the date of issuance of the refund check.

5.12 (g) Individuals who are entitled to a sales tax refund but did not receive one and
5.13 individuals who receive a sales tax refund that was not correctly calculated must file a claim
5.14 with the commissioner in a form prescribed by the commissioner. A claim made under this
5.15 paragraph is a claim for refund under section 289A.50, subdivisions 4 and 7. Individuals
5.16 entitled to a sales tax refund must file the claim by July 1 of the calendar year in which
5.17 money is appropriated to pay sales tax refunds.

5.18 (h) The sales tax refund is a refund subject to revenue recapture under chapter 270A.
5.19 The commissioner shall remit the entire refund to the claimant agency, which shall, upon
5.20 the request of the spouse who does not owe the debt, refund one-half of the joint sales tax
5.21 refund to the spouse who does not owe the debt.

5.22 (i) The refund is a reduction of current fiscal year sales tax revenues.

5.23 (j) If a sales tax refund issued by check is cashed by someone other than the payee or
5.24 payees of the check, and the commissioner determines that the check has been forged or
5.25 improperly endorsed, the commissioner may issue an order of assessment for the amount
5.26 of the check against the person or persons cashing it. If a sales tax refund issued by debit
5.27 card is stolen or otherwise used by someone other than the payee or payees of the debit
5.28 card, and the commissioner determines that the debit card has been improperly used as
5.29 tender, the commissioner may issue an order of assessment for the amount of the debit card
5.30 against the person or persons using it. The commissioner must make the assessment within
5.31 two years after the check is cashed or debit card is used, but if cashing the check or using
5.32 the debit card constitutes theft under section 609.52, or forgery under section 609.63, the
5.33 commissioner may make the assessment. A person issued an assessment may appeal the

6.1 assessment under chapter 14 or may seek judicial review. The commissioner may take action
6.2 to collect the assessment in the same manner as provided by chapter 289A for any other
6.3 order of the commissioner assessing tax.

6.4 (k) If the commissioner determines that a refund was issued under this section to an
6.5 ineligible individual, the commissioner must issue an order of assessment to the individual
6.6 receiving the refund for the amount of the refund payment. The order must be made within
6.7 two years after the date of the issuance or six years after the date of the refund payment in
6.8 the case of fraud. The audit, assessment, appeal, collection, enforcement, and administrative
6.9 provisions of chapters 270C and 289A apply to the orders issued under this section.

6.10 (l) Notwithstanding sections 9.031, 16A.40, and 16B.49, and any other law to the
6.11 contrary, the commissioner may take whatever actions the commissioner deems necessary
6.12 to pay the refunds required by this section, including issuance of debit cards or checks. The
6.13 commissioner may, in consultation with the commissioner of management and budget,
6.14 contract with a private vendor or vendors to process, print, and mail debit cards, checks, or
6.15 warrants required under this section and receive and disburse state funds to pay debit cards,
6.16 checks, or warrants.

6.17 (m) The commissioner may pay refunds by electronic funds transfer to individuals who
6.18 requested that the income tax refund, if any, attributable to their most recently filed individual
6.19 income tax return be paid through electronic funds transfer. The commissioner may make
6.20 the electronic funds transfer payments to the same financial institution and into the same
6.21 account as the individual income tax refund.

6.22 **EFFECTIVE DATE.** This section is effective July 1, 2023.

6.23 **Sec. 6. [297J.05] REPORTS REQUIRED.**

6.24 (a) Within 15 months of the issuance of refunds under this chapter, the commissioner
6.25 must report to the chairs and ranking minority members of the legislative committees with
6.26 jurisdiction over taxes, the senate Finance Committee, and the house of representatives
6.27 Ways and Means Committee on the payments issued under this chapter. The reports must
6.28 comply with sections 3.195 and 3.197.

6.29 (b) On November 1, 2023, and annually thereafter, the commissioner of revenue must
6.30 report to the commissioner of management and budget and to the chairs and ranking minority
6.31 members of the legislative committees with jurisdiction over taxes, the senate Finance
6.32 Committee, and the house of representatives Ways and Means Committee the amount equal
6.33 to the current estimated cost of paying sales tax refunds at the minimum amounts indicated

7.1 under section 297J.04, subdivision 2, paragraph (b), to all eligible recipients, including the
7.2 administrative costs authorized under section 297J.03, based on the most recent information
7.3 available to the commissioner. The report must comply with sections 3.195 and 3.197.

7.4 **EFFECTIVE DATE.** This section is effective July 1, 2023.