

SENATE
STATE OF MINNESOTA
NINETIETH SESSION

S.F. No. 3712

(SENATE AUTHORS: CHAMBERLAIN, Rest and Dziedzic)

DATE	D-PG	OFFICIAL STATUS
03/21/2018	6873	Introduction and first reading Referred to Taxes See HF4385, Art. 6, Sec. 12; Art. 7-9 See HF947, Art. 10

1.1 A bill for an act

1.2 relating to taxation; making policy changes to property taxes, partnership tax, and

1.3 other miscellaneous tax provisions; amending Minnesota Statutes 2016, sections

1.4 162.145, subdivision 3; 270.41, subdivision 3; 270B.08, subdivision 2; 287.21,

1.5 subdivision 1; 289A.38, subdivision 10; 289A.42; 289A.60, subdivision 24;

1.6 297A.84; 297A.85; 297F.17, subdivision 6; 297G.16, subdivision 7; 469.190,

1.7 subdivisions 1, 7; 469.319, subdivision 4; Minnesota Statutes 2017 Supplement,

1.8 sections 270C.445, subdivision 6; 272.115, subdivision 1; 289A.31, subdivision

1.9 1; 289A.37, subdivision 2; 290.31, subdivision 1; proposing coding for new law

1.10 in Minnesota Statutes, chapter 289A; repealing Minnesota Statutes 2016, section

1.11 289A.38, subdivisions 7, 8, 9.

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

1.13 **ARTICLE 1**

1.14 **PROPERTY TAX**

1.15 Section 1. Minnesota Statutes 2016, section 162.145, subdivision 3, is amended to read:

1.16 Subd. 3. **Administration.** (a) Subject to funds made available by law, the commissioner

1.17 shall allocate all funds as provided in subdivision 4 and shall ~~notify~~, by June 1, certify to

1.18 the commissioner of revenue the amounts to be paid.

1.19 (b) Following ~~notification~~ certification from the commissioner ~~of transportation~~, the

1.20 commissioner of revenue shall distribute the specified funds to cities in the same manner

1.21 as local government aid under chapter 477A. An appropriation to the commissioner ~~of~~

1.22 ~~transportation~~ under this section is available to the commissioner of revenue for the purposes

1.23 specified in this paragraph.

1.24 (c) Notwithstanding other law to the contrary, in order to receive distributions under

1.25 this section, a city must conform to the standards in section 477A.017, subdivision 2. A city

2.1 that receives funds under this section must make and preserve records necessary to show
 2.2 that the funds are spent in compliance with subdivision 4.

2.3 **EFFECTIVE DATE.** This section is effective for aids payable in 2018 and thereafter.

2.4 Sec. 2. Minnesota Statutes 2016, section 270.41, subdivision 3, is amended to read:

2.5 Subd. 3. **Assessor sanctions; refusal to license.** (a) Following a recommendation from
 2.6 the commissioner of revenue, the board may (i) refuse to grant or renew, or may suspend
 2.7 or revoke, a license of an applicant or licensee, or (ii) censure, warn, or fine any licensed
 2.8 assessor, or any other person employed by an assessment jurisdiction or contracting with
 2.9 an assessment jurisdiction for the purpose of valuing or classifying property for property
 2.10 tax purposes, for any of the following causes or acts:

2.11 (1) failure to complete required training;

2.12 (2) inefficiency or neglect of duty;

2.13 (3) failure to comply with the Code of Conduct and Ethics for Licensed Minnesota
 2.14 Assessors adopted by the board pursuant to Laws 2005, First Special Session chapter 3,
 2.15 article 1, section 38;

2.16 (4) conviction of a crime involving moral turpitude;

2.17 (5) failure to faithfully and fully perform his or her duties through malfeasance,
 2.18 misfeasance, or nonfeasance; or

2.19 (6) any other cause or act that in the board's opinion warrants a refusal to issue a license
 2.20 or the imposition of a sanction provided under this subdivision.

2.21 (b) When appropriate for the level of infraction, a written warning must be given to
 2.22 assessors who have no prior identified infractions. The warning must identify the infraction
 2.23 and, as appropriate, detail future expectations of performance and behavior. Fines must not
 2.24 exceed \$1,000 for the first occurrence and must not exceed \$3,000 for each occurrence
 2.25 thereafter, and suspensions must not exceed one year for each occurrence, depending in
 2.26 each case upon the severity of the infraction and the level of negligence or intent. The
 2.27 commissioner of revenue shall give notice to an applicant or licensee of the commissioner's
 2.28 recommendation that the board impose sanctions or refuse to grant or renew a license. An
 2.29 action by the board to impose a ~~sanction~~ fine, to suspend or revoke a license, or to refuse
 2.30 to grant or renew a license is subject to review in a contested case hearing under chapter
 2.31 14. A licensee must submit a request for a hearing to the board within 30 days of the notice

3.1 date of the commissioner's recommendation for sanctions or for refusal to grant or renew
3.2 a license.

3.3 **EFFECTIVE DATE.** This section is effective for sanctions or refusals to grant or renew
3.4 a license recommended by the commissioner of revenue after June 30, 2018.

3.5 Sec. 3. Minnesota Statutes 2017 Supplement, section 272.115, subdivision 1, is amended
3.6 to read:

3.7 Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5, 6, or 7,
3.8 whenever any real estate is sold for a consideration in excess of ~~\$1,000~~ \$3,000, whether by
3.9 warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor,
3.10 grantee or the legal agent of either shall file a certificate of value with the county auditor
3.11 in the county in which the property is located when the deed or other document is presented
3.12 for recording. Contract for deeds are subject to recording under section 507.235, subdivision
3.13 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration
3.14 thereof, paid or to be paid, including the amount of any lien or liens assumed. The items
3.15 and value of personal property transferred with the real property must be listed and deducted
3.16 from the sale price. The certificate of value shall include the classification to which the
3.17 property belongs for the purpose of determining the fair market value of the property, and
3.18 shall include any proposed change in use of the property known to the person filing the
3.19 certificate that could change the classification of the property. The certificate shall include
3.20 financing terms and conditions of the sale which are necessary to determine the actual,
3.21 present value of the sale price for purposes of the sales ratio study. If the property is being
3.22 acquired as part of a like-kind exchange under section 1031 of the Internal Revenue Code
3.23 of 1986, as amended through December 31, 2006, that must be indicated on the certificate.
3.24 The commissioner of revenue shall promulgate administrative rules specifying the financing
3.25 terms and conditions which must be included on the certificate. The certificate of value
3.26 must include the Social Security number or the federal employer identification number of
3.27 the grantors and grantees. However, a married person who is not an owner of record and
3.28 who is signing a conveyance instrument along with the person's spouse solely to release
3.29 and convey their marital interest, if any, in the real property being conveyed is not a grantor
3.30 for the purpose of the preceding sentence. A statement in the deed that is substantially in
3.31 the following form is sufficient to allow the county auditor to accept a certificate for filing
3.32 without the Social Security number of the named spouse: "(Name) claims no ownership
3.33 interest in the real property being conveyed and is executing this instrument solely to release
3.34 and convey a marital interest, if any, in that real property." The identification numbers of
3.35 the grantors and grantees are private data on individuals or nonpublic data as defined in

4.1 section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or
4.2 nonpublic data may be disclosed to the commissioner of revenue for purposes of tax
4.3 administration. The information required to be shown on the certificate of value is limited
4.4 to the information required as of the date of the acknowledgment on the deed or other
4.5 document to be recorded.

4.6 **EFFECTIVE DATE.** This section is effective for certificates of value filed after
4.7 December 31, 2018.

4.8 Sec. 4. Minnesota Statutes 2016, section 287.21, subdivision 1, is amended to read:

4.9 Subdivision 1. **Determination of tax.** (a) A tax is imposed on each deed or instrument
4.10 by which any real property in this state is granted, assigned, transferred, or otherwise
4.11 conveyed. The tax applies against the net consideration. For purposes of the tax, the
4.12 conversion of a corporation to a limited liability company, a limited liability company to a
4.13 corporation, a partnership to a limited partnership, a limited partnership to another limited
4.14 partnership or other entity, or a similar conversion of one entity to another does not grant,
4.15 assign, transfer, or convey real property.

4.16 (b) The tax is determined in the following manner: (1) when transfers are made by
4.17 instruments pursuant to (i) consolidations or mergers, or (ii) designated transfers, the tax is
4.18 \$1.65; (2) when there is no consideration or when the consideration, exclusive of the value
4.19 of any lien or encumbrance remaining thereon at the time of sale, is ~~\$500~~ \$3,000 or less,
4.20 the tax is \$1.65; or (3) when the consideration, exclusive of the value of any lien or
4.21 encumbrance remaining at the time of sale, exceeds ~~\$500~~ \$3,000, the tax is .0033 of the net
4.22 consideration.

4.23 (c) If, within six months from the date of a designated transfer, an ownership interest in
4.24 the grantee entity is transferred by an initial owner to any person or entity with the result
4.25 that the designated transfer would not have been a designated transfer if made to the grantee
4.26 entity with its subsequent ownership, then a tax is imposed at .0033 of the net consideration
4.27 for the designated transfer. If the subsequent transfer of ownership interests was reasonably
4.28 expected at the time of the designated transfer, the applicable penalty under section 287.31,
4.29 subdivision 1, must be paid. The deed tax imposed under this paragraph is due within 30
4.30 days of the subsequent transfer that caused the tax to be imposed under this paragraph.
4.31 Involuntary transfers of ownership shall not be considered transfers of ownership under this
4.32 paragraph. The commissioner may adopt rules defining the types of transfers to be considered
4.33 involuntary.

5.1 (d) The tax is due at the time a taxable deed or instrument is presented for recording,
 5.2 except as provided in paragraph (c). The commissioner may require the tax to be documented
 5.3 in a manner prescribed by the commissioner, and may require that the documentation be
 5.4 attached to and recorded as part of the deed or instrument. The county recorder or registrar
 5.5 of titles shall accept the attachment for recording as part of the deed or instrument and may
 5.6 not require, as a condition of recording a deed or instrument, evidence that a transfer is a
 5.7 designated transfer in addition to that required by the commissioner. Such an attachment
 5.8 shall not, however, provide actual or constructive notice of the information contained therein
 5.9 for purposes of determining any interest in the real property. The commissioner shall
 5.10 prescribe the manner in which the tax due under paragraph (c) is to be paid and may require
 5.11 grantees of designated transfers to file with the commissioner subsequent statements verifying
 5.12 that the tax provided under paragraph (c) does not apply.

5.13 **EFFECTIVE DATE.** This section is effective for deeds recorded after December 31,
 5.14 2018.

5.15 ARTICLE 2

5.16 MISCELLANEOUS

5.17 Section 1. Minnesota Statutes 2016, section 270B.08, subdivision 2, is amended to read:

5.18 Subd. 2. **Revocation or cancellation.** When a taxpayer's sales tax permit has been
 5.19 revoked or canceled under section 270C.722 or 297A.84, the commissioner may disclose
 5.20 to any person data identifying the holder of the revoked or canceled permit, ~~stating~~ the basis
 5.21 for the revocation or cancellation, the date of the revocation or cancellation, and ~~stating~~
 5.22 ~~whether the~~ if a revoked or canceled permit has been reinstated, the date upon which the
 5.23 permit was reinstated.

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

5.25 Sec. 2. Minnesota Statutes 2016, section 297A.84, is amended to read:

5.26 **297A.84 PERMITS ISSUED AND NOT ISSUED; CANCELLATION.**

5.27 **Subdivision 1. Definitions.** (a) The following definitions apply for the purposes of this
 5.28 section.

5.29 (b) "Applicant" means an individual, corporation, or partnership. Applicant also includes
 5.30 any officer of a corporation or member of a partnership.

6.1 (c) "Delinquent sales tax" means tax not paid by the date the tax was due and payable
 6.2 under section 289A.20, subdivision 4, or an assessment not paid if the applicant has been
 6.3 issued an order assessing sales and use tax under section 270C.33, subdivision 4.

6.4 Subd. 2. **Permits issued.** Except as provided in subdivision 3, the commissioner shall
 6.5 must issue a permit to each applicant who has complied with section 297A.83, and with
 6.6 section 297A.92 if security is required. A person is considered to have a permit if the person
 6.7 has a Minnesota tax identification number issued by the commissioner that is currently
 6.8 active for taxes imposed by this chapter. A permit is valid until canceled or revoked. It is
 6.9 not assignable and is valid only for the person in whose name it is granted and for the
 6.10 transaction of business at the places designated on the permit.

6.11 Subd. 3. **Permits not issued.** (a) Except as provided in paragraph (b), the commissioner
 6.12 must not issue a permit to an applicant if the applicant is liable for delinquent sales tax.

6.13 (b) The commissioner must issue a permit to an applicant if an appeal period of an order
 6.14 assessing sales tax under section 270C.33, subdivision 5, has not ended. The commissioner
 6.15 may cancel a permit issued under this paragraph in the manner provided in subdivision 4
 6.16 if the applicant owes delinquent sales tax after the appeal period has ended.

6.17 Subd. 4. **Nonconforming permits; cancellation; reissue.** (a) If the commissioner issues
 6.18 a permit that does not conform with the requirements of this section or applicable rules, the
 6.19 commissioner may cancel the permit upon notice to the permit holder. The notice must be
 6.20 served by first class and certified mail at the permit holder's last known address. The
 6.21 cancellation is effective immediately.

6.22 (b) If a permit holder shows that a canceled permit was issued in conformance with the
 6.23 requirements of this section and applicable rules, the commissioner must reissue the permit.

6.24 **EFFECTIVE DATE.** This section is effective for permit applications filed after
 6.25 December 31, 2018.

6.26 Sec. 3. Minnesota Statutes 2016, section 297A.85, is amended to read:

6.27 **297A.85 CANCELLATION OF PERMITS.**

6.28 The commissioner may cancel a permit if one of the following conditions occurs:

6.29 (1) the permit holder has not filed a sales or use tax return for at least one year;

6.30 (2) the permit holder has not reported any sales or use tax liability on the permit holder's
 6.31 returns for at least two years;

6.32 (3) the permit holder requests cancellation of the permit; ~~or~~

7.1 (4) the permit is subject to cancellation ~~pursuant to~~ under section 270C.722, subdivision
7.2 2, paragraph (a); or

7.3 (5) the permit is subject to cancellation under section 289A.84.

7.4 **EFFECTIVE DATE.** This section is effective for permit applications filed after
7.5 December 31, 2018.

7.6 Sec. 4. Minnesota Statutes 2016, section 469.190, subdivision 1, is amended to read:

7.7 Subdivision 1. **Authorization.** (a) Notwithstanding section 477A.016 or any other law,
7.8 a statutory or home rule charter city may by ordinance, and a town may by the affirmative
7.9 vote of the electors at the annual town meeting, or at a special town meeting, impose a tax
7.10 of up to three percent on the gross receipts from the furnishing for consideration of lodging
7.11 at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing
7.12 of it for a continuous period of 30 days or more. A statutory or home rule charter city may
7.13 by ordinance impose the tax authorized under this subdivision on the camping site receipts
7.14 of a municipal campground.

7.15 (b) Regardless of whether the tax is collected locally or by the state, the tax imposed
7.16 under this subdivision or under a special law applies to the entire consideration paid to
7.17 obtain access to lodging, including ancillary or related services, such as services provided
7.18 by an accommodations intermediary as defined in section 297A.61, subdivision 47, and
7.19 similar services.

7.20 **EFFECTIVE DATE; APPLICATION.** This section is effective the day following
7.21 final enactment. In enacting this section, the legislature confirms that Minnesota Statutes,
7.22 section 469.190, its predecessor provisions, and any special laws authorizing political
7.23 subdivisions to impose local lodging taxes, were and are intended to apply to the entire
7.24 consideration paid to obtain access to lodging, including ancillary or related services, such
7.25 as services provided by an accommodations intermediary as defined in Minnesota Statutes,
7.26 section 297A.61, subdivision 47, and similar services. The provisions of this section must
7.27 not be interpreted to imply a narrower construction of the tax base under the lodging tax
7.28 provisions of Minnesota law prior to the enactment of this section.

7.29 Sec. 5. Minnesota Statutes 2016, section 469.190, subdivision 7, is amended to read:

7.30 Subd. 7. **Collection.** (a) The statutory or home rule charter city may agree with the
7.31 commissioner of revenue that a tax imposed pursuant to this section shall be collected by
7.32 the commissioner together with the tax imposed by chapter 297A, and subject to the same

8.1 interest, penalties, and other rules and that its proceeds, less the cost of collection, shall be
8.2 remitted to the city.

8.3 (b) If a tax under this section or a special law is not collected by the commissioner of
8.4 revenue, the local government imposing the tax may by ordinance limit the required filing
8.5 and remittance of the tax by an accommodations intermediary as defined in section 297A.61,
8.6 subdivision 47, to once every calendar year. If the ordinance limits the filing and remittance
8.7 of the tax in this manner, then:

8.8 (1) the due date is October 20;

8.9 (2) the local government must inform the accommodations intermediary of the due date
8.10 of the filing and remittance; and

8.11 (3) local government must also electronically provide an accommodations intermediary
8.12 with geographic and zip code information necessary to collect the tax.

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

8.14 **ARTICLE 3**

8.15 **PARTNERSHIP TAX**

8.16 Section 1. Minnesota Statutes 2017 Supplement, section 270C.445, subdivision 6, is
8.17 amended to read:

8.18 **Subd. 6. Enforcement; administrative order; penalties; cease and desist.** (a) The
8.19 commissioner may impose an administrative penalty of not more than \$1,000 per violation
8.20 of subdivision 3 or 5, or section 270C.4451, provided that a penalty may not be imposed
8.21 for any conduct for which a tax preparer penalty is imposed under section 289A.60,
8.22 subdivision 13. The commissioner may terminate a tax preparer's authority to transmit
8.23 returns electronically to the state, if the commissioner determines the tax preparer engaged
8.24 in a pattern and practice of violating this section. Imposition of a penalty under this paragraph
8.25 is subject to the contested case procedure under chapter 14. The commissioner shall collect
8.26 the penalty in the same manner as the income tax. There is no right to make a claim for
8.27 refund under section 289A.50 of the penalty imposed under this paragraph. Penalties imposed
8.28 under this paragraph are public data.

8.29 (b) In addition to the penalty under paragraph (a), if the commissioner determines that
8.30 a tax preparer has violated subdivision 3 or 5, or section 270C.4451, the commissioner may
8.31 issue an administrative order to the tax preparer requiring the tax preparer to cease and

9.1 desist from committing the violation. The administrative order may include an administrative
9.2 penalty provided in paragraph (a).

9.3 (c) If the commissioner issues an administrative order under paragraph (b), the
9.4 commissioner must send the order to the tax preparer addressed to the last known address
9.5 of the tax preparer.

9.6 (d) A cease and desist order under paragraph (b) must:

9.7 (1) describe the act, conduct, or practice committed and include a reference to the law
9.8 that the act, conduct, or practice violates; and

9.9 (2) provide notice that the tax preparer may request a hearing as provided in this
9.10 subdivision.

9.11 (e) Within 30 days after the commissioner issues an administrative order under paragraph
9.12 (b), the tax preparer may request a hearing to review the commissioner's action. The request
9.13 for hearing must be made in writing and must be served on the commissioner at the address
9.14 specified in the order. The hearing request must specifically state the reasons for seeking
9.15 review of the order. The date on which a request for hearing is served by mail is the postmark
9.16 date on the envelope in which the request for hearing is mailed.

9.17 (f) If a tax preparer does not timely request a hearing regarding an administrative order
9.18 issued under paragraph (b), the order becomes a final order of the commissioner and is not
9.19 subject to review by any court or agency.

9.20 (g) If a tax preparer timely requests a hearing regarding an administrative order issued
9.21 under paragraph (b), the hearing must be commenced within ten days after the commissioner
9.22 receives the request for a hearing.

9.23 (h) A hearing timely requested under paragraph (e) is subject to the contested case
9.24 procedure under chapter 14, as modified by this subdivision. The administrative law judge
9.25 must issue a report containing findings of fact, conclusions of law, and a recommended
9.26 order within ten days after the completion of the hearing, the receipt of late-filed exhibits,
9.27 or the submission of written arguments, whichever is later.

9.28 (i) Within five days of the date of the administrative law judge's report issued under
9.29 paragraph (h), any party aggrieved by the administrative law judge's report may submit
9.30 written exceptions and arguments to the commissioner. Within 15 days after receiving the
9.31 administrative law judge's report, the commissioner must issue an order vacating, modifying,
9.32 or making final the administrative order.

10.1 (j) The commissioner and the tax preparer requesting a hearing may by agreement
10.2 lengthen any time periods prescribed in paragraphs (g) to (i).

10.3 (k) An administrative order issued under paragraph (b) is in effect until it is modified
10.4 or vacated by the commissioner or an appellate court. The administrative hearing provided
10.5 by paragraphs (e) to (i) and any appellate judicial review as provided in chapter 14 constitute
10.6 the exclusive remedy for a tax preparer aggrieved by the order.

10.7 (l) The commissioner may impose an administrative penalty, in addition to the penalty
10.8 under paragraph (a), up to \$5,000 per violation of a cease and desist order issued under
10.9 paragraph (b). Imposition of a penalty under this paragraph is subject to the contested case
10.10 procedure under chapter 14. Within 30 days after the commissioner imposes a penalty under
10.11 this paragraph, the tax preparer assessed the penalty may request a hearing to review the
10.12 penalty order. The request for hearing must be made in writing and must be served on the
10.13 commissioner at the address specified in the order. The hearing request must specifically
10.14 state the reasons for seeking review of the order. The cease and desist order issued under
10.15 paragraph (b) is not subject to review in a proceeding to challenge the penalty order under
10.16 this paragraph. The date on which a request for hearing is served by mail is the postmark
10.17 date on the envelope in which the request for hearing is mailed. If the tax preparer does not
10.18 timely request a hearing, the penalty order becomes a final order of the commissioner and
10.19 is not subject to review by any court or agency. A penalty imposed by the commissioner
10.20 under this paragraph may be collected and enforced by the commissioner as an income tax
10.21 liability. There is no right to make a claim for refund under section 289A.50 of the penalty
10.22 imposed under this paragraph. A penalty imposed under this paragraph is public data.

10.23 (m) If a tax preparer violates a cease and desist order issued under paragraph (b), the
10.24 commissioner may terminate the tax preparer's authority to transmit returns electronically
10.25 to the state. Termination under this paragraph is public data.

10.26 (n) A cease and desist order issued under paragraph (b) is public data when it is a final
10.27 order.

10.28 (o) Notwithstanding any other law, the commissioner may impose a penalty or take other
10.29 action under this subdivision against a tax preparer, with respect to a return, within the
10.30 period to assess tax on that return as provided by ~~section~~ sections 289A.38 to 289A.384.

10.31 (p) Notwithstanding any other law, the imposition of a penalty or any other action against
10.32 a tax preparer under this subdivision, other than with respect to a return, must be taken by
10.33 the commissioner within five years of the violation of statute.

11.1 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
11.2 31, 2017, except that for partnerships that make an election under Code of Federal
11.3 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
11.4 to the same tax periods to which the election relates.

11.5 Sec. 2. Minnesota Statutes 2017 Supplement, section 289A.31, subdivision 1, is amended
11.6 to read:

11.7 Subdivision 1. **Individual income, fiduciary income, mining company, corporate**
11.8 **franchise, and entertainment taxes.** (a) Individual income, fiduciary income, mining
11.9 company, and corporate franchise taxes, and interest and penalties, must be paid by the
11.10 taxpayer upon whom the tax is imposed, except in the following cases:

11.11 (1) the tax due from a decedent for that part of the taxable year in which the decedent
11.12 died during which the decedent was alive and the taxes, interest, and penalty due for the
11.13 prior years must be paid by the decedent's personal representative, if any. If there is no
11.14 personal representative, the taxes, interest, and penalty must be paid by the transferees, as
11.15 defined in section 270C.58, subdivision 3, to the extent they receive property from the
11.16 decedent;

11.17 (2) the tax due from an infant or other incompetent person must be paid by the person's
11.18 guardian or other person authorized or permitted by law to act for the person;

11.19 (3) the tax due from the estate of a decedent must be paid by the estate's personal
11.20 representative;

11.21 (4) the tax due from a trust, including those within the definition of a corporation, as
11.22 defined in section 290.01, subdivision 4, must be paid by a trustee; and

11.23 (5) the tax due from a taxpayer whose business or property is in charge of a receiver,
11.24 trustee in bankruptcy, assignee, or other conservator, must be paid by the person in charge
11.25 of the business or property so far as the tax is due to the income from the business or property.

11.26 (b) Entertainment taxes are the joint and several liability of the entertainer and the
11.27 entertainment entity. The payor is liable to the state for the payment of the tax required to
11.28 be deducted and withheld under section 290.9201, subdivision 7, and is not liable to the
11.29 entertainer for the amount of the payment.

11.30 (c) The taxes imposed under sections 289A.35, paragraph (b), 289A.383, subdivision
11.31 3, and 290.0922 on partnerships are the joint and several liability of the partnership and the
11.32 general partners.

12.1 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
 12.2 31, 2017, except that for partnerships that make an election under Code of Federal
 12.3 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
 12.4 to the same tax periods to which the election relates.

12.5 Sec. 3. Minnesota Statutes 2017 Supplement, section 289A.37, subdivision 2, is amended
 12.6 to read:

12.7 Subd. 2. **Erroneous refunds.** (a) Except as provided in paragraph (b), an erroneous
 12.8 refund occurs when the commissioner issues a payment to a person that exceeds the amount
 12.9 the person is entitled to receive under law. An erroneous refund is considered an
 12.10 underpayment of tax on the date issued.

12.11 (b) To the extent that the amount paid does not exceed the amount claimed by the
 12.12 taxpayer, an erroneous refund does not include the following:

12.13 (1) any amount of a refund or credit paid pursuant to a claim for refund filed by a
 12.14 taxpayer, including but not limited to refunds of claims made under section 290.06,
 12.15 subdivision 23; 290.067; 290.0671; 290.0672; 290.0674; 290.0675; 290.0677; 290.068;
 12.16 290.0681; or 290.0692; or chapter 290A; or

12.17 (2) any amount paid pursuant to a claim for refund of an overpayment of tax filed by a
 12.18 taxpayer.

12.19 (c) The commissioner may make an assessment to recover an erroneous refund at any
 12.20 time within two years from the issuance of the erroneous refund. If all or part of the erroneous
 12.21 refund was induced by fraud or misrepresentation of a material fact, the assessment may
 12.22 be made at any time.

12.23 (d) Assessments of amounts that are not erroneous refunds under paragraph (b) must be
 12.24 conducted under ~~section~~ sections 289A.38 to 289A.384.

12.25 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
 12.26 31, 2017, except that for partnerships that make an election under Code of Federal
 12.27 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
 12.28 to the same tax periods to which the election relates.

12.29 Sec. 4. Minnesota Statutes 2016, section 289A.38, subdivision 10, is amended to read:

12.30 Subd. 10. **Incorrect determination of federal adjusted gross income.** Notwithstanding
 12.31 any other provision of this chapter, if a taxpayer whose net income is determined under
 12.32 section 290.01, subdivision 19, omits from income an amount that will under the Internal

13.1 Revenue Code extend the statute of limitations for the assessment of federal income taxes,
13.2 or otherwise incorrectly determines the taxpayer's federal adjusted gross income resulting
13.3 in adjustments by the Internal Revenue Service, then the period of assessment and
13.4 determination of tax will be that under the Internal Revenue Code. When a change is made
13.5 to federal income during the extended time provided under this subdivision, the provisions
13.6 under ~~subdivisions 7 to 9~~ sections 289A.381 to 289A.384 regarding additional extensions
13.7 apply.

13.8 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
13.9 31, 2017, except that for partnerships that make an election under Code of Federal
13.10 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
13.11 to the same tax periods to which the election relates.

13.12 **Sec. 5. [289A.381] DEFINITIONS; PARTNERSHIPS; FEDERAL ADJUSTMENTS.**

13.13 Subdivision 1. **Definitions relating to federal adjustments.** Unless otherwise specified,
13.14 the definitions in this section apply for the purposes of sections 289A.381 to 289A.385.

13.15 Subd. 2. **Administrative adjustment request.** "Administrative adjustment request"
13.16 means an administrative adjustment request filed by a partnership under section 6227 of
13.17 the Internal Revenue Code.

13.18 Subd. 3. **Audited partnership.** "Audited partnership" means a partnership subject to a
13.19 federal adjustment resulting from a partnership-level audit.

13.20 Subd. 4. **Corporate partner.** "Corporate partner" means a partner that is subject to tax
13.21 under section 290.02.

13.22 Subd. 5. **Direct partner.** "Direct partner" means a partner that holds an immediate legal
13.23 ownership interest in a partnership or pass-through entity.

13.24 Subd. 6. **Exempt partner.** "Exempt partner" means a partner that is exempt from taxes
13.25 on its net income under section 290.05, subdivision 1.

13.26 Subd. 7. **Federal adjustment.** "Federal adjustment" means any change in an amount
13.27 calculated under the Internal Revenue Code, whether to income, gross estate, a credit, an
13.28 item of preference, or any other item that is used by a taxpayer to compute a tax administered
13.29 under this chapter for the reviewed year whether that change results from action by the
13.30 Internal Revenue Service or other competent authority, including a partnership-level audit,
13.31 or the filing of an amended federal return, federal refund claim, or an administrative
13.32 adjustment request by the taxpayer.

14.1 Subd. 8. **Federal adjustments report.** "Federal adjustments report" includes a method
14.2 or form prescribed by the commissioner for use by a taxpayer to report federal adjustments,
14.3 including an amended Minnesota tax return or a uniform multistate report.

14.4 Subd. 9. **Federal partnership representative.** "Federal partnership representative"
14.5 means the person the partnership designates for the taxable year as the partnership's
14.6 representative, or the person the Internal Revenue Service has appointed to act as the
14.7 partnership representative, pursuant to section 6223(a) of the Internal Revenue Code.

14.8 Subd. 10. **Final determination date.** (a) "Final determination date" means:

14.9 (1) for a federal adjustment arising from an audit by the Internal Revenue Service or
14.10 other competent authority, the first day on which no federal adjustment arising from that
14.11 audit remains to be finally determined, whether by agreement, or, if appealed or contested,
14.12 by a final decision with respect to which all rights of appeal have been waived or exhausted;

14.13 (2) for a federal adjustment arising from the filing of an amended federal return, a federal
14.14 refund claim, or the filing by a partnership of an administrative adjustment request, the day
14.15 which the amended return, refund claim, or administrative adjustment request was filed; or

14.16 (3) for agreements required to be signed by the Internal Revenue Service and the taxpayer,
14.17 the date on which the last party signed the agreement.

14.18 Subd. 11. **Final federal adjustment.** "Final federal adjustment" means a federal
14.19 adjustment for which the final determination date for that federal adjustment has passed.

14.20 Subd. 12. **Indirect partner.** "Indirect partner" means either:

14.21 (1) a partner in a partnership or pass-through entity that itself holds an immediate legal
14.22 ownership interest in another partnership or pass-through entity; or

14.23 (2) a partner in a partnership or pass-through entity that holds an indirect interest in
14.24 another partnership or pass-through entity through another indirect partner.

14.25 Subd. 13. **Partner.** "Partner" means a person that holds an interest directly or indirectly
14.26 in a partnership or other pass-through entity.

14.27 Subd. 14. **Partnership.** The term "partnership" has the meaning provided under section
14.28 7701(a)(2) of the Internal Revenue Code.

14.29 Subd. 15. **Partnership-level audit.** "Partnership-level audit" means an examination by
14.30 the Internal Revenue Service at the partnership level pursuant to subtitle F, chapter 63,
14.31 subchapter C, of the Internal Revenue Code, which results in federal adjustments including
14.32 reallocation adjustments and adjustments to partnership-related items.

15.1 Subd. 16. **Pass-through entity.** "Pass-through entity" means an entity, other than a
15.2 partnership, that is not subject to the tax imposed under section 290.02. The term pass-through
15.3 entity includes but is not limited to S corporations, estates, and trusts other than grantor
15.4 trusts.

15.5 Subd. 17. **Reallocation adjustment.** "Reallocation adjustment" means a federal
15.6 adjustment, or final federal adjustment, that changes the shares of items of partnership
15.7 income, gain, loss, expense, or credit allocated to partners. The term positive reallocation
15.8 adjustment means reallocation adjustments that would increase state taxable income for
15.9 partners, and the term negative reallocation adjustment means reallocation adjustments that
15.10 would decrease state taxable income for partners.

15.11 Subd. 18. **Resident partner.** "Resident partner" means an individual partner or individual
15.12 indirect partner who is a resident of Minnesota under section 290.01, subdivision 7.

15.13 Subd. 19. **Reviewed year.** "Reviewed year" means the taxable year of a partnership that
15.14 is subject to a partnership-level audit from which federal adjustments arise.

15.15 Subd. 20. **Tiered partner.** "Tiered partner" means any partner that is a partnership or
15.16 pass-through entity.

15.17 Subd. 21. **Unrelated business taxable income.** "Unrelated business taxable income"
15.18 has the same meaning as defined in section 512 of the Internal Revenue Code.

15.19 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
15.20 31, 2017, except that for partnerships that make an election under Code of Federal
15.21 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
15.22 to the same tax periods to which the election relates.

15.23 Sec. 6. **[289A.382] REPORTING FEDERAL ADJUSTMENTS; GENERAL RULE.**

15.24 (a) Within 180 days of a final determination date, a taxpayer must file a federal adjustment
15.25 report with the commissioner reporting all final federal adjustments by the Internal Revenue
15.26 Service or other competent authority.

15.27 (b) Within 180 days of a final determination date, a taxpayer must file a federal adjustment
15.28 report with the commissioner reporting any federal adjustments reported by the taxpayer
15.29 to the Internal Revenue Service, including but not limited to:

15.30 (1) federal refund claims;

15.31 (2) a change reported on a timely filed amended federal income tax return; and

16.1 (3) a change reported on an amended return filed pursuant to section 6225 of the Internal
16.2 Revenue Code.

16.3 (c) In the case of a final federal adjustment arising from a partnership-level audit or an
16.4 administrative adjustment request filed by a partnership under section 6227 of the Internal
16.5 Revenue Code, a taxpayer must report adjustments as provided for under section 289A.383,
16.6 and not this section.

16.7 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
16.8 31, 2017, except that for partnerships that make an election under Code of Federal
16.9 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
16.10 to the same tax periods to which the election relates.

16.11 **Sec. 7. [289A.383] REPORTING AND PAYMENT REQUIREMENTS.**

16.12 Subdivision 1. **State partnership representative.** (a) With respect to an action required
16.13 or permitted to be taken by a partnership under this section, or in a proceeding under section
16.14 270C.35 or 271.06, the state partnership representative for the reviewed year shall have the
16.15 sole authority to act on behalf of the partnership, and its partners and indirect partners shall
16.16 be bound by those actions.

16.17 (b) The state partnership representative for the reviewed year is the partnership's federal
16.18 partnership representative unless the partnership, in a form and manner prescribed by the
16.19 commissioner, designates another person as its state partnership representative.

16.20 Subd. 2. **Reporting and payment requirements for partnerships and tiered partners.**
16.21 (a) Unless an audited partnership makes the election in subdivision 3, then, for all final
16.22 federal adjustments the audited partnership must comply with paragraph (b) and each direct
16.23 partner of the audited partnership, other than a tiered partner, must comply with paragraph
16.24 (c).

16.25 (b) No later than 90 days after the final determination date, the audited partnership must:

16.26 (1) file a completed federal adjustment report, including all partner-level information
16.27 required under section 289A.12, subdivision 3, with the commissioner;

16.28 (2) notify each of its direct partners of their distributive share of the adjustments;

16.29 (3) file an amended composite report for all direct partners who were included in a
16.30 composite return under section 289A.08, subdivision 7, in the reviewed year, and pay the
16.31 additional amount that would have been due had the federal adjustments been reported
16.32 properly as required; and

17.1 (4) file amended withholding reports for all direct partners who were or should have
17.2 been subject to nonresident withholding under section 290.92, subdivision 4b, in the reviewed
17.3 year, and pay the additional amount that would have been due had the federal adjustments
17.4 been reported properly as required.

17.5 (c) No later than 180 days after the final determination date, each direct partner, other
17.6 than a tiered partner, that is subject to a tax administered under this chapter, other than the
17.7 sales tax, must:

17.8 (1) file a federal adjustment report reporting their distributive share of the adjustments
17.9 reported to them under paragraph (b), clause (2); and

17.10 (2) pay any additional amount of tax due as if the final federal adjustment had been
17.11 properly reported, plus any penalty and interest due under this chapter, and less any credit
17.12 for related amounts paid or withheld and remitted on behalf of the direct partner under
17.13 paragraph (b), clauses (3) and (4).

17.14 **Subd. 3. Election; partnership or tiered partners pay; commissioner's powers. (a)**
17.15 **An audited partnership may make an election under this subdivision to pay its assessment**
17.16 **at the entity level. If an audited partnership makes an election to pay its assessment at the**
17.17 **entity level it must:**

17.18 (1) no later than 90 days after the final determination date, file a completed federal
17.19 adjustment report, including the residency information for all individual partners, both direct
17.20 and indirect, and information pertaining to all other partners as prescribed by the
17.21 commissioner, and notify the commissioner that it is making the election under this
17.22 subdivision; and

17.23 (2) no later than 180 days after the final determination date, pay an amount, determined
17.24 as follows, in lieu of taxes on partners:

17.25 (i) exclude from final federal adjustments and any positive reallocation adjustments the
17.26 distributive share of these adjustments made to an exempt partner that is not unrelated
17.27 business taxable income;

17.28 (ii) exclude from final federal adjustments and any positive reallocation adjustments the
17.29 distributive share of these adjustments made to a partner that has filed a federal adjustment
17.30 report and paid the applicable tax, as required under subdivision 2, for the distributive share
17.31 of adjustments reported on a federal return under section 6225 of the Internal Revenue Code;

18.1 (iii) allocate at the partner level using section 290.17, subdivision 1, all final federal
18.2 adjustments and positive reallocation adjustments attributable to resident partners, both
18.3 direct and indirect, for the reviewed year;

18.4 (iv) allocate and apportion at the partnership level using sections 290.17 to 290.20 all
18.5 remaining final federal adjustments and positive reallocation adjustments for the reviewed
18.6 year;

18.7 (v) determine the total distributive share of the allocated and apportioned final federal
18.8 adjustments and positive reallocation adjustments determined in items (iii) and (iv) that are
18.9 attributable to:

18.10 (A) resident partners;

18.11 (B) corporate partners and exempt partners; and

18.12 (C) the total distributive share amount allocated to all other partners;

18.13 (vi) for the total distributive share of net final federal adjustments plus positive
18.14 reallocation adjustments attributed to corporate partners and exempt partners under item
18.15 (v), subitem (B), multiply the total by the highest tax rate in section 290.06, subdivision 1,
18.16 for the reviewed year, and calculate interest and penalties as applicable under this chapter;

18.17 (vii) for the total distributive share of net final federal adjustments plus positive
18.18 reallocation adjustments attributable to resident partners, and all other partners under item
18.19 (v), subitems (A) and (C), multiply the total by the highest tax rate in section 290.06,
18.20 subdivision 2c, for the reviewed year, and calculate interest and penalties as applicable
18.21 under this chapter; and

18.22 (viii) add the amount determined in item (vi) to the amount determined in item (vii),
18.23 and pay all applicable taxes, penalties, and interest to the commissioner.

18.24 (b) Unless the commissioner determines otherwise, the election under this subdivision
18.25 is not available for reporting an adjustment made pursuant to an administrative adjustment
18.26 request.

18.27 Subd. 4. Tiered partners and indirect partners. (a) Each tiered partner and each
18.28 indirect partner of an audited partnership that reported final federal adjustments pursuant
18.29 to subdivision 2, paragraph (b), clause (1), or this subdivision, must:

18.30 (1) within 90 days of the report comply with the filing, reporting, and payment
18.31 requirements of subdivision 2, paragraph (b); or

18.32 (2) make the election under subdivision 3 as though it were the audited partnership.

19.1 (b) Each direct partner in a partnership making a report under paragraph (a) must, within
19.2 180 days of the report, comply with the filing, reporting, and payment requirements of
19.3 subdivision 2, paragraph (c).

19.4 (c) Notwithstanding the interim time requirements in this subdivision and subdivisions
19.5 2 and 3, all reports and payments required to be made by the tiered and indirect partners
19.6 under this section are required to be made within 90 days after the time for the filing and
19.7 furnishing of statements to tiered partners and their partners as established by the Internal
19.8 Revenue Service under section 6226 of the Internal Revenue Code.

19.9 **Subd. 5. Effects of election by partnership or tiered partner and payment of amount**
19.10 **due.** (a) Unless the commissioner determines otherwise, the election under subdivision 3
19.11 is irrevocable.

19.12 (b) If an audited partnership or tiered partner properly reports and pays an amount
19.13 determined in subdivision 3, the amount will be treated as paid in lieu of taxes owed by the
19.14 partnership's direct partners on the same final federal adjustments. The direct partners and
19.15 indirect partners of the partnership who are not resident partners may not take any deduction
19.16 or credit for this amount or claim a refund of the amount in this state.

19.17 (c) Nothing in this subdivision precludes resident partners from claiming a credit against
19.18 taxes paid under section 290.06, on any amounts paid by the audited partnership or tiered
19.19 partners on the resident partner's behalf to another state or local tax jurisdiction.

19.20 **Subd. 6. Failure of partnership or tiered partner to report or pay.** Nothing in this
19.21 section prevents the commissioner from assessing partners or indirect partners for taxes
19.22 they owe in the event that, for any reason, a partnership or tiered partner fails to timely
19.23 make any report or payment required by this section.

19.24 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
19.25 31, 2017, except that for partnerships that make an election under Code of Federal
19.26 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
19.27 to the same tax periods to which the election relates.

19.28 **Sec. 8. [289A.384] ASSESSMENT OF TAX, INTEREST, PENALTIES, AND**
19.29 **ADDITIONAL AMOUNTS.**

19.30 **Subdivision 1. Assessment of additional tax, interest, and penalties.** The commissioner
19.31 may assess additional tax, interest, and penalties following a final federal adjustment:

19.32 (1) arising from an audit by the Internal Revenue Service, including a partnership-level
19.33 audit;

20.1 (2) reported by the taxpayer on an amended federal tax return; or

20.2 (3) as part of an administrative adjustment request on or before the dates provided in
 20.3 this section.

20.4 Subd. 2. **Timely and untimely reported federal adjustments.** If a taxpayer files a
 20.5 federal adjustment report, within or after the periods prescribed in section 289A.382 or
 20.6 289A.383, the commissioner may assess any additional Minnesota amounts including
 20.7 in-lieu-of amounts, taxes, interest, and penalties at the later of:

20.8 (1) the expiration of the period of limitations in section 289A.38; or

20.9 (2) the expiration of the one-year period following the date of the filing with the
 20.10 commissioner of the federal adjustments report.

20.11 Subd. 3. **Unreported reported federal adjustments.** If the taxpayer fails to file a federal
 20.12 adjustments report, the commissioner may assess additional amounts including in-lieu-of
 20.13 amounts, taxes, penalties, and interest, at the later of:

20.14 (1) the expiration of the period of limitations in section 289A.38; or

20.15 (2) the expiration of the six-year period following the final determination date.

20.16 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
 20.17 31, 2017, except that for partnerships that make an election under Code of Federal
 20.18 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
 20.19 to the same tax periods to which the election relates.

20.20 Sec. 9. **[289A.385] CLAIMS FOR REFUND OR CREDITS OF STATE TAX**
 20.21 **ARISING FROM FINAL FEDERAL ADJUSTMENTS MADE BY THE INTERNAL**
 20.22 **REVENUE SERVICE.**

20.23 Notwithstanding the general period of limitations on claims for refund in section 289A.40,
 20.24 taxpayers subject to the reporting requirements of sections 289A.382 and 289A.383 may
 20.25 file claims for refund related to federal adjustments made by the Internal Revenue Service
 20.26 on or before the last day for the assessment of tax under section 289A.384.

20.27 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
 20.28 31, 2017, except that for partnerships that make an election under Code of Federal
 20.29 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
 20.30 to the same tax periods to which the election relates.

21.1 Sec. 10. Minnesota Statutes 2016, section 289A.42, is amended to read:

21.2 **289A.42 CONSENT TO EXTEND STATUTE.**

21.3 Subdivision 1. **Extension agreement.** If before the expiration of time prescribed in
 21.4 sections 289A.38 to 289A.384 and 289A.40 for the assessment of tax or the filing of a claim
 21.5 for refund, both the commissioner and the taxpayer have consented in writing to the
 21.6 assessment or filing of a claim for refund after that time, the tax may be assessed or the
 21.7 claim for refund filed at any time before the expiration of the agreed-upon period. The
 21.8 period may be extended by later agreements in writing before the expiration of the period
 21.9 previously agreed upon. The taxpayer and the commissioner may also agree to extend the
 21.10 period for collection of the tax.

21.11 Subd. 2. **Federal extensions.** When a taxpayer consents to an extension of time for the
 21.12 assessment of federal withholding or income taxes, the period in which the commissioner
 21.13 may recompute the tax is also extended, notwithstanding any period of limitations to the
 21.14 contrary, as follows:

21.15 (1) for the periods provided in section ~~289A.38, subdivisions 8 and 9~~ 289A.384,
 21.16 subdivisions 2 and 3;

21.17 (2) for six months following the expiration of the extended federal period of limitations
 21.18 when no change is made by the federal authority. ~~If no change is made by the federal~~
 21.19 ~~authority, and, but for this subdivision, the commissioner's time period to adjust the tax has~~
 21.20 ~~expired, and if the commissioner has completed a field audit of the taxpayer, no additional~~
 21.21 ~~changes resulting in additional tax due or a refund may be made. For purposes of this~~
 21.22 ~~subdivision, "field audit" has the meaning given it in section 289A.38, subdivision 9.~~

21.23 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
 21.24 31, 2017, except that for partnerships that make an election under Code of Federal
 21.25 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
 21.26 to the same tax periods to which the election relates.

21.27 Sec. 11. Minnesota Statutes 2016, section 289A.60, subdivision 24, is amended to read:

21.28 Subd. 24. **Penalty for failure to notify of federal change.** If a person fails to report to
 21.29 the commissioner a change or correction of the person's federal return in the manner and
 21.30 time prescribed in ~~section 289A.38, subdivision 7~~ sections 289A.382 and 289A.383, there
 21.31 must be added to the tax an amount equal to ten percent of the amount of any underpayment
 21.32 of Minnesota tax attributable to the federal change.

22.1 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
 22.2 31, 2017, except that for partnerships that make an election under Code of Federal
 22.3 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
 22.4 to the same tax periods to which the election relates.

22.5 Sec. 12. Minnesota Statutes 2017 Supplement, section 290.31, subdivision 1, is amended
 22.6 to read:

22.7 Subdivision 1. **Partners, not partnership, subject to tax.** Except as provided under
 22.8 ~~section~~ sections 289A.35, paragraph (b), and 289A.383, subdivision 3, a partnership as such
 22.9 shall not be subject to the income tax imposed by this chapter, but is subject to the tax
 22.10 imposed under section 290.0922. Persons carrying on business as partners shall be liable
 22.11 for income tax only in their separate or individual capacities.

22.12 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
 22.13 31, 2017, except that for partnerships that make an election under Code of Federal
 22.14 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
 22.15 to the same tax periods to which the election relates.

22.16 Sec. 13. Minnesota Statutes 2016, section 297F.17, subdivision 6, is amended to read:

22.17 Subd. 6. **Time limit for bad debt refund.** Claims for refund must be filed with the
 22.18 commissioner during the one-year period beginning with the timely filing of the taxpayer's
 22.19 federal income tax return containing the bad debt deduction that is being claimed. Claimants
 22.20 under this subdivision are subject to the notice requirements of ~~section 289A.38, subdivision~~
 22.21 7 sections 289A.382 and 289A.383.

22.22 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
 22.23 31, 2017, except that for partnerships that make an election under Code of Federal
 22.24 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
 22.25 to the same tax periods to which the election relates.

22.26 Sec. 14. Minnesota Statutes 2016, section 297G.16, subdivision 7, is amended to read:

22.27 Subd. 7. **Time limit for a bad debt deduction.** Claims for refund must be filed with
 22.28 the commissioner within one year of the filing of the taxpayer's income tax return containing
 22.29 the bad debt deduction that is being claimed. Claimants under this subdivision are subject
 22.30 to the notice requirements of ~~section 289A.38, subdivision 7~~ sections 289A.38 to 289A.384.

22.31 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
 22.32 31, 2017, except that for partnerships that make an election under Code of Federal

23.1 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
23.2 to the same tax periods to which the election relates.

23.3 Sec. 15. Minnesota Statutes 2016, section 469.319, subdivision 4, is amended to read:

23.4 Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under chapter
23.5 290 or 297A or local taxes collected pursuant to section 297A.99, a business must file an
23.6 amended return with the commissioner of revenue and pay any taxes required to be repaid
23.7 within 30 days after becoming subject to repayment under this section. The amount required
23.8 to be repaid is determined by calculating the tax for the period or periods for which repayment
23.9 is required without regard to the exemptions and credits allowed under section 469.315.

23.10 (b) For the repayment of taxes imposed under chapter 297B, a business must pay any
23.11 taxes required to be repaid to the motor vehicle registrar, as agent for the commissioner of
23.12 revenue, within 30 days after becoming subject to repayment under this section.

23.13 (c) For the repayment of property taxes, the county auditor shall prepare a tax statement
23.14 for the business, applying the applicable tax extension rates for each payable year and
23.15 provide a copy to the business and to the taxpayer of record. The business must pay the
23.16 taxes to the county treasurer within 30 days after receipt of the tax statement. The business
23.17 or the taxpayer of record may appeal the valuation and determination of the property tax to
23.18 the Tax Court within 30 days after receipt of the tax statement.

23.19 (d) The provisions of chapters 270C and 289A relating to the commissioner's authority
23.20 to audit, assess, and collect the tax and to hear appeals are applicable to the repayment
23.21 required under paragraphs (a) and (b). The commissioner may impose civil penalties as
23.22 provided in chapter 289A, and the additional tax and penalties are subject to interest at the
23.23 rate provided in section 270C.40. The additional tax shall bear interest from 30 days after
23.24 becoming subject to repayment under this section until the date the tax is paid. Any penalty
23.25 imposed pursuant to this section shall bear interest from the date provided in section 270C.40,
23.26 subdivision 3, to the date of payment of the penalty.

23.27 (e) If a property tax is not repaid under paragraph (c), the county treasurer shall add the
23.28 amount required to be repaid to the property taxes assessed against the property for payment
23.29 in the year following the year in which the auditor provided the statement under paragraph
23.30 (c).

23.31 (f) For determining the tax required to be repaid, a reduction of a state or local sales or
23.32 use tax is deemed to have been received on the date that the good or service was purchased
23.33 or first put to a taxable use. In the case of an income tax or franchise tax, including the credit

24.1 payable under section 469.318, a reduction of tax is deemed to have been received for the
 24.2 two most recent tax years that have ended prior to the date that the business became subject
 24.3 to repayment under this section. In the case of a property tax, a reduction of tax is deemed
 24.4 to have been received for the taxes payable in the year that the business became subject to
 24.5 repayment under this section and for the taxes payable in the prior year.

24.6 (g) The commissioner may assess the repayment of taxes under paragraph (d) any time
 24.7 within two years after the business becomes subject to repayment under subdivision 1, or
 24.8 within any period of limitations for the assessment of tax under ~~section 289A.38~~ sections
 24.9 289A.38 to 289A.384, whichever period is later. The county auditor may send the statement
 24.10 under paragraph (c) any time within three years after the business becomes subject to
 24.11 repayment under subdivision 1.

24.12 (h) A business is not entitled to any income tax or franchise tax benefits, including
 24.13 refundable credits, for any part of the year in which the business becomes subject to
 24.14 repayment under this section nor for any year thereafter. Property is not exempt from tax
 24.15 under section 272.02, subdivision 64, for any taxes payable in the year following the year
 24.16 in which the property became subject to repayment under this section nor for any year
 24.17 thereafter. A business is not eligible for any sales tax benefits beginning with goods or
 24.18 services purchased or first put to a taxable use on the day that the business becomes subject
 24.19 to repayment under this section.

24.20 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
 24.21 31, 2017, except that for partnerships that make an election under Code of Federal
 24.22 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
 24.23 to the same tax periods to which the election relates.

24.24 Sec. 16. **REPEALER.**

24.25 Minnesota Statutes 2016, section 289A.38, subdivisions 7, 8, and 9, are repealed.

24.26 **EFFECTIVE DATE.** This section is effective for tax years beginning after December
 24.27 31, 2017, except that for partnerships that make an election under Code of Federal
 24.28 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
 24.29 to the same tax periods to which the election relates.

APPENDIX
Article locations for SF3712-0

ARTICLE 1 PROPERTY TAX..... Page.Ln 1.13
ARTICLE 2 MISCELLANEOUS..... Page.Ln 5.15
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289A.38 LIMITATIONS ON TIME FOR ASSESSMENT OF TAX.

Subd. 7. **Federal tax changes.** If the amount of income, items of tax preference, deductions, or credits for any year of a taxpayer, or the wages paid by a taxpayer for any period, as reported to the Internal Revenue Service is changed or corrected by the commissioner of Internal Revenue or other officer of the United States or other competent authority, or where a renegotiation of a contract or subcontract with the United States results in a change in income, items of tax preference, deductions, credits, or withholding tax, or, in the case of estate tax, where there are adjustments to the taxable estate, the taxpayer shall report the change or correction or renegotiation results in writing to the commissioner. The report must be submitted within 180 days after the final determination and must be in the form of either an amended Minnesota estate, withholding tax, corporate franchise tax, or income tax return conceding the accuracy of the federal determination or a letter detailing how the federal determination is incorrect or does not change the Minnesota tax. An amended Minnesota income tax return must be accompanied by an amended property tax refund return, if necessary. A taxpayer filing an amended federal tax return must also file a copy of the amended return with the commissioner of revenue within 180 days after filing the amended return.

Subd. 8. **Failure to report change or correction of federal return.** If a taxpayer fails to make a report as required by subdivision 7, the commissioner may recompute the tax, including a refund, based on information available to the commissioner. The tax may be recomputed within six years after the report should have been filed, notwithstanding any period of limitations to the contrary.

Subd. 9. **Report made of change or correction of federal return.** If a taxpayer is required to make a report under subdivision 7, and does report the change or files a copy of the amended return, the commissioner may recompute and reassess the tax due, including a refund (1) within one year after the report or amended return is filed with the commissioner, notwithstanding any period of limitations to the contrary, or (2) within any other applicable period stated in this section, whichever period is longer. The period provided for the carryback of any amount of loss or credit is also extended as provided in this subdivision, notwithstanding any law to the contrary. If the commissioner has completed a field audit of the taxpayer, and, but for this subdivision, the commissioner's time period to adjust the tax has expired, the additional tax due or refund is limited to only those changes that are required to be made to the return which relate to the changes made on the federal return. This subdivision does not apply to sales and use tax.

For purposes of this subdivision and section 289A.42, subdivision 2, a "field audit" is the physical presence of examiners in the taxpayer's or taxpayer's representative's office conducting an examination of the taxpayer with the intention of issuing an assessment or notice of change in tax or which results in the issuing of an assessment or notice of change in tax. The examination may include inspecting a taxpayer's place of business, tangible personal property, equipment, computer systems and facilities, pertinent books, records, papers, vouchers, computer printouts, accounts, and documents.