

March 24, 2025

*Includes State Taxes  
And Property Tax Provisions  
Revised to Correct Cannabis Aid Repeal Impact*

|                                  | Yes | No |
|----------------------------------|-----|----|
| DOR Administrative Costs/Savings | X   |    |

Department of Revenue  
Analysis of S.F. 2374 (Rest) / H.F. 2437 (Davids)

|  | <b>Fund Impact</b>      |                         |                         |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
|  | <b><u>F.Y. 2026</u></b> | <b><u>F.Y. 2027</u></b> | <b><u>F.Y. 2028</u></b> | <b><u>F.Y. 2029</u></b> |
|  | (\$000s)                |                         |                         |                         |
| <b>General Fund</b>  |                         |                         |                         |                         |
| Individual Income Tax                                      |                         |                         |                         |                         |
| Sustainable Aviation Fuel Credit                           | \$0                     | (\$10,600)              | (\$2,100)               | (\$2,100)               |
| Repeal K-12 Credit Assignment                              | \$0                     | Unknown                 | Unknown                 | Unknown                 |
| Research and Development Credit                            | (\$300)                 | (\$300)                 | (\$300)                 | (\$300)                 |
| Short Line Railroad Credit Transfer                        | \$0                     | \$0                     | \$0                     | \$0                     |
| Corporate Franchise Tax                                    |                         |                         |                         |                         |
| Research and Development Credit                            | (\$25,400)              | (\$19,500)              | (\$19,500)              | (\$19,500)              |
| Short Line Railroad Credit Transfer                        | \$0                     | \$0                     | \$0                     | \$0                     |
| Property Taxes   |                         |                         |                         |                         |
| Airflight Property Tax Levy                                | \$1,050                 | \$1,050                 | \$1,050                 | \$1,050                 |
| Coop. Distribution Systems Exemption                       | \$0                     | (\$40)                  | (\$40)                  | (\$40)                  |
| Personal Property Exemption for Low-Income Housing Tenants |                         |                         |                         |                         |
| Property Tax Refund Interaction                            | \$0                     | (\$10)                  | (\$60)                  | (\$60)                  |
| Income Tax Interaction                                     | \$0                     | \$30                    | \$1,160                 | \$1,210                 |
| Aquatic Invasive Species Aid Reduction                     | \$0                     | \$5,000                 | \$5,000                 | \$5,000                 |
| Property Tax Refund Interaction                            | \$0                     | (\$150)                 | (\$150)                 | (\$150)                 |
| Income Tax Interaction                                     | \$0                     | (\$50)                  | (\$50)                  | (\$50)                  |
| Sales and Use Taxes  |                         |                         |                         |                         |
| Base Expansion at Current Rate                             | \$136,300               | \$211,900               | \$218,900               | \$225,000               |
| Rate Reduction   | (\$61,900)              | (\$96,100)              | (\$99,200)              | (\$101,800)             |
| Interaction  | (\$1,500)               | (\$2,400)               | (\$2,600)               | (\$2,600)               |
| Sales Tax Transfer (Leases)                                | \$680                   | \$1,080                 | \$1,100                 | \$1,160                 |
| Sales Tax Transfer (Auto Parts)                            | \$1,370                 | \$2,230                 | \$2,610                 | \$3,020                 |
| Lottery Tickets in Lieu Tax                                | \$0                     | \$0                     | \$0                     | \$0                     |
| Cigarette Sales Tax  | \$0                     | \$0                     | \$0                     | \$0                     |
| Miscellaneous Taxes  |                         |                         |                         |                         |
| SFIA Payment Rates Reduced                                 | \$0                     | \$5,240                 | \$5,510                 | \$5,780                 |
| Cannabis Gross Receipts Tax                                | \$8,900                 | \$14,800                | \$18,700                | \$22,200                |
| Carryforward Cancel to General Fund                        | \$5,042                 | \$0                     | \$0                     | \$0                     |
| Appropriation: R&D Credit Report                           | <u>(\$50)</u>           | <u>(\$50)</u>           | <u>\$0</u>              | <u>\$0</u>              |
| <b>General Fund Total</b>                                  | <b>\$64,192</b>         | <b>\$112,130</b>        | <b>\$130,030</b>        | <b>\$137,820</b>        |

|  | <b>Fund Impact</b>       |                         |                         |                         |
|--|--------------------------|-------------------------|-------------------------|-------------------------|
|  | <b><u>F.Y. 2026</u></b>  | <b><u>F.Y. 2027</u></b> | <b><u>F.Y. 2028</u></b> | <b><u>F.Y. 2029</u></b> |
|  | (\$000s)                 |                         |                         |                         |
| <b>Natural Resources and Arts Fund</b>       |                          |                         |                         |                         |
| Base Expansion and Rate Reduction            | <u>\$7,900</u>           | <u>\$12,300</u>         | <u>\$12,600</u>         | <u>\$13,000</u>         |
| <b>Natural Resources and Arts Fund Total</b> | <b><u>\$7,900</u></b>    | <b><u>\$12,300</u></b>  | <b><u>\$12,600</u></b>  | <b><u>\$13,000</u></b>  |
| <b>County State Aid Highway Fund</b>         |                          |                         |                         |                         |
| Base Expansion and Rate Reduction            | <u>(\$260)</u>           | <u>(\$410)</u>          | <u>(\$420)</u>          | <u>(\$440)</u>          |
| <b>County State Aid Highway Fund Total</b>   | <b><u>(\$260)</u></b>    | <b><u>(\$410)</u></b>   | <b><u>(\$420)</u></b>   | <b><u>(\$440)</u></b>   |
| <b>Transit Assistance Fund</b>               |                          |                         |                         |                         |
| Base Expansion and Rate Reduction            | <u>(\$260)</u>           | <u>(\$410)</u>          | <u>(\$420)</u>          | <u>(\$440)</u>          |
| <b>Transit Assistance Fund Total</b>         | <b><u>(\$260)</u></b>    | <b><u>(\$410)</u></b>   | <b><u>(\$420)</u></b>   | <b><u>(\$440)</u></b>   |
| <b>Highway User Tax Distribution Fund</b>    |                          |                         |                         |                         |
| Sales Tax Rate Reduction (Leases)            | <u>(\$70)</u>            | <u>(\$120)</u>          | <u>(\$120)</u>          | <u>(\$130)</u>          |
| Sales Tax Rate Reduction (Auto Parts)        | <u>(\$1,220)</u>         | <u>(\$1,900)</u>        | <u>(\$1,960)</u>        | <u>(\$2,020)</u>        |
| <b>Highway User Tax Distribution Total</b>   | <b><u>(\$1,290)</u></b>  | <b><u>(\$2,020)</u></b> | <b><u>(\$2,080)</u></b> | <b><u>(\$2,150)</u></b> |
| <b>Special Revenue Fund</b>                  |                          |                         |                         |                         |
| Local Government Cannabis Aid Repeal         | \$0                      | \$12,500                | \$13,800                | \$18,000                |
| Cannabis Gross Receipts Tax                  | <u>(\$8,900)</u>         | <u>(\$14,800)</u>       | <u>(\$18,700)</u>       | <u>(\$22,200)</u>       |
| Carryforward Cancel to General Fund          | <u>(\$5,042)</u>         | \$0                     | \$0                     | \$0                     |
| Sales Tax Rate Reduction (Leases)            | <u>(\$90)</u>            | <u>(\$140)</u>          | <u>(\$140)</u>          | <u>(\$150)</u>          |
| Sales Tax Rate Reduction (Auto Parts)        | <u>(\$150)</u>           | <u>(\$330)</u>          | <u>(\$650)</u>          | <u>(\$1,000)</u>        |
| Sales Tax Base Expansion                     | <u>\$1,560</u>           | <u>\$2,430</u>          | <u>\$2,520</u>          | <u>\$2,600</u>          |
| <b>Special Revenue Fund Total</b>            | <b><u>(\$12,622)</u></b> | <b><u>(\$340)</u></b>   | <b><u>(\$3,170)</u></b> | <b><u>(\$2,750)</u></b> |
| <b>Housing Assistance Fund</b>               |                          |                         |                         |                         |
| Base Expansion and Rate Reduction            | <u>\$3,050</u>           | <u>\$4,760</u>          | <u>\$4,930</u>          | <u>\$5,100</u>          |
| <b>Housing Assistance Fund Total</b>         | <b><u>\$3,050</u></b>    | <b><u>\$4,760</u></b>   | <b><u>\$4,930</u></b>   | <b><u>\$5,100</u></b>   |
| <b>Total – All Funds</b>                     | <b>\$60,710</b>          | <b>\$126,010</b>        | <b>\$141,470</b>        | <b>\$150,140</b>        |

## EXPLANATION OF THE BILL

A summary of the bill prepared by the Appeals and Legal Services Division of the Department of Revenue is attached.

## **REVENUE ANALYSIS DETAIL**

### **Income & Corporate Franchise Taxes –Article 1**

#### ***Sustainable Aviation Fuel Credit (Article 1, Secs. 1-4)***

*Effective retroactively beginning with tax year 2024 for sustainable aviation fuel sold after June 30, 2024.*

- The estimated credit amounts are based on SAF production and demand information released by the Minnesota Sustainable Aviation Fuel Hub.
- A facility with the capability to blend up to 30 million gallons of SAF is expected to complete construction in the fourth quarter of 2025. The estimate assumes blending 30 million gallons of SAF annually.
- A “Demand Consortium” has been formed to purchase the first several million gallons of SAF each year. One airline alone aims to use SAF for 10% of their annual 250 million gallons of fuel to run their schedule out of MSP airport by 2027.
- The estimate also assumes a 50/50 blend of SAF and traditional aviation fuel. Thus, of the 30 million gallons blended, 15 million would be eligible for the \$1.50 per gallon credit. Once the blending facility is operating at full capacity, it is assumed there will be a maximum of \$22.5 million in eligible credits annually.
- One airline that uses 250 million gallons a year plans to use 10% SAF by 2027 and 50% by 2035. For this estimate, demand for SAF is assumed to start at 5% of 250 million gallons in 2026 and grow 5% each year thereafter.
- As demand for SAF ramps up over time, it is assumed that unallocated credits from fiscal years 2025 and 2026 will be carried forward and exhausted in 2027.
- Fiscal year impact is assumed to fall in the same fiscal year the credits are allocated.
- The bill increases the total credit allocation for all years from \$11.6 million to \$39.0 million. The total fiscal impact of the bill is \$27.4 million, with the first impact falling in fiscal year 2027 and the last impact falling in fiscal year 2035.

#### ***Repeal K-12 Credit Transfer (Article 1, Sec. 5 & 13)***

*Effective beginning with tax year 2026.*

- In tax year 2023, the K-12 education credit totaled about \$15.4 million on 45,100 returns.
- The proposal would reduce the credit by an unknown amount. Without the refund assignment, taxpayers would have to pay the full cost of products or services up front and claim the credit when they filed their return. As a result, some taxpayers would forego tutoring or education products, reducing eligible expenses for the credit.
- The number of reduced credits is unknown.

#### ***Research and Development Credit (Article 1, Secs. 6-9, 12)***

*Effective beginning with tax year 2025.*

### **Individual Income Tax**

- The estimate is based on a sample of tax year 2022 income tax returns.
- The research credit totaled about \$27.2 million on 4,300 returns in tax year 2022.

## **REVENUE ANALYSIS DETAIL (Cont.)**

- Most returns with the research credit have positive tax liability and would not benefit from the refundable credit.
- The refundable portion of the credit under the proposal would be about \$300,000 per year.
- About 100 returns would benefit.
- The impact is increased by 5% to account for new credits from filers who may not currently claim the nonrefundable credit.
- Tax year impacts were allocated to the following fiscal year.

### **Corporate Franchise Tax**

- The corporate revenue estimate is based on Department of Revenue data from Schedule RD forms for tax years 2018 through 2021.
- The estimate was calculated by comparing the amount of the tentative credit for tax year 2021, which is the current year credit amount prior to the imposition of the limitation based on a taxpayer's current year tax liability, with the amount of the credit used in the current year. The "leftover" from these two amounts is multiplied by the refundable rate, 25%.
- The refundable portion does not show a clear trend of increasing or decreasing over time. It is assumed that the cost of refundability will not change in future years.
- The annual revenue impact is increased by 5% to account for new Schedule RD forms from filers who may not currently claim the nonrefundable credit.

### ***Short Line Railroad Credit Transfer (Article 1, Secs. 10-11)***

*Effective beginning with tax year 2025.*

- The transfer of credits would have no revenue impact since it would not affect the total amount of credits issued.
- It is assumed that credits would be claimed in the same fiscal year under the proposal as under current law.

### **Property Taxes-Article 2**

#### ***Airflight Property Tax Levy Fixed at \$8.05 Million (Article 2, Secs. 1, 7)***

*The effective date is beginning with taxes payable in 2026.*

- The proposal would increase revenues to the state general fund by \$1.05 million beginning in fiscal year 2026.

#### ***Cooperative Distribution Systems Exemption (Article 2, Secs. 2, 4-5)***

*The effective date is beginning with assessment year 2025.*

- The \$10-per-100-members tax is already being paid by REA cooperatives, meaning the proposal would, in effect, create an exemption for the newly eligible personal property.
- Under the proposal, metering and streetlighting equipment would be eligible for exemption from property taxes.

## **REVENUE ANALYSIS DETAIL (Cont.)**

- For taxes payable in 2026, the exemption would shift an estimated \$750,000 in local property taxes away from cooperative personal property and onto all other property, including homesteads, increasing state-paid homeowner property tax refunds by \$40,000 in fiscal year 2027.
- The exemption from the commercial-industrial state general tax would have no impact on state revenues in payable year 2026 and thereafter, because the tax rate would be adjusted to yield the amount of revenue required by statute.
- Tax year impact is allocated to the following fiscal year.

### ***Personal Property Exemption for Low-Income Housing Tenants (Article 2, Sec. 3)***

*The effective date is beginning with assessment year 2025.*

- For assessment year 2025 only, it is assumed that all Alliance properties included in the court case will apply for exemption but that other affordable housing properties will not apply.
- Under the proposal, neither Alliance nor the tenants of Alliance properties would be liable for property taxes beginning with taxes payable in 2026.
- For taxes payable in 2026, eligible Alliance properties would be exempt from property taxes, which would shift tenant-paid personal property taxes away from the Alliance properties and onto all other property, including homesteads, increasing state-paid homeowner property tax refunds by \$10,000 in FY 2027.
- Under current law, the property taxes payable in 2026 will be paid by the tenants of exempted Class 4d property instead of the property owners. The tenants will be eligible for the renter's credit on their income tax return, based on rent paid in 2025.
  - Under current law, occupied units on eligible Alliance properties will no longer receive the class 4d low-income rental housing classification because the tenants, as the new taxpayers, do not *provide* low-income rental housing.
  - As a result, the net tax capacity (NTC) class rate for taxes payable in 2026 will be the apartment class rate of 1.25%, rather than the Class 4d rate of 0.25%, which will increase the NTC taxes for tenants by a factor of five (relative to what Alliance would have paid).
- Under the proposal, no property taxes would be paid; therefore, the tenants would not be eligible for the renter's credit, resulting in a savings to the general fund of \$30,000 in FY 2027.
- If the proposal were to become law, it is assumed that additional eligible low-income rental housing properties would also apply for exemption, resulting in additional shifting of property taxes onto other properties, including homesteads, which would increase state-paid homeowner property tax refunds but decrease state-paid renter's credits.
- Tax year impact is allocated to the following fiscal year.

### ***Aquatic Invasive Species Prevention Aid Reduction (Article 2, Sec. 6)***

*The effective date is beginning with aids payable in 2026.*

- The aid payments would be reduced beginning with payable year 2026, decreasing costs to the state general fund by \$5.0 million beginning in FY 2027 and thereafter.
- It is assumed that local governments receiving less aid for aquatic invasive species prevention costs would increase property tax levies by a portion of the reduced aid. Higher levies would increase property taxes on all property.

## **REVENUE ANALYSIS DETAIL (Cont.)**

- Higher property taxes would result in higher homeowner property tax refunds, increasing costs to the state general fund beginning FY 2027.
- Higher property taxes would result in higher income tax deductions, decreasing revenues to the state general fund beginning in FY 2027.
- Tax year impact is allocated to the following fiscal year.

### **Sales & Use Taxes—Article 3**

#### ***Rate Reduction and Base Expansion (Article 3, Sec. 1-2)***

*Effective beginning with sales and purchases made after September 30, 2025.*

- Estimates are based on Department of Revenue's Consumption Tax model.
- Estimates are grown by the sales tax growth rate from the February 2025 forecast.
- FY 2026 is adjusted for eight months of collection.

### **Miscellaneous Taxes—Article 4**

#### ***SFIA Payment Rates Reduced (Article 4, Secs. 4, 7)***

*The effective date is beginning with payments made in 2026.*

- SFIA payments would be reduced beginning with payable year 2026, resulting in an estimated \$5.24 million savings to the state general fund in FY 2027.

#### ***Local Government Cannabis Aid Repealed (Article 4, Secs. 5-6, 8-9)***

*The effective date for repeal of the aid is beginning with aids payable in 2026.*

*The effective date for depositing cannabis gross receipts tax revenues in the general fund is July 1, 2025.*

- Local government cannabis aid payments would end beginning with payable year 2026, decreasing state costs by \$12.5 million in FY 2027, \$13.8 million in FY 2028, and \$18.0 million in FY 2029.
- The 20% share of cannabis gross receipts tax revenues that were previously deposited into the special revenue fund and used to pay the aid would instead be deposited into the state general fund beginning on July 2, 2025, increasing revenues to the general fund beginning in FY 2026.
- An estimated balance of \$5.042 million remaining in the special revenue fund would cancel to the state general fund on January 2, 2026, increasing revenues to the general fund in FY 2026.

Minnesota Department of Revenue  
Tax Research Division  
[https://www.revenue.state.mn.us/  
revenue-analyses](https://www.revenue.state.mn.us/revenue-analyses)

# 2025 DEPARTMENT OF REVENUE

## GOVERNOR’S BILL SUMMARY



Appeals, Legal Services, and Disclosure Division  
600 N. Robert St.  
St. Paul, MN 55146-2220

FINAL

### ARTICLE 1: INDIVIDUAL INCOME TAXES AND CORPORATE FRANCHISE TAX

**Sections 1 - 4. Sustainable Aviation Fuel Credit.** Section 1 amends Minn. Stat. § 41A.30, subd. 1, to include “gaseous carbon oxides” in the types of biomass liquid fuel from which the sustainable aviation fuel may be derived. Section 2 amends Minn. Stat. § 41A.30, subd. 2, to allow a qualifying taxpayer to claim a supplemental tax credit at the rate of \$0.02 per gallon for each additional whole percentage of carbon intensity reduction beyond 50%, up to \$0.50 per gallon. Section 3 amends Minn. Stat. § 41A.30, subd. 5, to increase the allocation limits for credit certificates issued in fiscal years 2026 and 2027 from \$2,100,000 to \$7,400,000 and extends the credit through fiscal year 2035 by adding allocation limits of \$2,100,000 for credit certificates issued in fiscal years 2028 through 2035. Section 3 also amends the allocation carryover provision to allow unallocated funds from each fiscal year to be available in the following fiscal year. Section 4 amends Minn. Stat. § 41A.30, subd. 7, to extend the credit expiration from taxable years beginning after December 31, 2030, to taxable years beginning after December 31, 2035. Sections 1 and 2 are effective retroactively for taxable years beginning after December 31, 2023, for sustainable aviation fuel sold after June 30, 2024. Sections 3 and 4 are effective the day following final enactment.

**Sections 5 and 13. Minnesota Education Credit.** Section 5 amends Minn. Stat. § 270C.445, subd. 3, to remove a taxpayer’s ability to assign the portion of a refund representing the Minnesota education credit available under section 290.0674 to a bank account without the client’s name, as provided under section 290.0679. Section 5 is effective for taxable years beginning after December 31, 2025. Section 13 repeals Minn. Stat. §§ 13.4967, subd. 2(a), assignment of refund, and 290.0679, assignment of refund. Section 13 is effective for assignments after December 31, 2025.

**Sections 6 - 9, and 12. Research Credit Partially Refundable; Purpose Statement; Report to Legislature.** Section 6 amends Minn. Stat. § 290.068, subd. 3 to limit the fully nonrefundable taxable years to those beginning before January 1, 2025. Section 7 adds a new subdivision 6b to Minn. Stat. § 290.068 requiring that, when the research credit for taxable years beginning after December 31, 2024, exceeds the liability for tax, 25% of the excess amount is refundable. Section 7, together with Section 6, provide that this excess (if any) is (1) the credit amount remaining after the liability for tax has been reduced to zero; and is (2) without any credit carryover under subdivision 3, paragraph (d) used. Section 8 adds a new subdivision 7a which appropriates from the general fund, the amounts necessary to pay the refundable portion of the credit. Section 9 adds new subdivision 8 which states the purpose of the research credit. Section 12 contains an uncoded provision which requires the commissioner to report to the legislature by February 1, 2027, on the economic impact of the credit in taxable year 2025, and appropriates funds for preparation of the report. All sections are effective for taxable years beginning after December 31, 2024, except section 12 relating to the report to the legislature and the appropriation of funds to prepare the report which is effective the day following final enactment.

**Sections 10 and 11. Short line railroad credit certificates; written agreement required; transferability.** Section 10 amends Minn. Stat. § 290.0965, subd. 1 to create definitions for the “credit certificate” and “transfer credit certificate” that are used in the short line railroad modernization infrastructure credit certification and transferability process. Section 11 amends Minn. Stat. § 290.0695, subd. 3 to create the administrative process by which the commissioner of transportation administers the application and approval process for one credit certificate per eligible taxpayer per taxable year. This proposal allows the eligible taxpayer to transfer either all or part of the credit allowed for the taxable year before the taxpayer’s return is filed, or all of the taxpayer’s unused carryforward amount in the succeeding five taxable years. Such transfer can only occur once a year, by written transfer agreement among the eligible parties. Additionally, Minn. Stat. § 290.0695, subd. 3(d), which described the transferee’s audit assessment liability, is stricken. These sections are effective for taxable years beginning after December 31, 2024.

## **ARTICLE 2: PROPERTY TAXES**

**Sections 1 and 7. Establish specific tax levy for airlines.** Section 1 adds new subdivision 1a to Minn. Stat. § 270.075 levying a specific \$8,050,000 tax on airline companies engaged in air commerce in Minnesota. Section 7 repeals subdivision 1, which provides for the existing rate-based tax on airline companies engaged in air commerce. These sections are effective for property taxes payable in 2026 and thereafter.

**Sections 2, 4, and 5. Taxation and exemption of cooperative associations distributing electrical power to rural areas.** The sections amend Minn. Stat. §§ 272.02, subd. 19, 273.38, and 273.41, to substitute distribution systems not including substations, or transmission or generation equipment, for the older ‘attachments and appurtenances’ language to provide clarity regarding certain possible categories of attachments and appurtenances. These sections are effective beginning with assessment year 2025 and thereafter.

**Section 3. Add certain residential housing property leases as exempt.** Amends Minn. Stat. § 273.19, subd. 1, to allow an exemption for a lease of any term of residential housing property that is exempt from property taxation as an institution of purely public charity. Under this amendment, no property taxes would be paid by tenants leasing in these exempt properties and the tenants would not be eligible for the renter’s credit. Effective beginning with assessment year 2025 and thereafter.

**Section 6. Reduction in aquatic invasive species prevention aid appropriation by 50%.** Amends Minn. Stat. § 477A.19, subd. 5, to reduce the appropriation for aquatic invasive species prevention aid from \$10,000,000 annually to \$5,000,000 annually. Effective for aids payable in 2026 and thereafter.

## **ARTICLE 3: SALES AND USE TAXES**

**Section 1. Sales and purchases.** Amends Minn. Stat. § 297A.61, subd. 3, to make the following services taxable when purchased by a person other than a trade or business: accounting services, banking and brokerage services, and legal services. However, the following items are excluded and would remain not taxable: tax preparation services used to claim the Minnesota child tax credit or working family credit, origination fees, overdraft fees, late fees, the management of defined benefit pension funds, and legal aid services. Effective for sales and purchases made after September 30, 2025.

**Section 2. General sales tax rate.** Amends Minn. Stat. § 297A.62, subd. 1, to reduce the general sales tax rate from 6.5% to 6.425%. Effective for sales and purchases made after September 30, 2025.



**Section 3. Lottery tickets; in lieu tax.** Amends Minn. Stat. § 297A.65, to replace the cross-reference to the general sales tax rate under section 297A.62, subd. 1, in the in lieu tax with the current general rate of 6.5%, so that the in lieu tax rate remains the same and is not affected by the reduction to the general sales tax rate in section 2. Effective for sales and purchases made after September 30, 2025.

**Section 4. Cigarette sales tax.** Amends Minn. Stat. § 297F.25, subd. 1, to replace the cross-reference to the combined rate under section 297A.62 with the current combined rate of 6.875%, so that the cigarette sales tax rate remains the same and is not affected by the reduction to the general sales tax rate in section 2. Effective for sales and purchases made after September 30, 2025.

#### **ARTICLE 4: MISCELLANEOUS TAXES**

**Sections 1 - 3. Penalties relating to property tax refunds and certificates of rent paid.** Section 1 amends Minn. Stat. § 289A.60, subd. 12, to reduce the penalty for an owner failing to give a certificate of rent paid (CRP) to a renter from \$100 to \$50, removes the reasonable cause exception, and allows the penalty to be abated under the abatement authority in Minn. Stat. § 270C.34. Further amends Minn. Stat. § 289A.60, subd. 12, to create a \$50 penalty for each time the owner fails to file a CRP with the commissioner, which can be abated under the abatement authority in Minn. Stat. § 270C.34. Section 2 amends Minn. Stat. § 290.0693, subd. 4, to require the owner or managing agent to furnish the CRP to the commissioner on or before January 31 and imposes a penalty on owners who fail to furnish CRPs to the renter or commissioner by adding a cross-reference to the penalty imposed under Minn. Stat. § 289A.60, subd. 12. Section 3 amends Minn. Stat. § 290A.19 to require the park owner to furnish the CRP to the commissioner on or before March 1 and imposes a penalty on park owners who fail to furnish CRPs to the renter or commissioner by adding a cross-reference to the penalty imposed under Minn. Stat. § 289A.60, subd. 12. These sections are effective for rent paid after December 31, 2025.

**Sections 4 and 7. Reduction in the annual per acre payment for land enrolled in the sustainable forest incentive program.** Section 4 amends Minn. Stat. § 290C.07, to reduce the annual per acre payment by 30% for each of the four types of enrolled land. Section 4 also deletes an obsolete election that expired on May 16, 2019, for claimants to change the length of the covenant on enrolled land. Section 4 is effective beginning with payments in calendar year 2026. Section 7 creates an uncodified provision allowing a claimant with lands enrolled on or before the day following final enactment of Section 4 to elect to withdraw these lands without penalty by July 1, 2026, and to receive a release of the covenant as of the date of the election. Section 7 is effective the day following final enactment.

**Sections 5, 6, and 9. Cannabis gross receipts tax and local government cannabis aid.** Section 5 amends Minn. Stat. § 295.81, subd. 10, to deposit all revenues from the cannabis gross receipts tax to the general fund. Section 5 is effective July 1, 2025, for deposits to the general fund and the amendment deleting the local cannabis aid account in the special fund is effective January 2, 2026. Section 6 creates an uncodified provision cancelling any balance within the local government cannabis aid account on January 2, 2026, and directing it to the general fund. Section 6 is effective the day following final enactment. Section 9 repeals Minn. Stat. § 477A.32, the local government cannabis aid. Section 9 is effective for aids payable in 2026 and thereafter.

**Sections 8 and 9. Tax Filing Modernization.** Section 8 creates a provision cancelling any money in the tax filing modernization account in section 9 and directing it to the general fund. Section 9 repeals 2023 Minn. Laws, Ch. 64, Art. 15, § 24. Both sections are effective the day following final enactment.