

## Policy and Technical Changes

April 7, 2025

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 2997 (Klein), As Proposed to be Amended (A25-0051)

	<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>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Various effective dates.

### 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

- The bill has no revenue impact since it contains technical clarifications that do not change tax liability.

Minnesota Department of Revenue  
Tax Research Division

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# 2025 DEPARTMENT OF REVENUE POLICY AND TECHNICAL BILL SUMMARY



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

FINAL AS PROPOSED TO BE AMENDED

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## ARTICLE 1: INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES

**Section 1. Film Production Credit.** Amends Minn. Stat. § 116U.27, subd. 2, to allow a taxpayer with expenses incurred in any consecutive 12-month period to be eligible for the film production credit. Effective retroactively for taxable years beginning after December 31, 2022.

### As proposed to be amended:

~~**Section 2. Pass-through entity tax.** Amends Minn. Stat. 289A.08, subd. 7a, to extend the expiration of the pass-through entity tax by two years by removing a cross reference to I.R.C. § 164(b)(6)(B) and adding taxable years beginning after December 31, 2027, as the expiration date of the subdivision. Effective for taxable years beginning after December 31, 2025.~~

~~**Section 3. Individual income, fiduciary income, mining company, corporate franchise, and entertainment taxes.** Amends Minn. Stat. § 289A.31, subd. 1, by adding a cross reference to Minn. Stat. § 289A.08, subd. 7a, to impose joint and several liability on partners of a pass-through entity electing and paying the pass-through entity tax consistent with income and composite taxes. Effective retroactively for taxable years beginning after December 31, 2020.~~

**Section 4. Net income allocation pass-through entity tax.** Amends Minn. Stat. § 290.01, subd. 19, to delete obsolete language regarding income allocation that was repealed and replaced in Minn. Stat. § 289A.08, subd. 7a, during the 2023 Legislative Session. Effective retroactively for taxable years beginning after December 31, 2022.

**Sections 4, 7, and 12. Business interest expense limitation.** Section 4 amends Minn. Stat. § 290.01, subd. 19, paras. (h) and (i), to make clear the definition of “net income” for composite filers and the pass-through entity tax includes the individual delayed business interest subtraction found in Minn. Stat. § 290.0132, subd. 31. Section 4 is effective retroactively for taxable years beginning after December 31, 2022. Section 7 amends Minn. Stat. § 290.0134, subd. 20, the corporate subtractions to federal taxable income, to correct a cross-reference to the corporate additions to federal taxable income. Section 7 is effective retroactively for taxable years beginning after December 31, 2019. Section 12 amends 2023 Minn. Laws, Ch. 1, § 22, temporary additions and subtractions to make clear the definition of “income” for composite filers and the pass-through entity tax includes the individual addition for the disallowed business interest deduction in Minn. Stat. § 290.0131, subd. 19. Section 12 is effective retroactively at the

same time the changes in Laws 2023, chapter 1, section 22 were effective for federal purposes.

**Section 5. Social Security Subtraction Correction.** Amends Minn. Stat. § 290.0132, subd. 26, paras. (f), (g), and (h) to correct a reference to paragraph (c) that should be to paragraph (e). Also amends paragraph (j) to clarify that the threshold amounts in the simplified subtraction are adjusted for inflation under Minn. Stat. § 270C.22. Effective retroactively for taxable years beginning after December 31, 2022.

**Section 6. Public Pension Subtraction.** Amends Minn. Stat. § 290.0132, subd. 34, to clarify "qualified public pension income" is the income of plan members who did not earn credits toward Social Security benefits for the same work that is the source of the pension income. Effective the day following final enactment.

**Sections 8, 9, and 10. Renter's credit.** Section 8 amends Minn. Stat. § 290.0693, subd. 1, to clarify the definition of "dependent" for the renter's credit to include that the dependent needs to be claimed by the taxpayer. Section 9 amends Minn. Stat. § 290.0693, subd. 6, to clarify the ratio used to determine the renter's credit for taxpayers who accept medical assistance housing support payments. Section 10 amends Minn. Stat. § 290.0693, subd. 8, to clarify that married couples filing joint tax returns will use the total of both spouses' gross rent when claiming the renter's credit. Further clarifies that when married and filing a separate return, both spouses' share of gross rent must be used to calculate the credit. These sections are effective for taxable years beginning after December 31, 2024.

**Section 11. Credit calculation.** Amends Minn. Stat. § 290.0695, subd. 2, to make clear that the short line railroad infrastructure modernization credit does not exceed the product of multiplying the qualifying number of miles of railroad track by \$3,000. This section is effective retroactively for taxable years beginning after December 31, 2022.

## **ARTICLE 2: SALES AND USE TAX**

**Section 1. Sustainable Aviation Fuel Facilities.** Amends Minn. Stat. § 297A.71, subd. 54, to clarify that the sustainable aviation fuel facilities exemption is only effective for purchases made after June 30, 2027, and before July 1, 2034. Effective the day following final enactment.

**Sections 2, 3, and 4. Reference Correction.** Amends Minn. Stat. § 297A.75, subs. 1, 2, and 3, to correctly reference the sustainable aviation fuel facilities (SAF) exemption that was enacted in 2023. Minn. Stat. § 297A.75 addresses the refund process for construction exemptions. These amendments ensure the refund process requirements are accurately applied to the SAF exemption. Effective the day following final enactment.

**Section 5. Deposit of revenues.** Amends Minn. Stat. § 297A.94 to clarify that the amount deposited as revenue derived from the sales tax on the purchases of motor vehicle repair and replacement parts is deposited monthly based on an estimated amount. Effective the day following final enactment.

**Section 6. Use of zip code in determining location of sale.** Amends Minn. Stat. § 297A.99, subd. 10, to make clear when a seller has exercised due diligence in determining the nine-digit

zip code designation of a purchaser and may apply the rate for the five-digit zip code area. Effective for sales and purchases made after June 30, 2025.

**Section 7. Definitions.** Amends Minn. Stat. § 297A.995, subd. 2, to clarify the definition of “certified service provider” (CSP). Minnesota is a member of the Streamline Sales Tax organization. This amendment aligns Minnesota Statutes with the definition of CSP in the Streamline Sales and Use Tax Agreement. This change ensures that CSPs are only liable for the sellers they work with to the extent outlined in the contract between the Streamline Sales Tax Governing Board and the CSPs. Effective for sales and purchases made after June 30, 2025.

**Section 8. Relief from certain liability.** Amends Minn. Stat. § 297A.995, subd. 10, to add clause (d) which provides a certified service provider (CSP) with relief from liability in certain circumstances. When a seller fails to remit all or a portion of their taxes prior to the due date, the CSP may be relieved of liability for that tax if the CSP provided sufficient notice of the seller’s failure to remit. Effective for sales and purchases made after June 30, 2025.

### **ARTICLE 3: MISCELLANEOUS**

**Section 1. Tax Preparer Enforcement Standard of Conduct.** Amends Minn. Stat. § 270C.445, subd. 3, to clarify that it is a violation of the standards of conduct for a tax preparer to take ownership or control or establish an account in the preparer’s name for any department payment paid to a client. This amendment was needed to ensure that any advance of the child tax credit paid to a client or similar type payments received the same protection as a tax refund. Effective for taxable years beginning after December 31, 2024.

**Section 2. Enforcement; administrative order; penalties; cease and desist.** Amends Minn. Stat. § 270C.445, subd. 6, to lengthen the timelines for the parties and the Office of Administrative Hearings to act in a contested case proceeding regarding a cease and desist order and/or administrative penalty issued to a tax preparer. Also clarifies that a contested case proceeding is commenced by the issuance of a notice of an order for hearing. Effective for penalties assessed and orders issued after the day following final enactment.

**Section 3. Add 4d(2) as an option for the remaining market value of 1b properties.** Amends Minn. Stat. § 273.13, subd. 22, to allow the value of class 1b property in excess of \$50,000 to be classified as 4d(2) community land trust property under Minn. Stat. § 273.13, subd. 25(e)(2). Effective beginning with assessment year 2025 and thereafter.

**Section 4. Return by qualified heirs.** Amends Minn. Stat. § 289A.12, subd. 18, to remove the first informational estate tax return requirement. Effective the day following final enactment.

**Section 5. Annual cash count requirement.** Amends Minn. Stat. § 297E.06, subd. 4, to repeal the requirement that an organization licensed under chapter 349 (Lawful Gambling) perform and file an annual cash count report at the end of its fiscal year. The cash count report is not useful to the Department for compliance purposes. Effective July 1, 2025.

**Section 6. Film production credit.** Amends Minn. Stat. § 297I.20, subd. 4(b), to extend the expiration date of the ability of insurers to use film production credits to offset the insurance

premium tax. This offset opportunity will now expire January 1, 2031, for taxable years beginning after and premiums received after December 31, 2030. This extension aligns the offset opportunity expiration with the expiration of the underlying film production credit program, which was extended through 2030 via 2023 Minn. Laws, Ch. 64, Art. 1. § 33. Effective the day following final enactment.

**Section 7. Statute of Limitations.** Amends 2023 Minn. Laws, Ch. 1, § 28, to correct an incomplete cross-reference. Effective retroactively at the same time the changes incorporated in Laws 2023, chapter 1, were effective for federal purposes.