

April 22, 2026

**GROSS REVENUES TAXES  
100% Fraud Tax**

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>	X	

Department of Revenue  
Analysis of S.F. 5032 (Drazkowski), As Proposed to be Amended (SCS5032A-4)

	<b>Fund Impact</b>			
	<b>F.Y. 2026</b>	<b>F.Y. 2027</b>	<b>F.Y. 2028</b>	<b>F.Y. 2029</b>
	(\$000s)			
General Fund	\$0	Unknown	Unknown	Unknown

Effective retroactively for convictions of fraud beginning in calendar year 2026. The data sharing provisions are effective the day following final enactment.

**EXPLANATION OF THE BILL**

**Proposed Law:** The bill imposes a tax on any person or organization convicted of fraud in a state or federal court. The tax is equal to 100% of the amount of money acquired by fraud of a public program. The tax is imposed regardless of any amount of restitution or penalty imposed on or paid by the person or organization. If multiple persons or organizations are convicted, the liability is joint and several. Any assessment of the tax is considered a jeopardy assessment or collection.

After the conviction, the agency responsible for administering the targeted public program must certify the person or organization, the defrauded program, and the amount of money the court determines the person or organization was responsible for in the conviction to the Commissioner of Revenue, regardless of the restitution amount. The convicted person or organization has the burden of establishing the certification’s incorrectness.

In addition, the bill imposes a penalty on any person who receives money due to fraud of a public program, whether reported or not on a tax return and regardless of a criminal conviction. The penalty equals 100% of the amount received due to fraud.

Money collected from the tax and the penalty is to be deposited into a tax relief account established in the special revenue fund. By December 15 of each year, the Commissioner of Revenue must determine the amount of money in the account and whether there is enough funding to reduce the first income tax bracket by at least 0.1% for the following tax year. The rate reduction must be calculated to approximate the amount in the tax relief account and must be only for that year. If the rate is reduced, the amounts in the tax relief fund must be deposited into the general fund.

The Commissioner of Revenue may share active criminal investigative data with the Financial Crimes and Fraud Section (FCFS) of the Bureau of Criminal Apprehension, and the FCFC may disclose investigative data to the Commissioner, only to the extent necessary. Any data shared between the Department of Revenue and the FCFS is classified. Any returns and return information must be disclosed to the inspector general to carry out the duties specified in Minnesota Statutes Chapter 15E, provided that the legislature enacts that Chapter and establishes the inspector general.

**REVENUE ANALYSIS DETAIL**

- The amount of future program fraud is unknown. The largest known incident of state program fraud is the Feeding our Futures case, which involved approximately \$250 million, according to a report by the Office of the Legislative Auditor (OLA).
- Minnesota Statutes requires the Bureau of Criminal Apprehension (BCA) to publish an annual report on FCFS activity in the past year. In 2025, state agencies reported 652 incidents of state program fraud with a suspected financial loss of \$10,000 or more. A small share of these incidents included estimated amounts of suspected or known fraud, totaling \$4.2 million. The BCA report does not include programs funded by federal dollars.
- Federal dollars allocated to Minnesota programs such as the Minnesota Housing Stability Services program and the Early Intensive Developmental and Behavioral Intervention benefit are currently under investigation for fraud by the U.S. Attorney's Office, District of Minnesota.
- Recovering defrauded funds is often slow and incomplete.
  - Of the total amount from the Feeding Our Future case, about \$75 million has been seized for restitution, according to news reports.
  - Other defrauded money is either lost or tied up in illiquid assets or internationally. For example, according to the OLA report criminals in the Feeding Our Future case spent the money on travel, entertainment, foreign property, and/or deposited the money in overseas accounts.
  - Perpetrators of fraud may have large restitution or penalty amounts that would be paid before the tax, making collection of the imposed tax even more difficult.
  - Additionally, since the tax is imposed on convicted persons or organizations, revenues may be further slowed down as court cases, legal challenges, or appeals can take several years to be completed.

Minnesota Department of Revenue  
Tax Research Division  
<https://www.revenue.state.mn.us/revenue-analyses>