2026 INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAX LEGISLATIVE BULLETIN

Appeals, Legal Services, and Disclosure Division
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Sustainable aviation fuel credit. Minn. Stat. § 41A.30, subds. 1, 2, 5, and 7 were amended to include new qualifications for sustainable aviation fuel, to provide additional funding for the credit, as well as to extend the program until 2035. Subdivision 1 was amended to clarify that biomass must be produced in the United States, from planted crops or crop residue that is from agricultural land cleared or cultivated prior to December 19, 2007. In addition, sustainable aviation fuel now also includes liquid fuel derived from gaseous carbon oxides, or certain hydrogen that has a carbon intensity not greater than four kilograms of carbon dioxide equivalent per kilogram of hydrogen produced. Subdivision 2 was amended to make clear that the sustainable aviation fuel must be produced or blended in Minnesota, "provided that the carbon oxides sequestered as part of the production process are not used as a tertiary injectant in a qualified enhanced oil recovery project." The amendment to subdivision 2 includes new paragraph (e) allowing a supplemental tax credit of "$0.02 per gallon for each whole percentage carbon intensity reduction beyond 50 percent," which is capped at $2.00/gallon. Subdivision 5 was amended to: (1) increase the appropriation for fiscal year 2027 from $2,100,000 to $7,400,000; (2) add an appropriation for fiscal year 2028 equaling $5,300,000; (3) add an appropriation for each fiscal year 2029 through 2035 equaling $2,100,000; and (4) make clear the credit allocations do not cancel for credit certificates issued for fiscal years beginning before July 1, 2035. Subdivision 7 was amended to extend the program's expiration from taxable years beginning after December 31, 2030 to 2035. Amendments to subdivisions 1 and 2 are effective retroactively for taxable years beginning after December 31, 2024, for sustainable aviation fuel sold after June 30, 2025. The amendments to subdivision 5 are effective retroactively for taxable years beginning after December 31, 2025. The amendments to subdivision 7 are effective May 28, 2026. 2026 Minn. Laws, Ch. 128, Art. 2, §§ 1 – 4.

Beginning farmer incentive credit. Minn. Stat. § 41B.0391, subds. 2, 4, 4a, and 6a were amended to: (1) remove the cap on the credits allocated in taxable years beginning after December 31, 2025 and before January 1, 2027; and (2) clarify the cap removal as it pertains to the number and amount of credit applications that exceeded the allocation that is included in the Rural Finance Authority's report to the legislature. Amendments to subdivisions 2, 4, and 4a are effective for taxable years beginning after December 31, 2025. The amendment to subdivision

6a is effective for reports due for credits issued for taxable years beginning after December 31, 2025. 2026 Minn. Laws, Ch. 128, Art. 2, §§ 5 – 8.

Nursing facility workforce wage supplement program. Created Minn. Stat. § 256R.60 requiring the commissioner of human services to establish a program to provide onetime supplemental wage payments as follows: (1) up to $400 to covered nursing home employees who meet certain requirements; and (2) potentially up to $200 to covered nursing home employees who do not meet those certain requirements. These payments, for the period from January 1, 2026 to June 30, 2026 are excluded from income, assets, or personal property for determining eligibility and recertifying eligibility for multiple assistance and support programs under chapters 142E, 256D, 142F, 256I, 142G, and 256P, and sections 256B.056, subdivisions 1a, paragraph (a), 3, or 3c; 256B.057, subdivisions 3, 3a, 3b, 4, or 9. This section expires June 30, 2028. Effective May 28, 2026. 2026 Minn. Laws, Ch. 121, Art. 9, § 47.

Liability imposed. Minn. Stat. § 270C.56, subd. 1, was amended to add the tax on amounts obtained by fraud arising under new section 290.036 to the list of taxes subject to personal liability. Effective for convictions of fraud made after December 31, 2025. 2026 Minn. Laws, Ch. 128, Art. 8, § 3.

Pass-through entity tax revival and reenactment. Minn. Stat. §§ 289A.08, subd. 7a; and 290.06, subd. 23a, were revived and reenacted for taxable years beginning after December 31, 2025, and before December 31, 2027. Effective retroactively from January 1, 2026. Minn. Laws, Ch. 128, Art. 2, §§ 9, 12 and 17.

Composite tax election for accelerated gain on installment sales. Minn. Stat. §§ 289A.08, subd. 7, 290.01, subd. 19, and 290.0137 were amended to permit a nonresident partner, shareholder, and beneficiary that incurs an accelerated gain on certain installment sales in section 290.0137, paragraph (a), to elect to report the accelerated gain on a composite tax return. Previous paragraph (h), and the remaining paragraphs in subdivision 7, are re-lettered. Additionally, in new paragraphs (i) and (j), the term "paragraph" is deleted and the term "subdivision" is inserted. Effective for taxable years beginning after December 31, 2025. 2026 Minn. Laws, Ch. 128, Art. 9, §§ 1-3.

Direct free filing of individual returns; transfer; appropriation. Minn. Stat. § 289A.081 was created to require the commissioner of revenue to establish an electronic free filing system where taxpayers may, regardless of income, directly file an electronic individual income tax return for taxable years beginning after December 31, 2026. The commissioner may contract with a software vendor that does not offer paid tax preparation services for Minnesota individual income taxpayers for the tax years the system is active. The system must be made available on the Department of Revenue website, and to the extent feasible, the commissioner must coordinate the system with any federal free filing systems for federal income tax returns. The commissioner may establish an electronic free filing system where individual taxpayers may file a federal income tax return.

Effective May 28, 2026. Laws 2023, Ch. 64, Art. 15, § 24, was amended and uncodified provisions created to appropriate and direct the use of funds in the tax filing modernization account to develop and implement the direct filing system through June 30, 2029. The account is to be abolished on July 1, 2029. For fiscal years 2027-2029, $2,300,000, $3,500,000, and $3,500,00, respectively, is appropriated from the general fund to the commissioner of revenue to develop and implement the direct file system. Use of modernization account amendment is effective May 28, 2026. Appropriation provision is effective July 1, 2026. 2026 Minn. Laws, Ch. 128, Art. 2, §§ 10, 14, and 18.

Public program fraud penalty. Minn. Stat. § 289A.60, subd. 6, was amended by adding a new paragraph (c), allowing a penalty equal to 100 percent of amounts received attributable to public program fraud as defined in section 290.036, subd. 1, and is in addition to any penalty imposed under paragraphs (a) and (b). The new penalty under paragraph (c): (1) must not be assessed on any amounts already assessed under section 290.036; and (2) is an order of assessment by the commissioner that is appealable pursuant to chapters 270C and 271. Also, any penalty amounts collected under paragraph (c) must be deposited to the tax relief account under section 290.036, subdivision 5. Effective for determinations of fraud made after December 31, 2025. 2026 Minn. Laws, Ch. 128, Art. 8, § 5.

Pass-through entity tax and composite tax technical changes. Minn. Stat. § 290.01, subd. 19, paras. (h) and (i) regarding the definition of net income for the composite tax and pass-through entity tax were amended to add a reference to the addition and subtraction for delayed business interest. Effective August 1, 2026. 2026 Minn. Laws, Ch. 88, Art. 1, § 170. Minn. Stat. § 290.01 subd. 19, para. (i), was amended to remove superfluous language regarding resident and nonresident qualifying owners. Effective May 28, 2026. 2026 Minn. Laws, Ch. 128, Art. 2, §11.

Delayed net operating loss deduction. Minn. Stat. § 290.0132, subd. 32, was amended to remove an incorrect citation for "federal taxable income". Effective August 1, 2026. 2026 Minn. Laws, Ch. 88, Art. 1, § 171.

Tax on amounts obtained by fraud. Minn. Stat. § 290.036 was created to establish a new tax on amounts obtained by fraud.

- Subdivision 1 establishes definitions for the section.

- Subdivision 2 imposes a tax equal to 100 percent of the program fraud amount on any person or organization convicted by a state or federal court of fraud. The subdivision provided: (1) that the tax applies regardless of certain other restitution, tax, or penalty amounts; (2) that if multiple persons or organizations are convicted of the same fraud, the liability shall be joint and several; and (3) assessment of the tax is a jeopardy assessment or jeopardy collection as provided in section 270C.36.

- Subdivision 3 allows the commissioner of revenue to share with the Financial Crimes and Fraud Section of the Bureau of Criminal Apprehension data related to tax on amounts obtained through fraud under section 270B.14, subdivision 25.

- Subdivision 4 provides that after a conviction of a person or organization of fraud of a public program, the agency primarily responsible for administering the program must certify to the commissioner of revenue, in a form and manner prescribed by the commissioner, certain facts about the fraud. Also, the agency's certification is prima facie correct and valid, and the person or organization convicted of fraud has the burden of establishing its incorrectness or invalidity in any related action or proceeding.

- Subdivision 5 establishes a tax relief account in the special revenue fund, where all revenue from the tax must be deposited. It also requires the commissioner of revenue, by each December 15, to calculate whether there are enough funds in the tax relief account to trigger a required reduction in the first-tier rate for the following taxable year. If the rate is reduced, the amounts in the tax relief account must be deposited in the general fund.

Effective for convictions of fraud made after December 31, 2025. 2026 Minn. Laws, Ch. 128, Art. 8, § 6.

Pass-through entity tax credit. Minn. Stat. § 290.06, subd. 40 was amended to clarify that the commissioner may disallow a qualifying owner's credit if the tax liability of the qualifying entity has not been paid. Effective May 28, 2026. 2026 Minn. Laws, Ch. 128, Art. 2 § 13.

Carryback or carryover adjustments. Minn. Stat. § 290.095, subd. 11, was amended to remove a reference to a subtraction under section 290.0132, subd. 33 that never became effective. Effective August 1, 2026. 2026 Minn. Laws, Ch. 88, Art. 1, § 172.

Pass-through entity tax 2026 estimated payments. An uncodified provision provides that no addition to tax is imposed under Minn. Stat. § 289A.25, subd. 2, if estimated payments made by pass-through entities under Minn. Stat. § 289A.08, subd. 7a (f) are paid in full with the second estimated payment required under Minn. Stat. § 289A.25, subd. 3. Effective retroactively for taxable years beginning after December 31, 2025, and before January 1, 2027. 2026 Minn. Laws, Ch. 128, Art. 2, §16.

Subtraction; nursing facility workforce wage supplement program. This uncodified provision created an individual income tax subtraction for supplemental wage payments provided under Minn. Stat. § 256R.60. These wage payments are also excluded from income, as defined in section 290A.03, subdivision 3 for purposes of calculating the homestead credit refund. Effective for taxable years beginning after December 31, 2025, and before January 1, 2027. 2026 Minn. Laws, Ch. 128, Art. 2, § 15.

Temporary additions and subtractions. This uncodified provision amends 2023 Minn. Laws, Ch. 1, § 22, as amended by 2025 Minn. Laws, 1st Spec. Sess., Ch. 13, Art. 9, § 9 to add delayed business interest under Minn. Stat. § 290.0132, subd. 31, as a temporary subtraction when determining "income" for composite filers and the pass-through entity tax. Effective August 1, 2026. 2026 Minn. Laws, Ch. 88, § 224.