

# 2025 DEPARTMENT OF REVENUE

## GOVERNOR'S BILL SUMMARY



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

FINAL WITH PROPOSED AMENDMENTS

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### 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 uncodified 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.

**As proposed to be amended:**

**Sections \_ and 6-8. Political Contribution Refund.** Section \_ repeals Minn. Stat. §§ 10A.322, subd. 4, refund receipt forms; penalty; 13.4967, subd. 2, political contribution refund data; and 290.06, subd. 23, political contribution refund; and Minn. R., part 4503.1400, subpart 4, political refund contribution receipts. Section \_ paragraphs (b) and (c) are effective for political contribution refunds claimed after April 15, 2026, and the commissioner will not issue refunds after June 30, 2026. Sections 6-8 amend Minn. Stat. §§ 289A.37, subd. 2; 289A.50, subd. 1; and 290.01, subd. 6, respectively, to remove cross references to the political contribution refund under section 290.06, subd. 23. Sections 6-8 are effective for taxable years beginning after December 31, 2025.

**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.

**As proposed to be amended:**

**Section 6. Reduction in Payment in Lieu of Taxes (PILT) amounts by 34%.** Amends Minn. Stat. § 477A.12, subd. 1, to reduce by 34% the amount of annual Payment in Lieu of Property Taxes (PILT) paid from the general fund to counties on state-owned lands that do not pay property taxes. This 34% reduction applies to the 2026 estimated rate per acre and the 2026 estimated amount available to distribute to counties with local drainage assessments under Minn. Stat. § 84A.55, subd. 9. These rates and the amount were set in current statute in 2024 and have been annually adjusted under Minn. Stat. § 477A.12, subd. 4. The 34% reduction also applies to percent of the appraised value if a county has the option to receive the PILT based on appraised land value. Effective for payments made in calendar year 2026 and thereafter.

**Section 7. Cost of living adjustment for PILT amounts.** Amends Minn. Stat. § 477A.12, subd. 4, to clarify that there will be no annual cost of living adjustment in 2026 of the amounts amended by Section 6. The new 2026 amounts will be subject to adjustment starting in 2027. Effective for payments made in calendar year 2026 and thereafter.

**Section 8. Reduction in payments to Lake Vermillion-Soudan Underground Mine State Park.** Amends Minn. Stat. § 477A.17(a), to reduce by 34% the percent of the appraised value of state-owned land within the Lake Vermillion-Soudan Underground Mine State Park to determine the annual payment received by the county in lieu of the amount paid under Minn. Stat. § 477A.12, subd. 1(1). Effective for payments made in calendar year 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.