

Big Bills Tied Up

ICBM has several items of interest that are tax oriented and if passed, will be contained in the Omnibus Tax Bill. The question is not only will these proposals be in the bill, but will there be a tax bill, a transportation bill, or a bonding bill this year? Or, will they all get hung up as both the transportation and tax bills did last year?

Senate Bonding Bill

In even-numbered years, Minnesota legislators work to pass a budget bill that uses general obligation bonds to pay for public works projects. The DFL-controlled Senate attempted to pass their bill last Thursday, but fell short by one vote.

The DFL said the bill's cost was \$1.5 billion, which would make it the largest bonding bill in state history. Republicans said it was closer to \$1.8 billion. It may be a hyperbole, but Senate Majority Leader Tom Baak responded to the failed vote by saying, "It just doesn't seem like we're on a path where we're going to get anything done. We may end up going home this session without a bonding bill."

House Bonding Bill

While the Senate has a bill on the floor, the House has yet to pass a bill out of committee. House Budget Chair, Rep. Paul Torkelson, R-Hanska, says the House GOP plan will be considerably smaller than the Senate DFL bill--closer to \$600 million. However, its size all depends on what decisions are made regarding taxes and transportation.

Transportation and the Gas Tax

Transportation conferees met several times last week, but don't appear to be making any progress. The Senate DFL's 2015 proposal was a gas tax increase at the wholesale level, which would have

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raised the current state tax by about 16 cents per gallon at the pump.

The proposal also included an automatic inflator, which would increase the tax without legislative approval as the price of gas rises.

The 2015 Senate DFL proposal would increase the state gas tax to 44.6 cents per gallon, which is closely behind New York, which has the highest gas tax in the nation at 45.99 cents per gallon.

A Senate offer made last Friday eliminated the automatic inflator and raised the gas tax 12 cents per gallon regardless of gas prices. Added to the state's current gas tax, Minnesota would be closely behind Connecticut, which has a gas tax of 40.86 cents per gallon and ranks 5th highest compared to other states.

The federal gas tax is 18.4 cents per gallon.

Taxes

The Senate DFL released its proposed tax bill this morning. Amendments will be considered at tomorrow's tax committee hearing. Without having much time to review it, it is a relatively modest bill with few significant changes.

Although the bill does not include ICBM's top four tax initiatives (with the exception of the general property tax), the other three are still in play because they are in either the 2015 House or the Senate Omnibus Tax Bill, which is in Conference Committee. The others involve estate taxes, domicile rules, and the New Market Tax Credit.

In short, the 2016 Senate Tax Bill proposed today includes an additional \$254.7 million in tax relief over the next two years. Much of that is devoted to federal conformity issues. Other issues include funding for buffer payments to landowners, student loan credits, working family credit expansion, and several local tax issues.

The bill will be much firmer after tomorrow morning's hearing.

Farmer-Lender Mediation

A bill that was introduced in 2015 increased the amount of debt from \$5,000 to \$75,000, and in turn, triggered mandatory, farmer-lender mediation. That bill got nowhere last year. The political heat legislators received from farmers by supporting changes like this, combined with the lack of a strong argument for a new amount, stopped any changes for years.

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Rep. Paul Anderson, R-Starbuck, tried a new tactic this year--creating a task force to review the entire program and make recommendations to the 2017 legislature--an appropriate position since 2016 marks the 30th anniversary of the farmer-lender mediation program.

House File (HF) 1235 is on the House floor and contains recommendations made by the task force, along with a two-year extension of the program. The Senate companion bill had the task force recommendations removed in the finance portion of the bill, after concern that the Minnesota Department of Agriculture may need an appropriation to support the task force and write the final report. The Department of Agriculture has since dropped that concern. Senate File (SF) 1306 is on the Senate floor with a two-year extension and includes no task force recommendations. However, the Senate bill's author, Dan Sparks, DFL-Austin, has amendments and a plan in hand to pass the bill this year containing the task force recommendations.

Patent Trolling

Governor Dayton signed HF 1586, now Chapter (CH) 89. It was authored by Rep. Joe Hoppe, R-Chaska, and Sen. Kari Dziedzic, DFL-Minneapolis. It passed both the House and Senate unanimously.

CH 89 allows the Minnesota Attorney General's Office to bring a civil action against someone who has made a "bad faith claim" against another for infringement on any potentially-patented product. A penalty of up to \$50,000 per violation could be imposed on any individual or business. Currently, 27 states have passed similar legislation to help prevent patent trolling.

The bill has the intent of targeting patent-assertion entities--businesses that acquire patents with no intention of using the technology itself. Their goal is suing for alleged infringement. Businesses have found the cost of fighting these frivolous claims in court prohibitive, forcing many businesses to simply settle cases.

The legislation has broad support. Proponents say the bill would offer consumers and businesses stronger safeguards. Attorney General Lori Swanson said she welcomed the legislation, partly because it could help curb legal costs.

Buffer Clarification Bill Now Law

The House passed HF 3000 by a vote of 105-24 and the Senate passed it 61-0. It was then signed by the Governor and becomes law

effective August 1, 2016. Proponents say the 2016 law will clarify a bill passed in 2015, which many thought to be vague and unclear.

Authored by Rep. Paul Torkelson, R-Hanska, and Sen. Rod Skoe, DFL-Clearbrook, the new law gives local units of government the authority to oversee buffer requirements in their jurisdictions. Counties or watershed districts could administer it. If neither assumed authority, the Minnesota Board of Water and Soil Resources (BWSR) would assume jurisdiction.

The following are key provisions of the Buffer Clarification Bill:

- It clarifies the definition of public waters.
- Existing laws are being used for the definition of vegetative cover and are used to measure ditch widths.
- The BWSR's ability to fine is limited to \$500.
- Landowners compensated for lost revenue will receive payments based on the value of the land before buffers were installed.
- Money that could be withheld from local units of government for non-compliance become designated BWSR funds, not state funds.

The size of the buffer requirements did not change. They remain: (1) for all public waters, the more restrictive of: (i) a 50-foot average width, 30-foot minimum width, continuous buffer of perennially-rooted vegetation; or (ii) the state shoreland standards and criteria adopted by the commissioner under section 103F.211; and (2) for public drainage systems established under chapter 103E, a 16.5-foot minimum. The change is very important to Minnesota's farmers, as well as the environmentalists which promoted it.

Of Interest

Illinois is currently considering legislation that would raise its top income tax rate from 3.75 to 9.75 percent on individuals and 11.25 percent on pass-through businesses. The corporate rate would stay at 7.75 percent.

Legislative questions? Contact David Skilbred, ICBM Vice President of Government Relations, at dskilbred@icbm.org or 651-789-3983.

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