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# Capitol Link

## State Legislative Highlights

**February Forecast** - Minnesota Management & Budget Commissioner Myron Franz, State Economist Dr. Laura Kalambokidis, and State Budget Director Margaret Kelly announced February 21 that the February forecast will be released next Tuesday, February 28.

After the February forecast is released, Governor Dayton will announce his "Supplemental Budget." He is certainly working right now to adjust his budget to accommodate the new figures.

Currently, many of the spending committees are reviewing the details of the Governor's previous budget proposal.

**Governor's Tax Proposal** - Revenue Commissioner Cynthia Bauerly presented Governor Dayton's Tax Proposal to House Tax Committee members Wednesday, February 22. Expecting that much of the \$1.4 billion budget surplus will be dedicated to tax cuts by Republicans controlling the House and Senate, it's no surprise Governor Dayton proposes just \$185 million in tax cuts.

**Identity Theft I - "Skimmer Bill"** - HF817, authored by Representative Bob Loonan, R-Shakopee, passed the House Public Safety and Security Policy and Finance Committee Tuesday, February 21 and was re-referred to the Commerce Committee. Senator Warren Limmer, R-Maple Grove, is expected to be the Senate author.

HF817 expands the crime of unauthorized computer access to include using "skimmers" to collect information from credit, debit, or similar cards by attaching skimmers to point-of-sale terminals such as gas pumps or ATMs where those cards are used.

The bill was drafted over the interim by a "Best Practices Group" that includes representatives from financial associations, law enforcement, retailers, and others. ICBM is a member.

**Identity Theft II** - Another bill drafted by this group will be introduced soon. It proposes to authorize financial institutions to release to law enforcement investigating identify theft, a limited amount of customer information such as a name, address, and phone number without a court order if law enforcement believes that customer is a victim of identity theft. It also offers those banks liability protection for

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doing so.

Currently, law enforcement cannot obtain this personal information from a bank unless there is a court order. However, law enforcement cannot obtain a court order unless they can provide the victim's identity to a court.

This catch-22 limits the ability of law enforcement to charge suspected criminals which often results in criminals walking away and continuing their fraud schemes.

**Innocent Owner & Vehicle Forfeitures** - HF389, authored by Marion O'Neill, R-Maple Lake, and SF151, authored by Scott Newman, R-Hutchinson, modifies the "innocent owner" defense in forfeiture cases involving a vehicle seized when an offender was driving while intoxicated. It allows any innocent owner of the motor vehicle, such as a spouse or parent, to petition the court to have the vehicle returned to them.

Current law assumes there is only one owner. If that owner is found guilty of a crime that calls for a vehicle to be forfeited, current law does not give an innocent owner legal standing to petition that the vehicle be returned.

Representative O'Neil asked ICBM for a position-we are "fine" with the bill. HF389 should cause no problems for members having a security interest in a vehicle caught in this situation. HF389 should cause no problems for members having a security interest in a vehicle caught in this situation. In fact, if a member has a security interest and an "innocent owner" successfully petitions to have it returned, the secured party would have more options available and likely avoid having to reimburse the agency for its costs, i.e. towing, storage, sale. Better yet, it might prevent an innocent owner from losing their vehicle, then their job, and soon become victim to an "economic death spiral."

HF389 passed the Civil Law Committee February 9 with strong bipartisan support from 18 co-authors. It's scheduled to be heard in Public Safety and Security Policy and Finance Thursday, February 23. The Senate version is on the Floor.

**Estate Laws** - Three versions of Estate Tax Reform Proposals have been introduced.

SF8, authored by Sen. Chuck Wiger, DFL-Maplewood, and its companion HF77, authored by Rep. Peter Fischer, Maplewood, would raise Minnesota's estate tax exclusion amount from \$1.8 million to \$5 million and apply a flat 16 percent tax on the value of an estate exceeding that new threshold. The cost in lost tax revenue is estimated at \$138 million the next two years and \$288 million over the next four. Both bills have been heard in tax committees and laid on the table for possible inclusion in Omnibus Tax Bills.

HF18 is authored by Rep. Jenifer Loon, R-Eden Prairie, and its companion, SF354, by Sen. Jeremy Miller, R-Winona. This bill conforms

to members only.

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to federal estate tax law. It would increase the state exemption from \$1.8 million to \$5.49 million for deaths occurring in 2017 and would be indexed for inflation. The fiscal note on this proposal is \$168.5 million over the next two years and \$354 million over the next four years.

Representative Joe McDonald, R-Delano, and Senator Bruce Anderson, R-Buffalo, are authoring a proposal (HF85 and SF8) to repeal Minnesota's estate tax law as so many other states have already done.

The cost of this proposal is \$306 million in fiscal years 2018-2019 and \$344 million the two following years, or \$650 million over the next four years.

ICBM has testified in support of these proposals and is hopeful something gets passed this session.

**Pass-through** - Representative Sarah Anderson, R-Plymouth, and Sen. Paul Anderson, R-Plymouth, (no relation) introduced a bill (HF328/SF523) considered last session which limits the maximum individual tax rate on active trade or business income to 7.85 percent (e.g., of a sole proprietor, partner, or shareholder of an S corporation). The state's highest income tax rate of 9.85% would still apply to all other forms of personal income reaching the 4th Tier's threshold.

ICBM testified in support of this bill in the House Tax Committee where it was heard and laid on the table for possible inclusion in the Omnibus Tax Bill. The Senate file has yet to be heard.

**Domicile** - Three versions of bills amending the definition of resident for income and estate tax purposes have been introduced and heard in both House and Senate Tax Committees. They were all laid on the table "for possible inclusion in the Omnibus Tax Bill."

SF457 Chamberlain, R-Lino Lakes, modifies the definition of "resident" so that the location of the financial institution where an individual opens or maintains an account cannot be considered. The House version, HF182, is authored by Representative Greg Davids, R-Preston.

SF458, authored by Senator Ann Rest, DFL-New Hope, clarifies the definition of a "day" in those cases where residency is determined by the number of days spent in Minnesota. It also states the Department of Revenue or a court, in determining where the individual intends his or her permanent home, cannot consider the location of the individual's financial institution where the individual opened or maintains an account. The companion is HF622, authored by Representative Davids.

SF102, authored by David Osmek, R-Mound, takes a very different approach by proposing that an individual is not domiciled in the state if, before the end of the taxable year, the individual files an affidavit with the commissioner stating such.

**Uniform Employment Laws** - HF600, authored by Rep. Pat Garofalo, R-Farmington, and SF580, by Sen. Jeremy Miller, R-Winona, is a response to ordinances passed in St. Paul and Minneapolis which

set employment laws such as minimum wages, scheduling, and leave above state standards. The proposal would prohibit cities from passing employment ordinances exceeding state employment law in order to maintain uniform laws across the state. It does not prohibit any private employer from choosing to exceed state minimum standards. This is obviously an important issue for banks serving multiple cities.

HF600 is in Ways and Means, the last stop before going to the floor. SF580 is in the Rules Committee before it goes to the floor.

ICBM is a member of a coalition of business groups supporting this legislation.

**HF14 RFA Bonds** - Authored by Representative Tim Miller, R-Prinsburg, and Senator Andrew Lang, R-Olivia, HF14 authorizes the Rural Finance Authority (RFA) to sell \$35 million in bonds to fund Ag loans in collaboration with our members. RFA is typically funded in even numbered years when a bonding bill is passed, but last year's bonding bill died. HF14 sits on the House Floor. Its Senate companion passed the Finance Committee February 14.

RFA staff testified it has participated in 2,883 loans and provided \$215 million during the program's 30 year history. RFA representatives added that only 20 loans over the course of those 30 years lost money, and the losses totaled just \$500,000.

Hearing this, ICBM took the opportunity to testify not only in support of this program and collaborative effort between community bankers and the RFA, but also added that the incredibly low loan losses are testament to the exceptional underwriting of those loans, which is done by community bankers.

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