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Capitol Link

Special Session Update

The Devil Is In The Details

The global budget agreement announced by Governor Mark Dayton and Republican leadership late Monday night was a huge step forward and raised hopes the 2017 Legislative Session would end soon, and on a positive note.

But that agreement left hundreds of details undecided and those details have virtually put a stop to the Special Session and its self-imposed 7 a.m. conclusion this morning, May 24. Legislators and staff worked all last night, but they could not finish.

Two bills passed the House last night. The tax bill, called House File 1 (HF1) was taken up in the House at approximately 12:30 a.m., and although it was supposed to have been agreed upon, arguing began quickly and some amendments were offered. Ultimately it passed unscathed, 102-31.

Three ICBM Tax Victories Close At Hand

If HF1 is signed into law, three of ICBM's priorities determined prior to the session would become law. One would be language amending the definition of "domicile or residency." The HF1 language would allow people living out of state to hold and open accounts with Minnesota banks and those actions would not be allowed to be considered by the Minnesota Department of Revenue (DOR), or state courts, when determining residency for individual income tax purposes. DOR currently reviews this banking issue and includes it in their list of indicators when determining residency.

Second, HF1 increases the exemption allowed when determining the value of an estate for estate tax purposes. Currently, Minnesota allows a \$1.8 million exemption for decedents dying in 2017. In 2018 it will increase to \$2 million and stop increasing. HF1 raises the exemption to \$3 million in four steps. While the exemption is not as high as ICBM supported, it is a step in the right direction.

Finally, HF1 also exempts the first \$100,000 of value of a commercial-industrial property from the state general property tax levy, reducing a portion of a property's total property taxes owed. HF1 also freezes the automatic inflator at the 2018 rate.

The House also passed the E-12 Education funding bill early this

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morning. As agreed to in the global agreement, it increases K-12 funding by \$483 million. It passed the House with a very partisan vote of 79-54. The Senate is debating this bill this afternoon.

Appropriation Bills Yet To Pass

In addition to the Senate needing to pass tax and education bills as the House did last night, both bodies have yet to pass three other bills. Those bills fund health and human services, state government, and transportation. Appropriations for those bills amount to approximately 70 percent of the entire \$46 billion, two-year state budget.

Bonding

Minnesota traditionally passes a bonding bill every two years. Money borrowed is dedicated to maintaining state-owned properties and construction. The expectation is there will be a bonding bill this year and the global agreement called for borrowing \$990 million, less than what the Governor wanted and more than what Republicans proposed. This bill can be very contentious because there are many more requests made than can be funded. It is also the ultimate example of a bill full of "bacon" to bring home to a lawmaker's constituents. By mid-morning today, ICBM's understanding was that Governor Dayton hadn't yet seen the details.

Wednesday Session

The House went back into session at about 3 p.m. this afternoon and took up the Transportation Bill.

Five Budget Bills Passed

The Legislature passed and sent to the Governor five funding bills prior to the end of the regular session and did so with the understanding he will sign all of them. That has not yet taken place, but it is expected. Those bills were: Ag Finance and Policy, Environment and Natural Resources, Jobs and Economic Development, Higher Education, and Public Safety.

As members will recall from a previous ICBM CapitolLink, the Ag Finance Bill includes the recommendations for amending the Farmer-Lender Mediation Act of 1986. Those recommendations came from the 2016 Farmer-Lender Task Force which included appointees from several different Ag groups. Scott Wakefield was ICBM's appointee and did an outstanding job. Assuming the Governor signs the bill, this will be historic!

The 2017 Legislative Session is a very unusual one. So far, however, it looks like the 2017 Minnesota Legislative Session will be ICBM's most successful session in many, many years!

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