A bill for an act
relating to taxation; income; modifying the definition of unrelated business taxable income; amending Minnesota Statutes 2018, section 290.05, subdivision 3.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2018, section 290.05, subdivision 3, is amended to read:

Subd. 3. Taxes imposed on exempt entities. (a) An organization exempt from taxation under subdivision 2 shall, nevertheless, be subject to tax under this chapter to the extent provided in the following provisions of the Internal Revenue Code:

(1) section 527 (dealing with political organizations);
(2) section 528 (dealing with certain homeowners associations);
(3) sections 511 to 515 (dealing with unrelated business income);
(4) section 521 (dealing with farmers’ cooperatives); and
(5) section 6033(e)(2) (dealing with lobbying expense); but notwithstanding this subdivision, shall be considered an organization exempt from income tax for the purposes of any law which refers to organizations exempt from income taxes.

(b) The tax shall be imposed on the taxable income of political organizations or homeowner associations or the unrelated business taxable income, as defined in section 512 of the Internal Revenue Code, of organizations defined in section 511 of the Internal Revenue Code, provided that the tax is not imposed on:

(1) advertising revenues from a newspaper published by an organization described in section 501(c)(4) of the Internal Revenue Code; or
(2) revenues from lawful gambling authorized under chapter 349 that are expended for purposes that qualify for the deduction for charitable contributions under section 170 of the Internal Revenue Code, disregarding the limitation under section 170(b)(2), but only to the extent the contributions are not deductible in computing federal taxable income; or

(3) amounts included in unrelated business taxable income under section 512(a)(7) of the Internal Revenue Code.

The tax shall be at the corporate rates. The tax shall only be imposed on income and deductions assignable to this state under sections 290.17 to 290.20. To the extent deducted in computing federal taxable income, the deductions contained in section 290.21 shall not be allowed in computing Minnesota taxable net income.

(c) The tax shall be imposed on organizations subject to federal tax under section 6033(e)(2) of the Internal Revenue Code, in an amount equal to the corporate tax rate multiplied by the amount of lobbying expenses taxed under section 6033(e)(2) which are attributable to lobbying the Minnesota state government.

(d) Section 512(a)(6) of the Internal Revenue Code shall not apply for the purposes of calculating the tax under this subdivision.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017.