(a) The commissioner of natural resources shall develop recommendations on the designation of undesignated consolidated-conservation lands that were subject to the 1991 commissioner's order classifying the lands as suitable for wildlife management, research and habitat programs, public hunting, and other recreational purposes.

(b) By June 30, 2000, a county with lands subject to the 1991 commissioner's order referenced in paragraph (a) may submit a county board resolution to the commissioner of natural resources requesting that the lands be reviewed by the commissioner in consultation with the county board.

(c) By September 1, 2000, the commissioner shall hold at least one public meeting on the designation of the consolidated-conservation lands in each county for which the commissioner receives a resolution from the county board under paragraph (b).

(d) The commissioner, in consultation with a county board that submitted a resolution in paragraph (b), shall develop recommendations on the disposition of the lands referenced in paragraph (a), including designating the lands:

(1) as state forests;

(2) as wildlife management areas;

(3) for both motorized and nonmotorized trail management;

(4) for other recreational or conservation management, including joint management between the department's divisions that would allow for multiple recreational uses; or

(5) sale or exchange of lands that are not appropriate for conservation or recreation purposes.

(e) By October 1, 2000, the commissioner must report the commissioner's draft recommendations on the disposition of the lands to the county boards with lands subject to paragraph (a).

(f) By December 1, 2000, each county board that submitted a resolution under paragraph (b) may submit a resolution providing comments on the proposed draft recommendations in paragraph (e).

(g) By January 15, 2001, the commissioner shall report to the legislative policy and finance committees with jurisdiction over natural resources on final recommendations for disposition of the consolidated-conservation lands referenced in paragraph (a). The report must include copies of the resolutions submitted under paragraph (f).

Sec. 28. [ISOLATED CONSOLIDATED-CONSERVATION LANDS.]

(a) By January 15, 2001, the commissioner of natural resources shall report to the legislative policy and finance committees with jurisdiction over natural resources on recommendations for disposition of isolated consolidated-conservation lands in areas that were subject to the 1989 and 1991 commissioner's orders classifying the lands as suitable for wildlife management, research and habitat programs, public hunting, and other recreational purposes.

(b) The recommendations under paragraph (a) may include designation, exchange, or sale of isolated consolidated-conservation lands. Isolated consolidated-conservation lands that are not appropriate for conservation and recreation purposes may be recommended for sale or exchange.

(c) For the purposes of this section, "isolated consolidated-conservation lands" are parcels of consolidated-conservation land of 40 acres or less that are not contiguous with other public land.

Sec. 29. [INSTRUCTION TO REVISOR; EFFECT OF SESSION LAW DESCRIPTIONS.]

(a) The revisor need not include the legal descriptions for state wildlife management areas under Minnesota Statutes, section 97A.133, but must include a history of the session laws establishing or amending the boundaries of state wildlife management areas under each subdivision in the same manner as provided for state parks under Minnesota Statutes, section 85.012.

(b) The lands described in the session laws establishing or changing the boundaries of each state wildlife management area are included in the state wildlife management areas as established or changed."

Page 14, after line 26, insert:

"Sec. 31. [EFFECTIVE DATE.]

Sections 17 to 19 and 22 to 30 are effective the day following final enactment. Sections 20 and 21 apply to payments made in calendar year 2001 and thereafter."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Senator Ourada questioned whether the amendment was germane.

The President ruled that the amendment was germane.

The question recurred on the adoption of the Stumpf amendment. The motion prevailed. So the amendment was adopted.

Senator Johnson, D.J. moved to amend H.F. No. 3213, as amended pursuant to Rule 49, adopted by the Senate April 10, 2000, as follows:

(The text of the amended House File is identical to S.F. No. 2878.)

Page 4, line 34, delete ", 2000" and insert "each year"

Page 5, line 3, delete everything after the first "plans"

Page 5, line 4, delete everything before the period

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 50 and nays 15, as follows:

Those who voted in the affirmative were:

Belanger	Hottinger	Knutson	Olson	Sams
Berg	Janezich	Larson	Ourada	Samuelson
Cohen	Johnson, D.E.	Lesewski	Pappas	Scheevel
Day	Johnson, D.H.	Lessard	Pariseau	Scheid
Dille	Johnson, D.J.	Limmer	Piper	Solon
Fischbach	Junge	Lourey	Pogemiller	Stumpf
Flynn	Kelly, R.C.	Metzen	Price	Terwilliger
Frederickson	Kierlin	Moe, R.D.	Ranum	Vickerman
Hanson	Kinkel	Murphy	Robertson	Wiener
Higgins	Kiscaden	Novak	Robling	Ziegler

Those who voted in the negative were:

Anderson	Foley	Krentz	Neuville	Runbeck
Berglin	Kelley, S.P.	Laidig	Oliver	Spear
Betzold	Kleis	Marty	Ring	Wiger

The motion prevailed. So the amendment was adopted.

Senator Laidig moved to amend H.F. No. 3213, as amended pursuant to Rule 49, adopted by the Senate April 10, 2000, as follows:

(The text of the amended House File is identical to S.F. No. 2878.)

Pages 1 to 14, delete sections 1 to 17 and insert:

"Section 1. Minnesota Statutes 1998, section 3.737, subdivision 1, is amended to read:

Subdivision 1. [COMPENSATION REQUIRED.] (a) Notwithstanding section 3.736, subdivision 3, paragraph (e), or any other law, a livestock owner shall be compensated by the commissioner of agriculture for livestock that is destroyed by a ~~timber~~ gray wolf or is so crippled by a ~~timber~~ gray wolf that it must be destroyed. The owner is entitled to the fair market value of the destroyed livestock~~, not to exceed $750 per animal destroyed,~~ as determined by the commissioner, upon recommendation of a university extension agent ~~and~~ or a conservation officer. University extension agents and conservation officers making recommendations under this section must be trained under paragraph (c).

(b) Either the agent or the conservation officer must make a personal inspection of the site. The agent or the conservation officer must take into account factors in addition to a visual identification of a carcass when making a recommendation to the commissioner. The commissioner, upon recommendation of the agent ~~and~~ or conservation officer, shall determine whether the livestock was destroyed by a ~~timber~~ gray wolf and any deficiencies in the owner's adoption of the best management practices developed in subdivision 5. The commissioner may authorize payment of claims only if the agent ~~and~~ or the conservation officer ~~have~~ has recommended payment. The owner shall file a claim on forms provided by the commissioner and available at the university extension agent's office.

(c) The commissioner shall provide gray wolf depredation verification training program for university extension agents and conservation officers participating in verification of gray wolf depredation. Only trained university extension agents and conservation officers may make recommendations to the commissioner regarding compensation payments under this section and predator control areas under section 97B.671, subdivision 4.

Sec. 2. Minnesota Statutes 1998, section 84.944, subdivision 2, is amended to read:

Subd. 2. [DESIGNATION OF ACQUIRED SITES.] The critical natural habitat acquired in fee title by the commissioner under this section shall be designated by the commissioner as: (1) an outdoor recreation unit pursuant to section 86A.07, subdivision 3, or (2) as provided in sections 89.018, subdivision 2, paragraph (a), 97A.101, 97A.125, 97C.001, and 97C.011. The commissioner may so designate any critical natural habitat acquired in less than fee title.

Sec. 3. [89.018] [HERITAGE FORESTS.]

Subdivision 1. [ESTABLISHMENT; TERMINATION.] (a) The commissioner may establish heritage forest areas within counties named under this subdivision if:

(1) the commissioner determines that establishment is consistent with the purposes of the heritage forest; and

(2) the county board has submitted a resolution to the commissioner delineating and requesting establishment of the heritage forest areas of the county.

(b) The named counties for the Big Woods Heritage Forest are:

(1) Blue Earth;

(2) Carver;

(3) Dakota;

(4) Hennepin;

(5) Le Sueur;

(6) McLeod;

(7) Meeker;

(8) Nicollet;

(9) Rice;

(10) Sibley;

(11) Scott;

(12) Waseca; and

(13) Wright.

(c) The commissioner may terminate the heritage forest status of an area within a county if the commissioner determines that the termination would be in the public interest and the county board has submitted a resolution to the commissioner requesting termination.

Subd. 2. [COMMISSIONER'S POWERS.] (a) Within areas established as a heritage forest under subdivision 1, the commissioner may:

(1) designate any state-owned lands as heritage forest lands for management purposes, including lands that have previously been designated for another purpose;

(2) accept donations of land, including easements under subdivision 3, for heritage forest management;

(3) manage lands designated by local governments for heritage forest management; and

(4) contract with other agencies or organizations for management services, including any required monitoring activities.

(b) Lands designated under paragraph (a), clause (1), that were previously designated by law or by the commissioner continue to be subject to requirements under the previous designation.

Subd. 3. [EASEMENTS.] (a) The commissioner or a political subdivision may individually or jointly acquire heritage forest land for conservation purposes in areas established under subdivision 1 by entering into easements with landowners. The easements must be conservation easements as defined in section 84C.01, clause (1), except the easements may be made possessory as well as nonpossessory if agreed upon by the landowner and the commissioner or political subdivision.

(b) In an easement agreement between the commissioner or political subdivision and a landowner, the landowner must agree:

(1) to place forest lands in the program for the period of the easement;

(2) to implement a heritage forest stewardship plan as provided in the easement agreement;

(3) not to alter the heritage forest by developing the land, cutting timber that is not identified in the forest stewardship plan, or otherwise destroying the heritage forest character of the easement area;

(4) to allow the commissioner or political subdivision or agents of the commissioner or political subdivision access to the land for monitoring activities;

(5) not to adopt a practice specified by the commissioner or political subdivision in the easement as a practice that would tend to defeat the purposes of the heritage forest; and

(6) to additional provisions included in the easement that the commissioner or political subdivision determines are consistent with the purposes of the heritage forest program.

(c) A limited-term easement may be converted to a permanent easement or renewed at the end of the easement period by mutual agreement of the commissioner or political subdivision and the landowner.

(d) Except as provided in paragraph (c), if during the easement period the landowner sells or

otherwise disposes of the ownership or right of occupancy of the land, the new landowner must continue the easement under the same terms or conditions.

(e) If during the limited-term easement period the landowner sells or otherwise disposes of the ownership or right of occupancy of the land, the new landowner may continue the easement under the same terms or conditions.

(f) The commissioner or political subdivision may terminate an easement by mutual agreement with the landowner if the commissioner or political subdivision determines that the termination would be in the public interest. The commissioner or political subdivision may agree to modification of an agreement if the commissioner or political subdivision determines the modification is desirable to implement the heritage forest program.

Subd. 4. [FOREST STEWARDSHIP REGISTRATION.] Private landowners may establish their lands as heritage forest land by having a heritage forest stewardship plan prepared and by completing a stewardship registration agreement. A stewardship registration agreement is a nonbinding commitment by a landowner to provide stewardship to forested lands. In a stewardship registration agreement, a landowner acknowledges an intent to implement a heritage forest stewardship plan. If the landowner sells or otherwise disposes of the ownership or right of occupancy of the land, the commissioner shall terminate the stewardship registration agreement. A new owner must enter into a new stewardship registration agreement to continue recognition of the forest land as heritage forest. The commissioner may terminate a stewardship registration agreement by mutual agreement of the landowner if the commissioner determines the termination would be in the public interest.

Sec. 4. [90.042] [PUBLIC INVOLVEMENT PROCESS.]

By July 1, 2000, the commissioner must provide a complete description of the public involvement process for timber harvest plans to the chairs of the legislative committees with jurisdiction over natural resources policy and finance. The process must provide public notice and public input in affected areas of proposed annual harvest plans and the plans must be posted on the department of natural resources web site.

Sec. 5. Minnesota Statutes 1998, section 90.121, is amended to read:

90.121 [INTERMEDIATE AUCTION SALES; MAXIMUM LOTS OF 3,000 CORDS.]

The commissioner may sell the timber on any tract of state land in lots not exceeding 3,000 cords in volume, in the same manner as timber sold at public auction under section 90.101, and related laws, subject to the following special exceptions and limitations:

(1) sales shall be at the forest office or other public facility most accessible to potential bidders or close to where the tract is located;

(2) the commissioner's list describing the tract, quantity of timber, and appraised price shall be compiled not less than 30 days before the date of sale and a copy of the list posted not less than 30 days before the date of the sale at the location designated for the sale;

(3) notice of the sale shall be published once, not less than one week before the date of the sale;

(4) no bidder may be awarded more than 25 percent of the total tracts offered at the first round of bidding unless fewer than four tracts are offered, in which case not more than one tract shall be awarded to one bidder. Any tract not sold may be offered for sale for a period of no more than six months for purchase by persons eligible under this section at the appraised value;

(5) the bond or deposit required pursuant to section 90.161 or 90.173 shall be given or deposited and approved as to form and execution by the commissioner before any cutting begins ~~or not later than 120 days after the date of purchase, whichever is earlier, provided that the commissioner may extend the time for furnishing the bond or deposit for not more than 30 additional days for good cause shown~~;

(6) in lieu of the placing of the marks M I N on cut products as prescribed under section 90.151, subdivision 2, all landings of cut products shall be legibly marked with the name of the permit holder and the assigned permit number; and

(7) ~~no person may hold more than six permits issued under this section and~~ no sale may be made to a person ~~holding six permits which are still in effect or to a person~~ having more than 20 employees~~;~~.

~~(8) the permit may not exceed three years in duration; and~~

~~(9) if all cut timber, equipment, and buildings are not removed at the end of any 120-day extension period which the commissioner may grant for removal, the commissioner may grant a second period of time not to exceed 120 days for the removal of cut timber, equipment, and buildings upon receipt of a request by the permit holder for hardship reasons only.~~

The auction sale procedure set forth in this section constitutes an additional alternative timber sale procedure available to the commissioner and is not intended to replace other authority possessed by the commissioner to sell timber in lots of 3,000 cords or less.

Sec. 6. Minnesota Statutes 1998, section 90.14, is amended to read:

90.14 [AUCTION SALE PROCEDURE.]

(a) All state timber shall be offered and sold by the same unit of measurement as it was appraised. The sale shall be made to the party who (1) shall bid the highest price for all the several kinds of timber as advertised, or (2) if unsold at public auction, to the party who purchases at any sale authorized under section 90.101, subdivision 1. The commissioner may refuse to approve any and all bids received and cancel a sale of state timber for good and sufficient reasons.

(b) The purchaser at any sale of timber shall, immediately upon the approval of the bid, or, if unsold at public auction, at the time of purchase at a subsequent sale under section 90.101, subdivision 1, pay to the commissioner ~~25~~ 15 percent of the appraised value. In case any purchaser fails to make such payment, the purchaser shall be liable therefor to the state in a civil action, and the commissioner may reoffer the timber for sale as though no bid or sale under section 90.101, subdivision 1, therefor had been made.

(c) In lieu of the scaling of state timber required by this chapter, a purchaser of state timber may, at the time of the bid approval and upon payment by the purchaser to the commissioner of 15 percent of the appraised value, elect in writing on a form prescribed by the attorney general to purchase a permit based solely on the appraiser's estimate of the volume of timber described in the permit, provided that the commissioner has expressly designated the availability of such option for that tract on the list of tracts available for sale as required under section 90.101 or 90.121. A purchaser who elects in writing on a form prescribed by the attorney general to purchase a permit based solely on the appraiser's estimate of the volume of timber described on the permit does not have recourse to the provisions of section 90.281.

Sec. 7. Minnesota Statutes 1998, section 90.151, subdivision 1, is amended to read:

Subdivision 1. [ISSUANCE; EXPIRATION.] (a) Following receipt of the down payment for state timber sold at public auction, the commissioner shall issue a numbered permit to the purchaser, in a form approved by the attorney general, by the terms of which the purchaser shall be authorized to enter upon the land, and to cut and remove the timber therein described, according to the provisions of this chapter. The permit shall be correctly dated and executed by the commissioner or agent and signed by the purchaser.

(b) The permit shall expire no later than five years after the date of sale as the commissioner shall specify, and the timber shall be cut within the time specified therein. All cut timber, equipment, and buildings not removed from the land within 90 days after expiration of the permit shall become the property of the state.

(c) The commissioner may grant an additional period of time not to exceed 120 days for the

removal of cut timber, equipment, and buildings upon receipt of such request by the permit holder for good and sufficient reasons. The commissioner may grant a second period of time not to exceed 120 days for the removal of cut timber, equipment, and buildings upon receipt of a request by the permit holder for hardship reasons only.

(d) No permit shall be issued to any person other than the purchaser in whose name the bid was made.

Sec. 8. Minnesota Statutes 1998, section 90.151, subdivision 4, is amended to read:

Subd. 4. [PERMIT TERMS.] The permit shall provide that all timber sold or designated for cutting shall be cut without damage to other timber; that the permit holder shall remove all timber authorized to be cut under the permit; that timber sold by board measure but later determined by the commissioner not to be convertible into board measure shall be paid for by the piece or cord or other unit of measure according to the size, species, or value, as may be determined by the commissioner; that all timber products, except as specified by the commissioner, shall be scaled and the final settlement for the timber cut shall be made on this scale; and that the permit holder shall pay to the state the permit price for all timber authorized to be cut, including timber not cut.

Sec. 9. Minnesota Statutes 1998, section 90.161, subdivision 1, is amended to read:

Subdivision 1. [BOND REQUIRED.] Except as otherwise provided by law, the purchaser of any state timber, before any timber permit shall become effective for any purpose, shall ~~within 120 days from the date of purchase~~ give a good and valid bond to the state of Minnesota equal to the value of all timber covered or to be covered by the permit, as shown by the sale price bid and the appraisal report as to quantity, less the amount of any payment pursuant to section 90.14. The bond shall be conditioned upon the faithful performance by the purchaser and successors in interest of all terms and conditions of the permit and all requirements of law in respect to timber sales. The bond shall be approved in writing by the commissioner and filed for record in the commissioner's office. In the alternative to cash and bond requirements, but upon the same conditions, a purchaser may post bond for 100 percent of the purchase price and request refund of the amount of any payment pursuant to section 90.14. The commissioner may credit the refund to any other permit held by the same permit holder if the permit is delinquent as provided in section 90.181, subdivision 2, or may credit the refund to any other permit to which the permit holder requests that it be credited.

Sec. 10. Minnesota Statutes 1998, section 90.161, subdivision 2, is amended to read:

Subd. 2. [FAILURE TO BOND.] If bond is not furnished ~~within 120 days from the date of purchase~~, no harvesting may occur and the down payment for timber shall forfeit to the state~~, except that the commissioner may grant an extension of time for good and sufficient reason, provided that any extension of time shall not exceed 30 days~~.

Sec. 11. Minnesota Statutes 1998, section 90.162, is amended to read:

90.162 [ALTERNATIVE TO BOND OR DEPOSIT REQUIREMENTS.]

In lieu of the bond or cash deposit required by section 90.161 or 90.173, a purchaser of state timber may, at the time of the bid approval and upon payment by the purchaser to the commissioner of ~~25~~ 15 percent of the appraised value under section 90.14, elect in writing on a form prescribed by the attorney general to prepay the purchase price for any designated cutting block identified on the permit before the date the purchaser enters upon the land to begin harvesting the timber.

Sec. 12. Minnesota Statutes 1998, section 90.173, is amended to read:

90.173 [PURCHASER'S OR ASSIGNEE'S CASH DEPOSIT IN LIEU OF BOND.]

(a) In lieu of filing the bond required by section 90.161 or 90.171, as security for the issuance or assignment of a timber permit the person required to file the bond may deposit with the state treasurer cash, a certified check, a cashier's check, a personal check, a postal, bank, or express

money order, assignable bonds or notes of the United States, or an assignment of a bank savings account or investment certificate or an irrevocable bank letter of credit, in the same amount as would be required for a bond. If securities listed in this section are deposited, the par value of the securities shall be not less than the amount required for the timber sale bond, and the person required to file the timber sale bond shall submit an agreement authorizing the commissioner to sell or otherwise take possession of the security in the event of default under the timber sale. All of the conditions of the timber sale bond shall equally apply to the deposit with the state treasurer. In the event of a default the state may take from the deposit the sum of money to which it is entitled; the remainder, if any, shall be returned to the person making the deposit ~~and shall bear interest at the rate determined pursuant to section 549.09 if not returned within 30 days from the date of the default. Sums of money as may be required by the state treasurer to carry out the terms and provisions of this section are appropriated from the general fund to the state treasurer for these purposes~~. When cash is deposited for a bond, it shall be applied to the amount due when a statement is prepared and transmitted to the permit holder pursuant to section 90.181. Any balance due to the state shall be shown on the statement and shall be paid as provided in section 90.181. Any amount of the deposit in excess of the amount determined to be due pursuant to section 90.181 shall be returned to the permit holder when a final statement is transmitted pursuant to that section. All or part of a cash bond may be withheld from application to an amount due on a nonfinal statement if it appears that the total amount due on the permit will exceed the bid price.

(b) If an irrevocable bank letter of credit is provided as security under paragraph (a), at the written request of the permittee the state shall annually allow the amount of the bank letter of credit to be reduced by an amount proportionate to the value of timber that has been harvested and for which the state has received payment under the timber permit. The remaining amount of the bank letter of credit after a reduction under this paragraph must not be less than the value of the timber remaining to be harvested under the timber permit.

Sec. 13. Minnesota Statutes 1998, section 90.181, is amended to read:

90.181 [STATEMENT OF TIMBER CUT.]

Subdivision 1. [PASSAGE OF TITLE TO TIMBER.] (a) The commissioner shall transmit to the permit holder a statement of the amount due therefor by the terms of the permit upon completion of the cutting or at least annually in the case of an auction permit. Any partial payment received may be applied to any items on the statement as the commissioner shall determine.

(b) The title to the timber shall not pass from the state until ~~such~~ the timber has been scaled as required by the permit ~~and the commissioner has made adequate arrangements for collecting the payment for the same as will protect the interest of the state~~, full payment for the timber has been received, and all other provisions of the permit have been fully complied with.

Subd. 2. [DEFERRED PAYMENTS.] (a) If the amount of the statement is not paid within 30 days of the date thereof, it shall bear interest at the rate determined pursuant to section ~~549.09~~ 16A.124, except that the purchaser shall not be required to pay interest that totals $1 or less. If the amount is not paid within 60 days, the commissioner shall place the account in the hands of the attorney general who shall proceed to collect the same. When deemed in the best interests of the state, the commissioner shall take possession of the timber for which an amount is due wherever it may be found and sell the same informally or at public auction after giving reasonable notice.

(b) The proceeds of the sale shall be applied, first, to the payment of the expenses of seizure and sale; and, second, to the payment of the amount due for the timber, with interest; and the surplus, if any, shall belong to the state; and, in case a sufficient amount is not realized to pay these amounts in full, the balance shall be collected by the attorney general. Neither payment of the amount, nor the recovery of judgment therefor, nor satisfaction of the judgment, nor the seizure and sale of timber, shall release the sureties on any bond given pursuant to this chapter, or preclude the state from afterwards claiming that the timber was cut or removed contrary to law and recovering damages for the trespass thereby committed, or from prosecuting the offender criminally.

Sec. 14. Minnesota Statutes 1998, section 90.201, subdivision 2, is amended to read:

Subd. 2. [REFUNDS ON FINAL BILLING~~; INTEREST PAYMENT ON LATE REFUNDS~~.] The commissioner shall refund to a permit holder any amount paid on a timber sale which exceeds the value of the timber cut under that sale as determined on a final statement transmitted pursuant to section 90.181. The commissioner may credit a refund to any other permit held by the same permit holder if the permit is delinquent as provided in section 90.181, subdivision 2, and may credit a refund to any other permit to which the permit holder requests that it be credited.

~~Any refund of cash which is due to a permit holder as determined on a final statement transmitted pursuant to section 90.181 which is not paid to the permit holder within 45 days after the date of that statement shall bear interest at the rate determined pursuant to section 549.09 unless the refund is credited on another permit as provided in this subdivision. Interest shall be paid from the date of the final statement. No interest shall be paid in an amount of $50 or less.~~

Sec. 15. Minnesota Statutes 1998, section 90.201, is amended by adding a subdivision to read:

Subd. 2a. [PROMPT PAYMENT OF REFUNDS.] Any refund of cash that is due to a permit holder as determined on a final statement transmitted pursuant to section 90.181 or a refund of cash made pursuant to section 90.161, subdivision 1, or 90.173, paragraph (a), shall be paid to the permit holder according to section 16A.124 unless the refund is credited on another permit as provided in this chapter.

Sec. 16. Minnesota Statutes 1998, section 90.252, is amended to read:

90.252 [CONSUMER SCALE OF STATE TIMBER.]

The commissioner may enter into an agreement with either a timber sale permittee, or the purchaser of the cut products, or both, so that the scaling of the cut timber and the collection of the payment for the same can be consummated by the consumer. Such an agreement shall provide for a bond or cash in lieu of a bond and such other safeguards as are necessary to protect the interests of the state. Such a scaling and payment collection procedure may be used for any state timber sale, except that ~~in the case of timber sold under section 90.101,~~ no permittee who is also the consumer shall both cut and scale the timber sold unless such scaling is supervised by a state scaler.

Sec. 17. Minnesota Statutes 1998, section 90.281, is amended to read:

90.281 [RESCALES, RECOUNTS AND REESTIMATES.]

(a) Upon complaint of any interested permit holder questioning the accuracy of any scale, count, or estimate of timber made by any state appraiser, or at any other time the commissioner determines in the absence of a complaint, the commissioner may cause a rescale, recount, or reestimate thereof to be made jointly by any two or more state appraisers, which when made shall supersede and for all purposes take the place of the original scale, count, or estimate, if and only when ~~it~~ the scale or count varies more than ten percent from the original or the estimate exceeds the standards established by section 90.045.

(b) As a condition precedent to the making of ~~any such~~ a rescale, recount, or reestimate upon the complaint of any person, the commissioner may require ~~such~~ the person to make available such sum of money as the commissioner deems necessary for the actual expenses thereof and to forfeit the same to the state if ~~such~~ the rescale~~,~~ and recount~~, or reestimate~~ does not vary more than ten percent from the original or the reestimate does not exceed the standards established by section 90.045. All ~~such~~ forfeited money shall be paid into the state treasury and credited to the fund or account from which the expenses of ~~such~~ the rescale, recount, or reestimate were paid.

Sec. 18. Minnesota Statutes 1998, section 97A.331, is amended by adding a subdivision to read:

Subd. 7. [GRAY WOLF.] (a) A person who takes, harasses, destroys, buys, sells, possesses, transports, or ships a gray wolf in violation of the game and fish laws is guilty of a gross misdemeanor.

(b) The restitution value for a gray wolf under section 97A.345 is $2,000. This amount may be amended by rule.

Sec. 19. Minnesota Statutes 1998, section 97B.645, is amended to read:

97B.645 [GRAY WOLVES.]

Subdivision 1. [USE OF DOGS AND HORSES PROHIBITED; USE OF GUARD ANIMALS.] Except as provided in this subdivision, a person may not use a dog or horse to take a ~~timber~~ gray wolf. A person may use a guard animal to harass, repel, or destroy wolves only as allowed under subdivisions 3, 4, 5, and 6.

Subd. 2. [PERMIT REQUIRED TO SNARE.] A person may not use a snare to take a wolf except under a permit from the commissioner.

Subd. 3. [DESTROYING GRAY WOLVES IN DEFENSE OF HUMAN LIFE.] A person may, at any time and without a permit, take a gray wolf in defense of the person's own life or the life of another. A person who destroys a gray wolf under this subdivision must protect all evidence and report the taking to a conservation officer within 24 hours after the gray wolf is killed.

Subd. 4. [HARASSMENT OF GRAY WOLVES.] To discourage gray wolves from contact or association with people and domestic animals, a person may, at any time and without a permit, harass a gray wolf that is within 500 yards of people, buildings, dogs, livestock, or other domestic pets and animals. A gray wolf may not be purposely attracted, tracked, or searched out for the purpose of harassment. Harassment that results in physical injury to a gray wolf is prohibited.

Subd. 5. [DESTROYING GRAY WOLVES THREATENING LIVESTOCK OR GUARD ANIMALS.] An owner of livestock and guard animals, and the owner's agents, may, at any time and without a permit, shoot a gray wolf when the gray wolf is posing an immediate threat to livestock or a guard animal located on property owned, leased, or occupied by the owner of the livestock or guard animal. A person who destroys a gray wolf under this subdivision must protect all evidence and report the taking to a conservation officer within 24 hours after the gray wolf is killed.

Subd. 6. [DESTROYING GRAY WOLVES THREATENING DOMESTIC PETS.] An owner of a domestic pet may, at any time and without a permit, shoot a gray wolf when the gray wolf is posing an immediate threat to a domestic pet under the controlled supervision of the owner. A person who destroys a gray wolf under this subdivision must protect all evidence and report the taking to a conservation officer within 24 hours after the gray wolf is killed.

Subd. 7. [INVESTIGATION OF REPORTED GRAY WOLF TAKINGS.] (a) In response to a reported gray wolf taking under subdivision 3, 5, or 6, the commissioner shall:

(1) investigate the reported taking;

(2) collect written and photographic documentation of the circumstances and site of the taking, including but not limited to documentation of animal husbandry practices;

(3) confiscate the remains of the gray wolf killed; and

(4) dispose of any salvageable gray wolf pelt confiscated under this subdivision by sale or donation for educational purposes.

(b) The commissioner shall produce monthly reports of activities under this subdivision.

(c) In response to a verified gray wolf taking under subdivision 5, the commissioner must notify the county extension agent. The county extension agent must recommend what, if any, cost-conscious livestock best management practices and nonlethal wolf depredation controls are needed to prevent future wolf depredation. Any best management practices recommended by the county extension agent must be consistent with the best management practices developed by the commissioner of agriculture under section 3.737, subdivision 5.

Subd. 8. [NO OPEN SEASON; FIVE YEAR MINIMUM DELAY.] The commissioner may not prescribe an open season for gray wolves until five years after the gray wolf is delisted in this state under the federal Endangered Species Act of 1973. After the gray wolf is delisted, the commissioner may solicit and consider public comment regarding an open season and may prescribe an open season and restrictions for taking gray wolves if the commissioner determines that the open season and restrictions are biologically feasible.

Subd. 9. [RELEASE OF WOLF-DOG HYBRIDS AND CAPTIVE GRAY WOLVES.] A person may not release wolf-dog hybrids or captive gray wolves without a permit from the commissioner.

Subd. 10. [FEDERAL LAW.] Notwithstanding the provisions of this section, a person may not take, harass, buy, sell, possess, transport, or ship gray wolves in violation of federal law.

Subd. 11. [DEFINITIONS.] (a) For purposes of this section, the terms used have the meanings given.

(b) "Guard animal" means a donkey, llama, dog, or other domestic animal specifically bred, trained, and used to protect livestock from gray wolf depredation.

(c) "Immediate threat" means observing a gray wolf in the act of pursuing, attacking, or killing livestock, a guard animal, or a domestic pet under the supervised control of the owner. If a gray wolf is not observed pursuing or attacking, the mere presence of the gray wolf feeding on an already dead animal whose death was not caused by gray wolves is not an immediate threat.

Sec. 20. [97B.646] [GRAY WOLF MANAGEMENT.]

Subdivision 1. [MANAGEMENT PLAN.] The commissioner, in consultation with the commissioner of agriculture, shall adopt a gray wolf management plan that includes goals to ensure the long-term survival of the gray wolf in Minnesota and to reduce conflicts between gray wolves and humans and to minimize depredation of livestock and domestic pets. The commissioner must also develop methods to ensure that predator control areas under section 97B.671 are closed immediately after the wolf that caused the depredation has been removed or destroyed.

Subd. 2. [CRITICAL HABITAT PROTECTION.] The commissioner shall identify critical gray wolf habitat on state-owned lands, such as den and rendezvous sites and migration corridors. The commissioner may manage land identified under this subdivision for the benefit of gray wolves and their prey. The commissioner shall also work with private, tribal, and corporate landowners on a voluntary basis to accomplish this goal on lands not owned by the state.

Sec. 21. [97B.647] [GRAY WOLF NONLETHAL CONTROL MEASURES ACCOUNT.]

The gray wolf nonlethal control measures account is established in the natural resources fund. Money in the account consists of private contributions and appropriations to the account and the interest earnings on the balance in the account. Money in the account may be appropriated only to match money spent for research, development, and implementation of nonlethal control measures and best management practices to minimize the incidence of gray wolf depredation on domestic animals.

Sec. 22. Minnesota Statutes 1998, section 97B.671, subdivision 3, is amended to read:

Subd. 3. [PREDATOR CONTROL PAYMENTS.] The commissioner shall pay a predator controller the amount the commissioner prescribes for each predator taken. The commissioner shall pay at least $25 but not more than $60 for each ~~wolf or~~ coyote taken. The commissioner may require the predator controller to submit proof of the taking and a signed statement concerning the predators taken.

Sec. 23. Minnesota Statutes 1998, section 97B.671, is amended by adding a subdivision to read:

Subd. 4. [GRAY WOLF CONTROL.] (a) The commissioner shall provide a gray wolf control training program for certified predator controllers participating in gray wolf control.

(b) After the gray wolf is delisted under the Federal Endangered Species Act of 1973, if the commissioner, after considering recommendations from an extension agent or conservation officer, has verified that livestock, domestic animals, or pets were destroyed by a gray wolf within the previous year, and if the livestock, domestic animal, or pet owner requests gray wolf control, the commissioner shall open a predator control area for gray wolves for up to 90 days. The area may not be opened again unless the commissioner verifies that additional livestock, domestic animals, or pets have been destroyed by a gray wolf. Conservation officers and extension agents making recommendations under this subdivision must be trained under section 3.737, subdivision 1.

(c) A predator control area opened for gray wolves may not exceed a one-mile radius surrounding the damage site.

(d) The commissioner shall pay a certified gray wolf predator controller $150 for each wolf taken. The certified gray wolf predator controller must dispose of unsalvageable remains as directed by the commissioner. All salvageable gray wolf remains must be surrendered to the commissioner.

(e) The commissioner may, in consultation with the commissioner of agriculture, develop a cooperative agreement for gray wolf control activities with the United States Department of Agriculture. The cooperative agreement activities may include, but not be limited to, gray wolf control, training for state predator controllers, and control monitoring and recordkeeping.

Sec. 24. [PUBLIC EDUCATION ABOUT WOLVES.]

The commissioner of natural resources shall make available public education materials regarding wolves and how humans can avoid conflicts with wolves.

Sec. 25. [REPORT TO THE LEGISLATURE.]

The commissioner of natural resources must submit a report to the chairs of the senate and house environment and natural resources policy and funding committees by January 3, 2001. The report must provide recommendations on appropriations needed to accomplish the gray wolf management plan.

Sec. 26. [RULES FOR PUBLIC USE OF RECREATIONAL AREAS.]

(a) The commissioner of natural resources shall amend the permanent rules relating to public use of recreational areas, Minnesota Rules, parts 6100.0100 to 6100.2400, according to this section and pursuant to Minnesota Statutes, section 14.388.

(b) Minnesota Rules, part 6100.1950, subpart 1, item B, shall be amended to read: "Motor vehicles may operate on forest lands classified as limited only on forest roads that are not posted and designated closed and on forest trails or areas that are posted and designated to allow motor vehicle use, subject to the limitations and exceptions in this part."

(c) Minnesota Rules, part 6100.1950, subpart 7, shall be amended by adding an item D to read: "On forest lands classified as limited, persons lawfully engaged in hunting big game during November and December may use ATV's off forest trails in a manner consistent with this subpart. This exception does not apply in the Richard J. Dorer Memorial Hardwood Forest." A technical correction may be made to item C to correct the reference to this part.

(d) Minnesota Rules, part 6100.1950, subpart 7, shall be amended by adding an item E to read: "No person shall cut vegetation or move soil for the purpose of constructing an unauthorized, permanent trail on forest lands."

Sec. 27. [REVISORS INSTRUCTION.]

The revisor of statutes shall change the phrase "timber wolf" wherever it appears in Minnesota Statutes and Minnesota Rules to "gray wolf."

Sec. 28. [REPEALER.]

Sections 1, 4, 15, 16, 17, 18, and 22 of H.F. No. 3046 of the 2000 regular session, if enacted, are repealed."

Amend the title accordingly

Senator Stumpf questioned whether the amendment was germane.

The President ruled that the amendment was not germane.

H.F. No. 3213 was read the third time, as amended, and placed on its final passage.

The question was taken on the passage of the bill, as amended.

The roll was called, and there were yeas 62 and nays 2, as follows:

Those who voted in the affirmative were:

Anderson	Higgins	Knutson	Olson	Scheevel
Belanger	Hottinger	Krentz	Pappas	Scheid
Berg	Janezich	Larson	Pariseau	Solon
Berglin	Johnson, D.E.	Lesewski	Piper	Spear
Betzold	Johnson, D.H.	Lessard	Pogemiller	Stumpf
Cohen	Johnson, D.J.	Limmer	Price	Terwilliger
Day	Junge	Lourey	Ranum	Vickerman
Dille	Kelley, S.P.	Marty	Ring	Wiener
Fischbach	Kelly, R.C.	Metzen	Robertson	Wiger
Flynn	Kierlin	Moe, R.D.	Robling	Ziegler
Foley	Kinkel	Murphy	Runbeck	
Frederickson	Kiscaden	Neuville	Sams	
Hanson	Kleis	Oliver	Samuelson	

Those who voted in the negative were:

Laidig	Ourada

So the bill, as amended, was passed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

S.F. No. 2575 and the Conference Committee Report thereon were reported to the Senate.

SUSPENSION OF RULES

Senator Stumpf moved that Joint Rule 2.06 be suspended as it relates to the Conference Committee report on S.F. No. 2575. The motion prevailed.

CONFERENCE COMMITTEE REPORT ON S.F. NO. 2575

A bill for an act relating to economic development; regulating eligibility of farmers for the dislocated worker program; amending Minnesota Statutes 1999 Supplement, section 268.975, subdivision 3.

May 8, 2000

The Honorable Allan H. Spear
President of the Senate

The Honorable Steve Sviggum
Speaker of the House of Representatives

We, the undersigned conferees for S.F. No. 2575, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendment and that S.F. No. 2575 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1999 Supplement, section 268.975, subdivision 3, is amended to read:

Subd. 3. [DISLOCATED WORKER.] "Dislocated worker" means an individual who is a resident of Minnesota at the time employment ceased or was working in the state at the time employment ceased and:

(1) has been terminated or who has received a notice of termination from public or private sector employment, is eligible for or has exhausted entitlement to reemployment compensation, and is unlikely to return to the previous industry or occupation;

(2) has been terminated or has received a notice of termination of employment as a result of any plant closing or any substantial layoff at a plant, facility, or enterprise;

(3) has been long-term unemployed and has limited opportunities for employment or reemployment in the same or a similar occupation in the area in which the individual resides, including older individuals who may have substantial barriers to employment by reason of age; ~~or~~

(4) has been self-employed, including farmers and ranchers, and is unemployed as a result of general economic conditions in the community in which the individual resides or because of natural disasters, subject to rules to be adopted by the commissioner; or

(5) has been self-employed as a farmer or rancher and, even though that employment has not ceased, has experienced a significant reduction in income due to inadequate crop or livestock prices, crop failures, or significant loss in crop yields due to pests, disease, adverse weather, or other natural phenomenon. This clause expires July 31, 2003.

Sec. 2. [TEMPORARY PRIORITY FOR CERTAIN FARMERS OR RANCHERS.]

In fiscal year 2001, the commissioner of economic security shall give priority for grants under Minnesota Statutes, section 268.9783, to proposals that provide retraining to dislocated workers eligible under Minnesota Statutes, section 268.975, subdivision 3, clause (5). The commissioner retains any existing authority to exercise discretion about making any grant and this section does not require the commissioner to make any specific grant. The match requirement of Minnesota Statutes, section 268.9783, subdivision 6, clause (1), does not apply to grants given preference under this section."

We request adoption of this report and repassage of the bill.

Senate Conferees: (Signed) LeRoy A. Stumpf, Jerry R. Janezich, Arlene J. Lesewski

House Conferees: (Signed) Jim Tunheim, Dan McElroy, Bob Gunther

Senator Stumpf moved that the foregoing recommendations and Conference Committee Report on S.F. No. 2575 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

S.F. No. 2575 was read the third time, as amended by the Conference Committee, and placed on its repassage.

The question was taken on the repassage of the bill, as amended by the Conference Committee.

The roll was called, and there were yeas 63 and nays 1, as follows:

Those who voted in the affirmative were:

Anderson	Higgins	Knutson	Novak	Samuelson
Belanger	Hottinger	Krentz	Oliver	Scheevel
Berg	Janezich	Langseth	Olson	Scheid
Berglin	Johnson, D.E.	Larson	Ourada	Solon
Betzold	Johnson, D.H.	Lesewski	Pappas	Spear
Cohen	Johnson, D.J.	Lessard	Piper	Stumpf
Day	Junge	Limmer	Pogemiller	Terwilliger
Dille	Kelley, S.P.	Lourey	Price	Vickerman
Fischbach	Kelly, R.C.	Marty	Ranum	Wiener
Flynn	Kierlin	Metzen	Ring	Wiger
Foley	Kinkel	Moe, R.D.	Robertson	Ziegler
Frederickson	Kiscaden	Murphy	Robling	
Hanson	Kleis	Neuville	Sams	

Those who voted in the negative were:

Runbeck

So the bill, as amended by the Conference Committee, was repassed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

S.F. No. 2854 and the Conference Committee Report thereon were reported to the Senate.

SUSPENSION OF RULES

Senator Kelly, R.C. moved that Joint Rule 2.06 be suspended as relates to the Conference Committee Report on S.F. No. 2854. The motion prevailed.

CONFERENCE COMMITTEE REPORT ON S.F. NO. 2854

A bill for an act relating to civil commitment; requiring the commissioner of corrections before releasing persons convicted of criminal sexual conduct or sentenced as patterned offenders to send his determination whether a petition under the sexual psychopath law is necessary to certain county attorneys; allowing county attorneys or their designee to have access to certain information for purposes of determining whether good cause exists to file a commitment proceeding; amending Minnesota Statutes 1998, sections 244.05, subdivision 7; and 253B.185, by adding a subdivision.

May 8, 2000

The Honorable Allan H. Spear
President of the Senate

The Honorable Steve Sviggum
Speaker of the House of Representatives

We, the undersigned conferees for S.F. No. 2854, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendment and that S.F. No. 2854 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1998, section 253B.185, is amended by adding a subdivision to read:

Subd. 1b. [COUNTY ATTORNEY ACCESS TO DATA.] Notwithstanding sections 144.335;

245.467, subdivision 6; 245.4876, subdivision 7; 260B.171; 260B.235, subdivision 8; 260C.171; and 609.749, subdivision 6, or any provision of chapter 13 or other state law, prior to filing a petition for commitment as a sexual psychopathic personality or as a sexually dangerous person, and upon notice to the proposed patient, the county attorney or the county attorney's designee may move the court for an order granting access to any records or data, to the extent it relates to the proposed patient, for the purpose of determining whether good cause exists to file a petition and, if a petition is filed, to support the allegations set forth in the petition.

The court may grant the motion if: (1) the department of corrections refers the case for commitment as a sexual psychopathic personality or a sexually dangerous person; or (2) upon a showing that the requested category of data or records may be relevant to the determination by the county attorney or designee. The court shall decide a motion under this subdivision within 48 hours after a hearing on the motion. Notice to the proposed patient need not be given upon a showing that such notice may result in harm or harassment of interested persons or potential witnesses.

Data collected pursuant to this subdivision shall retain their original status and, if not public, are inadmissible in any court proceeding unrelated to civil commitment, unless otherwise permitted."

Delete the title and insert:

"A bill for an act relating to civil commitment; allowing a county attorney or designee prior to filing a petition for commitment as a sexual psychopathic personality or sexually dangerous person to have access to patient records for determining whether good cause exists to file a petition; requiring the court to decide a motion for access to patient records within 48 hours after hearing on motion; amending Minnesota Statutes 1998, section 253B.185, by adding a subdivision."

We request adoption of this report and repassage of the bill.

Senate Conferees: (Signed) Randy C. Kelly, Don Betzold, Thomas M. Neuville

House Conferees: (Signed) Wes Skoglund, Dave Bishop, Steve Smith

Senator Kelly, R.C. moved that the foregoing recommendations and Conference Committee Report on S.F. No. 2854 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

S.F. No. 2854 was read the third time, as amended by the Conference Committee, and placed on its repassage.

The question was taken on the repassage of the bill, as amended by the Conference Committee.

The roll was called, and there were yeas 64 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Higgins	Knutson	Novak	Sams
Belanger	Hottinger	Krentz	Oliver	Samuelson
Berg	Janezich	Langseth	Olson	Scheevel
Berglin	Johnson, D.E.	Larson	Ourada	Scheid
Betzold	Johnson, D.H.	Lesewski	Pappas	Solon
Cohen	Johnson, D.J.	Lessard	Pariseau	Spear
Day	Junge	Limmer	Piper	Stumpf
Dille	Kelley, S.P.	Lourey	Price	Terwilliger
Fischbach	Kelly, R.C.	Marty	Ranum	Vickerman
Flynn	Kierlin	Metzen	Ring	Wiener
Foley	Kinkel	Moe, R.D.	Robertson	Wiger
Frederickson	Kiscaden	Murphy	Robling	Ziegler
Hanson	Kleis	Neuville	Runbeck	

So the bill, as amended by the Conference Committee, was repassed and its title was agreed to.

APPOINTMENTS

Senator Moe, R.D. from the Subcommittee on Committees recommends that the following Senators be and they hereby are appointed as a Conference Committee on:

H.F. No. 849: Senators Novak, Wiener and Johnson, D.H.

Senator Moe, R.D. moved that the foregoing appointments be approved. The motion prevailed.

MOTIONS AND RESOLUTIONS - CONTINUED

S.F. No. 2893 and the Conference Committee Report thereon were reported to the Senate.

SUSPENSION OF RULES

Senator Hottinger moved that Joint Rule 2.06 be suspended as it relates to the Conference Committee report on S.F. No. 2893. The motion prevailed.

CONFERENCE COMMITTEE REPORT ON S.F. NO. 2893

A bill for an act relating to business subsidies; providing clarification to the obligation of government agencies and businesses related to certain business subsidies; amending Minnesota Statutes 1999 Supplement, sections 116J.993, subdivision 3; 116J.994, subdivisions 1, 2, 3, 4, 5, 6, 7, 8, 9, and by adding a subdivision; and 116J.995.

May 9, 2000

The Honorable Allan H. Spear
President of the Senate

The Honorable Steve Sviggum
Speaker of the House of Representatives

We, the undersigned conferees for S.F. No. 2893, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S.F. No. 2893 be further amended as follows:

Page 2, line 25, reinstate the stricken language and delete "issued" and insert ", bonds issued to refund outstanding bonds, and bonds issued for the benefit of an organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1999"

Page 2, delete lines 26 and 27

Page 2, line 28, delete "authority"

Page 3, line 30, after the period, insert "The wage floor may be stated as a specific dollar amount or may be stated as a formula that will generate a specific dollar amount."

Page 11, line 33, delete "June" and insert "May"

Page 11, line 35, delete "June 1, 2001" and insert "May 1, 2003"

We request adoption of this report and repassage of the bill.

Senate Conferees: (Signed) John C. Hottinger, Dave Johnson, Jerry R. Janezich

House Conferees: (Signed) Dan McElroy, Julie Storm, Bob Gunther

Senator Hottinger moved that the foregoing recommendations and Conference Committee Report on S.F. No. 2893 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

S.F. No. 2893 was read the third time, as amended by the Conference Committee, and placed on its repassage.

The question was taken on the repassage of the bill, as amended by the Conference Committee.

The roll was called, and there were yeas 66 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Hottinger	Laidig	Olson	Scheevel
Belanger	Janezich	Langseth	Ourada	Scheid
Berg	Johnson, D.E.	Larson	Pappas	Solon
Berglin	Johnson, D.H.	Lesewski	Pariseau	Spear
Betzold	Johnson, D.J.	Lessard	Piper	Stumpf
Cohen	Junge	Limmer	Pogemiller	Terwilliger
Day	Kelley, S.P.	Lourey	Price	Vickerman
Dille	Kelly, R.C.	Marty	Ranum	Wiener
Fischbach	Kierlin	Metzen	Ring	Wiger
Flynn	Kinkel	Moe, R.D.	Robertson	Ziegler
Foley	Kiscaden	Murphy	Robling	
Frederickson	Kleis	Neuville	Runbeck	
Hanson	Knutson	Novak	Sams	
Higgins	Krentz	Oliver	Samuelson	

So the bill, as amended by the Conference Committee, was repassed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

S.F. No. 2677 and the Conference Committee Report thereon were reported to the Senate.

SUSPENSION OF RULES

Senator Johnson, D.H. moved that Joint Rule 2.06 be suspended as it relates to the Conference Committee report on S.F. No. 2677. The motion prevailed.

CONFERENCE COMMITTEE REPORT ON S.F. NO. 2677

A bill for an act relating to crime prevention; recodifying the driving while impaired crimes and related provisions; making numerous clarifying, technical, and substantive changes in the pursuit of simplification; amending Minnesota Statutes 1998, section 629.471; Minnesota Statutes 1999 Supplement, sections 260B.171, subdivision 7; 260B.225, subdivision 4; and 609.035, subdivision 2; proposing coding for new law as Minnesota Statutes, chapter 169A; repealing Minnesota Statutes 1998, sections 168.042; 169.01, subdivisions 61, 68, 82, 83, 86, 87, 88, and 89; 169.121, subdivisions 1, 1a, 1b, 1d, 2, 3b, 3c, 5, 5a, 5b, 6, 7, 8, 9, 10, 10a, 11, and 12; 169.1211; 169.1215; 169.1216; 169.1217, subdivisions 2, 3, 4, 5, 6, and 8; 169.1218; 169.1219; 169.122, subdivisions 1, 2, 3, and 4; 169.123, subdivisions 2, 2a, 2b, 2c, 3, 4, 5, 5a, 5b, 6, 7, 8, and 10; 169.124; 169.125; 169.126; 169.1261; 169.1265; 169.128; and 169.129, subdivision 3; Minnesota Statutes 1999 Supplement, sections 169.121, subdivisions 1c, 3, 3d, 3f, and 4; 169.1217, subdivisions 1, 7, 7a, and 9; 169.122, subdivision 5; 169.123, subdivisions 1 and 5c; and 169.129, subdivision 1.

May 9, 2000

The Honorable Allan H. Spear
President of the Senate

The Honorable Steve Sviggum
Speaker of the House of Representatives

We, the undersigned conferees for S.F. No. 2677, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S.F. No. 2677 be further amended as follows:

Page 2, line 35, delete "15" and insert "ten"

Page 8, line 5, delete "15" and insert "ten"

Page 9, line 36, delete "15" and insert "ten"

Page 11, lines 6 and 24, delete "15" and insert "ten"

Page 12, lines 5 and 31, delete "15" and insert "ten"

Page 13, line 2, delete "15" and insert "ten"

Page 14, line 9, delete "15" and insert "ten"

Page 15, line 6, delete "15" and insert "ten"

Page 18, line 4, delete "15" and insert "ten"

Page 24, line 32, delete "15" and insert "ten"

Page 25, line 24, delete "15" and insert "ten"

Page 33, line 22, delete "15" and insert "ten"

Page 39, lines 14, 26, and 31, delete "15" and insert "ten"

Page 43, line 35, delete "15" and insert "ten"

Page 44, line 3, delete "15" and insert "ten"

Page 51, line 25, delete "15" and insert "ten"

Page 64, after line 28, insert:

"Section 1. Minnesota Statutes 1998, section 171.305, as amended by Laws 1999, chapter 238, article 2, section 91, is amended to read:

171.305 [IGNITION INTERLOCK DEVICE; PILOT PROGRAM; LICENSE CONDITION.]

Subdivision 1. [DEFINITION.] "Ignition interlock device" or "device" means breath alcohol ignition equipment designed to prevent a motor vehicle's ignition from being started by a person whose alcohol concentration exceeds the calibrated setting on the device.

Subd. 2. [PILOT PROGRAM.] The commissioner of public safety shall establish a ~~statewide~~ pilot program for the use of an ignition interlock device by a person whose driver's license or driving privilege has been canceled and denied by the commissioner for an alcohol or controlled substance-related incident. The commissioner shall conduct the program from October 1, 2000, until ~~December 31, 1995~~ December 31, 2001. The commissioner shall evaluate the program and shall report to the legislature by February 1, ~~1995~~ 2002, on whether changes in the program are necessary and whether the program should be permanent. No limited license shall be issued under this program after ~~August 1, 1995~~ October 1, 2001. For purposes of a pilot program established by this subdivision, the department is exempt from rulemaking requirements found in Minnesota Statutes, chapter 14.

Subd. 3. [PERFORMANCE STANDARDS.] The commissioner shall specify performance standards for ignition interlock devices, including standards relating to accuracy, safe operation of the vehicle, and degree of difficulty rendering the device inoperative. The interlock ignition device

must be designed to operate from a 12-volt DC vehicle battery and be capable of locking a motor vehicle's ignition when a minimum alcohol concentration of 0.020 grams of ethyl alcohol per 210 liters of breath is introduced into the device. The device must also require a breath sample to determine alcohol concentration at variable time intervals ranging from five to 30 minutes while the engine is running. The device must also be capable of recording information for later review that includes the date and time of any use of the vehicle or any attempt to use the vehicle, including all times that the vehicle engine was started or stopped and the alcohol concentration of each breath sample provided.

Subd. 4. [CERTIFICATION.] The commissioner shall certify ignition interlock devices that meet the performance standards and may charge the manufacturer of the ignition interlock device a certification fee. A manufacturer who submits a device for certification must provide an application for certification on a form prescribed by the department.

Subd. 5. [ISSUANCE OF LIMITED LICENSE.] The commissioner may issue a limited license to a person whose driver's license has been canceled and denied due to an alcohol or controlled substance-related incident under section 171.04, subdivision 1, clause (10), under the following conditions:

(1) at least one-half of the person's required abstinence period has expired;

(2) the person has successfully completed ~~all rehabilitation requirements~~ chemical dependency treatment and is currently participating in a generally recognized support group based on ongoing abstinence; and

(3) the person agrees to drive only a motor vehicle equipped with a functioning and certified ignition interlock device.

Subd. 6. [MONITORING.] The ignition interlock device must be monitored for proper use and accuracy by an entity approved by the commissioner.

Subd. 7. [PAYMENT.] The commissioner shall require that the person issued a limited license under subdivision 5 pay all costs associated with use of the device.

Subd. 8. [PROOF OF INSTALLATION.] A person approved for a limited license must provide proof of installation prior to issuance of the limited license.

Subd. 9. [MISDEMEANOR.] (a) A person who knowingly lends, rents, or leases a motor vehicle that is not equipped with a functioning ignition interlock device to a person with a limited license issued under subdivision 5 is guilty of a misdemeanor.

(b) A person who tampers with, circumvents, or bypasses the ignition interlock device, or assists another to tamper with, circumvent, or bypass the device, is guilty of a misdemeanor.

(c) The penalties of this subdivision do not apply if the action was taken for emergency purposes or for mechanical repair, and the person limited to the use of an ignition interlock device does not operate the motor vehicle while the device is disengaged.

Subd. 10. [CANCELLATION OF LIMITED LICENSE.] The commissioner shall cancel a limited license issued under this section if the device registers a positive reading for use of alcohol or the person violates any conditions of the limited license."

Page 66, line 26, delete "15" and insert "ten"

Page 67, line 9, delete "15" and insert "ten"

Page 67, line 32, delete "15" and reinstate "~~ten~~"

Page 68, after line 5, insert:

"Sec. 6. [WORKING GROUP ON DWI FELONY.]

Subdivision 1. [MEMBERSHIP.] (a) A driving while impaired working group is created consisting of the following individuals or their designees:

(1) two members of the senate, one from the majority caucus and one from the minority caucus, chosen by the subcommittee on committees of the senate committee on rules and administration;

(2) two members of the house of representatives, one from the majority caucus and one from the minority caucus, chosen by the speaker of the house;

(3) the commissioner of corrections;

(4) the commissioner of public safety;

(5) the commissioner of finance;

(6) the attorney general;

(7) the chief justice of the Minnesota supreme court;

(8) the executive director of the sentencing guidelines commission;

(9) two county attorneys, one from a metropolitan county and one from a nonmetropolitan county, chosen by the Minnesota county attorney's association;

(10) one city attorney, chosen by the league of Minnesota cities;

(11) two public defenders, one from a metropolitan county and one from a nonmetropolitan county, chosen by the state public defender;

(12) one sheriff, chosen by the Minnesota sheriff's association;

(13) two county commissioners, one from a metropolitan county and one from a nonmetropolitan county, chosen by the association of Minnesota counties;

(14) one head of a community corrections agency, chosen by the chairs of the senate crime prevention and judiciary budget division and the house judiciary finance committee;

(15) one probation officer, chosen by the Minnesota association of community corrections act counties; and

(16) one representative of a chemical dependency treatment program, chosen by the commissioner of human services.

(b) The working group may choose a chair from among its members.

Subd. 2. [STUDY AND RECOMMENDATIONS REQUIRED.] (a) The working group shall study and make recommendations on the implementation of a felony-level impaired driving penalty, including but not limited to:

(1) the number of prior offenses within a ten-year time period that should occur before a felony-level impaired driving penalty is appropriate;

(2) the most cost-effective manner for dealing with treatment, probation, and incarceration issues;

(3) the circumstances under which stayed sentences for felony-level impaired driving offenses are appropriate;

(4) the degree to which, if at all, felony-level impaired driving offenses should be part of the sentencing guidelines grid;

(5) the circumstances under which, if at all, mandatory prison sentences for felony-level impaired driving offenses are appropriate and, if so, recommended sentence lengths;

(6) appropriate incarceration, treatment, and supervision options for felony-level impaired driving offenders;

(7) the statutory maximum sentence appropriate for felony-level impaired driving offenses; and

(8) the impact on prisons, jails, and community corrections agencies of the recommended alternatives.

(b) The working group shall study how other states address repeat impaired driving offenders, including how the crimes and penalties are statutorily defined, how these offenders are incarcerated and supervised, how their chemical dependency treatment needs are addressed, and any research on the effectiveness of these measures.

Subd. 3. [REPORT.] By September 1, 2000, the working group shall forward its final report to the chairs and ranking minority members of the senate and house of representatives committees and divisions having jurisdiction over criminal justice policy and funding.

Subd. 4. [PLAN FOR PLACEMENT AND SUPERVISION OF FELONY DWI OFFENDERS.] (a) The commissioner of corrections, in consultation with the commissioner of human services, shall develop a correctional plan to respond to the recommendations submitted by the working group under subdivision 3. The plan shall address the following matters and shall outline the fiscal implications of each:

(1) the placement and management of felony-level impaired driving offenders who would be committed to the commissioner's custody, including an identification of the facilities in which these offenders would be confined, such as state prisons, other state-owned or state-operated residential facilities, and private facilities that currently are not part of the state correctional system;

(2) the specific measures the commissioner would undertake to respond to the chemical dependency treatment needs of offenders committed to the commissioner's custody, including how these measures would comply with the treatment standards used in other public or private treatment programs;

(3) the placement and management in local correctional facilities of felony-level impaired driving offenders whose sentences would be stayed, including an analysis of current jail resources, the need for expanded capacity, and the availability of private facilities; and

(4) the supervision of felony-level impaired driving offenders in the community, including the provision of private treatment and other services.

(b) By December 1, 2000, the commissioner shall forward the plan to the chairs and ranking minority members of the senate and house of representatives committees and divisions having jurisdiction over criminal justice policy and funding."

Page 72, line 23, before "Minnesota" insert "(a)"

Page 72, after line 34, insert:

"(b) Minnesota Rules, parts 7409.3700; 7409.3710; 7409.3720; 7409.3730; 7409.3740; 7409.3750; 7409.3760; and 7409.3770, are repealed."

Page 72, after line 35, insert:

"(a) Sections 1 and 8, paragraph (b), are effective July 1, 2000. Section 6 is effective the day following final enactment."

Page 72, line 36, delete "This act is" and insert:

"(b) The remaining provisions of this act are"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 5, after "changes" insert "and additions" and after the semicolon, insert "imposing criminal penalties;"

Page 1, line 6, delete "section" and insert "sections 171.305; and"

Page 1, line 24, before the period, insert "; Minnesota Rules, parts 7409.3700; 7409.3710; 7409.3720; 7409.3730; 7409.3740; 7409.3750; 7409.3760; and 7409.3770"

We request adoption of this report and repassage of the bill.

Senate Conferees: (Signed) Dave Johnson, David L. Knutson, Randy C. Kelly, Thomas M. Neuville, Steve Murphy

House Conferees: (Signed) Doug Fuller, Rich Stanek, Sherry Broecker, Dan Larson, Phil Carruthers

Senator Johnson, D.H. moved that the foregoing recommendations and Conference Committee Report on S.F. No. 2677 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

S.F. No. 2677 was read the third time, as amended by the Conference Committee, and placed on its repassage.

The question was taken on the repassage of the bill, as amended by the Conference Committee.

The roll was called, and there were yeas 64 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Janezich	Laidig	Oliver	Sams
Belanger	Johnson, D.E.	Langseth	Olson	Samuelson
Berg	Johnson, D.H.	Larson	Ourada	Scheevel
Berglin	Johnson, D.J.	Lesewski	Pappas	Scheid
Betzold	Junge	Lessard	Pariseau	Solon
Cohen	Kelley, S.P.	Limmer	Piper	Spear
Day	Kelly, R.C.	Lourey	Pogemiller	Stumpf
Fischbach	Kierlin	Marty	Price	Terwilliger
Flynn	Kinkel	Metzen	Ranum	Vickerman
Foley	Kiscaden	Moe, R.D.	Ring	Wiener
Frederickson	Kleis	Murphy	Robertson	Wiger
Higgins	Knutson	Neuville	Robling	Ziegler
Hottinger	Krentz	Novak	Runbeck	

So the bill, as amended by the Conference Committee, was repassed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Orders of Business of Messages From the House, Reports of Committees and Second Reading of Senate Bills.

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 2845, and repassed said bill in accordance with the report of the Committee, so adopted.

S.F. No. 2845: A bill for an act relating to crimes; increasing criminal penalties and driver license sanctions for underage persons who use any type of false identification to purchase or attempt to purchase alcoholic beverages or tobacco; authorizing peace officers to transport alleged truants from the child's home to school or to a truancy service center; authorizing retailers to seize false identification; amending Minnesota Statutes 1998, sections 171.171; 340A.702; and 609.685, subdivisions 1a, 2, and 3; Minnesota Statutes 1999 Supplement, sections 260B.235, subdivision 4; 260C.143, subdivision 4; and 340A.503, subdivision 6.

Senate File No. 2845 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 9, 2000

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 1288, and repassed said bill in accordance with the report of the Committee, so adopted.

S.F. No. 1288: A bill for an act relating to natural resources; exempting trappers from blaze orange requirements; providing that for certain turkey license applicants qualifying land may be noncontiguous; increasing hunting and fishing license fees; appropriating money; amending Minnesota Statutes 1998, sections 97A.435, subdivision 4; 97A.475, subdivisions 2, 3, 6, 7, 8, 11, 12, 13, and 20; 97A.485, subdivision 12; and 97B.071.

Senate File No. 1288 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 9, 2000

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on House File No. 2516, and repassed said bill in accordance with the report of the Committee, so adopted.

House File No. 2516 is herewith transmitted to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted May 9, 2000

SUSPENSION OF RULES

Senator Kelly, R.C. moved that Joint Rule 2.06 be suspended as it relates to the Conference Committee report on H.F. No. 2516. The motion prevailed.

CONFERENCE COMMITTEE REPORT ON H.F. NO. 2516

A bill for an act relating to crime; amending the definition of harassment; amending Minnesota Statutes 1998, section 609.748, subdivisions 1, 3, and 4.

May 9, 2000

The Honorable Steve Sviggum
Speaker of the House of Representatives

The Honorable Allan H. Spear
President of the Senate

We, the undersigned conferees for H.F. No. 2516, report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendments and that H.F. No. 2516 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1998, section 609.748, subdivision 1, is amended to read:

Subdivision 1. [DEFINITION.] For the purposes of this section, the following terms have the meanings given them in this subdivision.

(a) "Harassment" includes:

(1) a single incident of physical or sexual assault or repeated, incidents of intrusive, or unwanted acts, words, or gestures that have a substantial adverse effect or are intended to adversely affect have a substantial adverse effect on the safety, security, or privacy of another, regardless of the relationship between the actor and the intended target;

(2) targeted residential picketing; and

(3) a pattern of attending public events after being notified that the actor's presence at the event is harassing to another.

(b) "Respondent" includes any adults or juveniles alleged to have engaged in harassment or organizations alleged to have sponsored or promoted harassment.

(c) "Targeted residential picketing" includes the following acts when committed on more than one occasion:

(1) marching, standing, or patrolling by one or more persons directed solely at a particular residential building in a manner that adversely affects the safety, security, or privacy of an occupant of the building; or

(2) marching, standing, or patrolling by one or more persons which prevents an occupant of a residential building from gaining access to or exiting from the property on which the residential building is located.

Sec. 2. Minnesota Statutes 1998, section 609.748, subdivision 3, is amended to read:

Subd. 3. [CONTENTS OF PETITION; HEARING; NOTICE.] (a) A petition for relief must allege facts sufficient to show the following:

(1) the name of the alleged harassment victim;

(2) the name of the respondent; and

(3) that the respondent has engaged in harassment.

The petition shall be accompanied by an affidavit made under oath stating the specific facts and circumstances from which relief is sought. The court shall provide simplified forms and clerical assistance to help with the writing and filing of a petition under this section and shall advise the petitioner of the right to sue in forma pauperis under section 563.01. Upon receipt of the petition, the court shall order a hearing, which must be held not later than 14 days from the date of the order. Personal service must be made upon the respondent not less than five days before the hearing. If personal service cannot be completed in time to give the respondent the minimum notice required under this paragraph, the court may set a new hearing date. Nothing in this section shall be construed as requiring a hearing on a matter that has no merit.

(b) Notwithstanding paragraph (a), the order for a hearing and a temporary order issued under subdivision 4 may be served on the respondent by means of a one-week published notice under section 645.11, if:

(1) the petitioner files an affidavit with the court stating that an attempt at personal service made by a sheriff was unsuccessful because the respondent is avoiding service by concealment or otherwise; and

(2) a copy of the petition and order for hearing and any temporary restraining order has been mailed to the respondent at the respondent's residence or place of business, if the respondent is an organization, or the respondent's residence or place of business is not known to the petitioner.

(c) Regardless of the method of service, if the respondent is a juvenile, whenever possible, the court also shall have notice of the pendency of the case and of the time and place of the hearing served by mail at the last known address upon any parent or guardian of the juvenile respondent who is not the petitioner.

Sec. 3. Minnesota Statutes 1998, section 609.748, subdivision 4, is amended to read:

Subd. 4. [TEMPORARY RESTRAINING ORDER.] (a) The court may issue a temporary restraining order ordering the respondent to cease or avoid the harassment of another person or to have no contact with that person if the petitioner files a petition in compliance with subdivision 3 and if the court finds reasonable grounds to believe that the respondent has engaged in harassment. When a petition alleges harassment as defined by subdivision 1, paragraph (a), clause (1), the petition must further allege an immediate and present danger of harassment before the court may issue a temporary restraining order under this section.

(b) Notice need not be given to the respondent before the court issues a temporary restraining order under this subdivision. A copy of the restraining order must be served on the respondent along with the order for hearing and petition, as provided in subdivision 3. If the respondent is a juvenile, whenever possible, a copy of the restraining order, along with notice of the pendency of the case and the time and place of the hearing, shall also be served by mail at the last known address upon any parent or guardian of the juvenile respondent who is not the petitioner. A temporary restraining order may be entered only against the respondent named in the petition.

(c) The temporary restraining order is in effect until a hearing is held on the issuance of a restraining order under subdivision 5. The court shall hold the hearing on the issuance of a restraining order within 14 days after the temporary restraining order is issued unless (1) the time period is extended upon written consent of the parties; or (2) the time period is extended by the court for one additional 14-day period upon a showing that the respondent has not been served with a copy of the temporary restraining order despite the exercise of due diligence or if service is made by published notice under subdivision 3 and the petitioner files the affidavit required under that subdivision.

Sec. 4. [EFFECTIVE DATE.]

Sections 1 to 3 are effective July 1, 2000, and apply to petitions filed on or after that date."

Delete the title and insert:

"A bill for an act relating to crime; amending the definition of harassment; modifying petition requirements; amending Minnesota Statutes 1998, section 609.748, subdivisions 1, 3, and 4."

We request adoption of this report and repassage of the bill.

House Conferees: (Signed) Steve Smith, Tom Hackbarth, Phil Carruthers

Senate Conferees: (Signed) Randy C. Kelly, David L. Knutson, Allan H. Spear

Senator Kelly, R.C. moved that the foregoing recommendations and Conference Committee Report on H.F. No. 2516 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

H.F. No. 2516 was read the third time, as amended by the Conference Committee, and placed on its repassage.

The question was taken on the repassage of the bill, as amended by the Conference Committee.

The roll was called, and there were yeas 64 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Higgins	Krentz	Novak	Sams
Belanger	Hottinger	Laidig	Oliver	Samuelson
Berg	Janezich	Langseth	Olson	Scheevel
Berglin	Johnson, D.E.	Larson	Ourada	Scheid
Betzold	Johnson, D.J.	Lesewski	Pappas	Solon
Cohen	Junge	Lessard	Pariseau	Spear
Day	Kelley, S.P.	Limmer	Piper	Stumpf
Dille	Kelly, R.C.	Lourey	Price	Terwilliger
Fischbach	Kierlin	Marty	Ranum	Vickerman
Flynn	Kinkel	Metzen	Ring	Wiener
Foley	Kiscaden	Moe, R.D.	Robertson	Wiger
Frederickson	Kleis	Murphy	Robling	Ziegler
Hanson	Knutson	Neuville	Runbeck	

So the bill, as amended by the Conference Committee, was repassed and its title was agreed to.

MESSAGES FROM THE HOUSE - CONTINUED

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on House File No. 3312, and repassed said bill in accordance with the report of the Committee, so adopted.

House File No. 3312 is herewith transmitted to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted May 9, 2000

SUSPENSION OF RULES

Senator Sams moved that Joint Rule 2.06 be suspended as it relates to the Conference Committee report on H.F. No. 3312. The motion prevailed.

CONFERENCE COMMITTEE REPORT ON H.F. NO. 3312

A bill for an act relating to agriculture; changing the scope of the value-added agricultural product processing and marketing grant program; establishing a certification pilot program; changing meeting provisions and duties of the board of grain standards; changing certain fees; making technical changes to pesticide and fertilizer laws; clarifying the scope of certain regulation of wholesale produce dealers; updating certain food standards; simplifying certain language; providing for uniformity in meat and poultry inspection; changing certain reporting requirements; increasing the amount of livestock dealer bonds; clarifying status of certain grain buying transactions; changing certain grain storage provisions; changing the corporate and partnership farming law; amending Minnesota Statutes 1998, sections 17.101, subdivision 5; 17A.05, subdivision 2; 17B.07; 17B.12; 18C.005, subdivision 34, and by adding a subdivision; 18C.215, subdivisions 1, 2, and by adding a subdivision; 18C.411, subdivision 1; 18C.421, subdivision 1; 18D.201, subdivision 3; 27.01, subdivision 8; 27.19, subdivision 1; 31.101, as amended; 31.102, subdivision 1; 31.103, subdivision 1; 31.104; 31.632; 31.633, subdivision 1; 31.651; 31A.02, subdivisions 5, 6, 10, 13, and 14; 31A.03; 31A.05; 31A.06; 31A.07, subdivisions 1 and 2; 31A.08; 31A.10; 31A.13; 31A.16; 31A.17; 223.16, subdivision 5; 223.17, subdivision 5; 223.175; 232.21, by adding a subdivision; 232.23, subdivisions 1, 3, and 6; 500.24, subdivisions 3a, 3b, 4, and 5; and 500.245, subdivision 2; Minnesota Statutes 1999 Supplement, sections 17B.15, subdivision 1;

28A.075; 31A.01; 31A.15, subdivision 1; 31B.07, subdivision 3; 500.24, subdivisions 2 and 3; and 500.245, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 17.

May 9, 2000

The Honorable Steve Sviggum
Speaker of the House of Representatives

The Honorable Allan H. Spear
President of the Senate

We, the undersigned conferees for H.F. No. 3312, report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendments and that H.F. No. 3312 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1998, section 17.101, subdivision 5, is amended to read:

Subd. 5. [VALUE-ADDED AGRICULTURAL PRODUCT PROCESSING AND MARKETING GRANT PROGRAM.] (a) For purposes of this section:

(1) "agricultural commodity" means a material produced for use in or as food, feed, seed, or fiber and includes crops for fiber, food, oilseeds, seeds, livestock, livestock products, dairy, dairy products, poultry, poultry products, and other products or by-products of the farm produced for the same or similar use, except ethanol; and

(2) "agricultural product processing facility" means land, buildings, structures, fixtures, and improvements located or to be located in Minnesota and used or operated primarily for the processing or production of marketable products from agricultural commodities produced in Minnesota.

(b) The commissioner shall establish and implement a value-added agricultural product processing and marketing grant program to help farmers finance new cooperatives that organize for the purposes of operating agricultural product processing facilities and for marketing activities related to the sale and distribution of processed agricultural products.

(c) To be eligible for this program a grantee must:

(1) be a cooperative organized under chapter 308A;

(2) certify that all of the control and equity in the cooperative is from farmers as defined in section 500.24, subdivision 2, who are actively engaged in agricultural commodity production;

(3) be operated primarily for the processing of agricultural commodities produced in Minnesota;

(4) receive agricultural commodities produced primarily by shareholders or members of the cooperative; and

(5) have no direct or indirect involvement in the production of agricultural commodities.

(d) The commissioner may receive applications from and make grants up to $50,000 for feasibility, marketing analysis, assistance with organizational development, financing and managing new cooperatives, product development, development of business and marketing plans, and predesign of facilities including site analysis, development of bid specifications, preliminary blueprints and schematics, and completion of purchase agreements and other necessary legal documents to eligible cooperatives. The commissioner shall give priority to applicants who use the grants for planning costs related to an application for financial assistance from the United States Department of Agriculture, Rural Business - Cooperative Service.

Sec. 2. [17.1025] [MINNESOTA CERTIFICATION PROGRAM.]

In cooperation with the University of Minnesota, the department of trade and economic development, and the board of animal health, the commissioner shall establish a pilot program to certify agricultural production methods and agricultural products grown or processed within the state to assure the integrity of claims made by participating businesses. The commissioner may select and cooperate with private organizations that have established procedures and safeguards to justify claimed characteristics of the production process or the final certified product to conduct certification activities for third party producers.

The commissioner may establish guidelines for the certification program, which are not subject to chapter 14. The commissioner shall submit a report on the pilot program to the legislature by February 1, 2001.

Sec. 3. Minnesota Statutes 1998, section 17A.03, subdivision 5, is amended to read:

Subd. 5. [LIVESTOCK.] "Livestock" means cattle, sheep, swine, horses intended for slaughter, mules, farmed cervidae, as defined in section 17.451, subdivision 2, llamas, as defined in section 17.455, subdivision 2, ratitae, as defined in section 17.453, subdivision 3, bison (buffalo), and goats.

Sec. 4. Minnesota Statutes 1998, section 17A.05, subdivision 2, is amended to read:

Subd. 2. [LIVESTOCK DEALERS.] The amount of each livestock dealer bond filed with the commissioner shall be not less than ~~$5,000~~ $10,000 or such larger amount as required, based on the commissioner's consideration of the principal's financial statement, the volume of business reported, or any other factor the commissioner deems pertinent for the protection of the public. Each such bond shall contain the condition clause applicable when the principal buys on commission or as a dealer. A livestock dealer's bond shall be executed on a form furnished by the commissioner or in accordance with the Packers and Stockyards Act, 1921, as amended, (United States Code, title 7, section 181 et seq.).

When a bond is executed on a state form furnished by the commissioner, the bond shall be for the protection of both the buyer and the seller named in the transaction when the principal fails to pay when due for livestock purchased or sold for the principal's own account or the account of others and shall be limited to the protection of claimants whose residence or principal place of livestock business is in the state of Minnesota at the time of the transaction. If the bond is filed on a form in accordance with the Packers and Stockyards Act, the bond shall cover claimants regardless of place of residence.

Sec. 5. Minnesota Statutes 1998, section 17B.07, is amended to read:

17B.07 [OFFICIAL TITLE OF BOARD; MEETINGS.]

The official title of the board shall be "The Minnesota board of grain standards" and it shall have jurisdiction over all grain appeal cases brought before it.

The board shall meet ~~annually on or before June 15,~~ as needed and shall establish the grades of all grain subject to state inspection which shall be known as the "Minnesota grades," and all grain received at any public warehouse shall be graded accordingly. Such grades shall not be changed ~~before the next annual meeting~~ without the concurrence of at least two members of the board. At the time of establishing Minnesota grades, the board also shall adopt such rules, in accordance with the Administrative Procedure Act, as it deems necessary for the enforcement of this section and section 17B.06. In establishing the grades, in addition to the physical qualities of the grain, there shall be taken into consideration the milling and bread-producing quality of all grain products used as human food. The board shall determine the grade, and dockage, if any, of all grain in all cases where appeals from the decisions of the chief inspector have been taken and for such purpose they may request fresh samples of such grain to be furnished directly to the board. ~~Dockage shall be considered as being of two classes; first, that having value and second, that having no value. At the annual meeting the board shall ascertain and determine what dockage contained in grain is of value and publish a list thereof in connection with the publication of the~~

~~Minnesota grades. Any foreign content of the grain shall not be considered in establishing the grade. Whenever grain containing dockage of value is sold to any public local warehouse or mill, terminal warehouse, or to any flour mill located in St. Paul, Minneapolis, or Duluth, or any other point within the state, which is now or may hereafter be designated as a terminal point, such sale shall not be considered to include such dockage of value, but such dockage shall be paid for at its market value or shall be returned to the vendor of said grain at the option of the vendee.~~

Sec. 6. Minnesota Statutes 1998, section 17B.12, is amended to read:

17B.12 [APPEALS; PROCEDURE.]

Any owner, consignee, or shipper of grain, or any warehouse operator, who is dissatisfied with the inspection of grain may appeal to the board of grain standards by filing a notice of ~~such~~ appeal with the commissioner and paying a fee~~,~~ to be fixed by the commissioner~~, which shall be refunded if the appeal is sustained~~. The commissioner shall ~~forthwith~~ promptly transmit the notice to ~~said~~ the board of grain standards. The decision of ~~said~~ the board~~,~~ fixing the grade of ~~such~~ the grains ~~shall be~~ is final.

Sec. 7. Minnesota Statutes 1999 Supplement, section 17B.15, subdivision 1, is amended to read:

Subdivision 1. [ADMINISTRATION; APPROPRIATION.] The fees for inspection and weighing shall be fixed by the commissioner and be a lien upon the grain. The commissioner shall set fees for all inspection and weighing in an amount adequate to pay the expenses of carrying out and enforcing the purposes of sections 17B.01 to 17B.23, including the portion of general support costs and statewide indirect costs of the agency attributable to that function, with a reserve sufficient for up to six months. The commissioner shall review the fee schedule twice each year. Fee adjustments are not subject to chapter 14. Payment shall be required for services rendered. ~~If the grain is in transit, the fees shall be paid by the carrier and treated as advance charges, and, if received for storage, the fees shall be paid by the warehouse operator, and added to the storage charges.~~

All fees collected and all fines and penalties for violation of any provision of this chapter shall be deposited in the grain inspection and weighing account, which is created in the agricultural fund for carrying out the purpose of sections 17B.01 to 17B.23. The money in the account, including interest earned on the account, is annually appropriated to the commissioner of agriculture to administer the provisions of sections 17B.01 to 17B.23. When money from any other account is used to administer sections 17B.01 to 17B.23, the commissioner shall notify the chairs of the agriculture, environment and natural resources finance, and ways and means committees of the house of representatives; the agriculture and rural development and finance committees of the senate; and the finance division of the environment and natural resources committee of the senate.

Sec. 8. Minnesota Statutes 1998, section 18.023, subdivision 3a, is amended to read:

Subd. 3a. [GRANTS TO MUNICIPALITIES.] (a) The commissioner may, in the name of the state and within the limit of appropriations provided, make grants-in-aid to a municipality with an approved disease control program for the partial funding of municipal sanitation and reforestation programs to replace trees lost to disease or natural disaster. The commissioner may make grants-in-aid to any home rule charter or statutory city, or any special purpose park and recreation board organized under a charter of a city of the first class or any nonprofit corporation serving a city of the first class or any county having an approved disease control program for the acquisition or implementation of a wood utilization or disposal system.

(b) The commissioner shall promulgate rules for the administration of grants authorized by this subdivision. The rules shall establish and contain as a minimum:

(1) Procedures for grant applications;

(2) Conditions and procedures for the administration of grants;

(3) Criteria of eligibility for grants including, but not limited to, those specified in this subdivision; and

(4) Other matters the commissioner may find necessary to the proper administration of the grant program.

(c) Grants-in-aid payments for wood utilization and disposal systems made by the commissioner pursuant to this subdivision shall not exceed 50 percent of the total cost of the system. Grants for sanitation and reforestation shall be combined into one grant program. Grants to any municipality for sanitation shall not exceed 50 percent of sanitation costs approved by the commissioner including any amount of sanitation costs paid by special assessments, ad valorem taxes, federal grants or other funds. A municipality shall not specially assess a property owner any amount greater than the amount of the tree's sanitation cost minus the amount of the tree's sanitation cost reimbursed by the commissioner. Grants to municipalities for reforestation shall not exceed 50 percent of the cost, but not more than $50 per tree, of trees planted pursuant to the reforestation program; provided that a reforestation grant to any county may include 90 percent of the cost, but not more than $60 per tree, of the first 50 trees planted on public property in a town not described in subdivision 1 and of less than 1,000 population upon the town's application to the county. Reforestation grants to towns and home rule charter or statutory cities as described in subdivision 1 of less than 4,000 population with an approved disease control program may include 90 percent of the cost, but not more than $60 per tree, of the first 50 trees planted on public property with the approval of the 1979 application. The governing body of any municipality which receives a reforestation grant pursuant to this section shall appoint up to seven residents of the municipality or designate an existing municipal board or committee to serve as a reforestation advisory committee to advise the governing body of the municipality in the administration of the reforestation program. For the purpose of this subdivision, "cost" shall not include the value of a gift or dedication of trees required by a municipal ordinance but shall include documented "in kind" services or voluntary work for municipalities with a population of less than 1,000 according to the most recent federal census.

(d) Based upon estimates submitted by the municipality to the commissioner, which shall state the estimated costs of sanitation and reforestation in the succeeding quarter under an approved program, the commissioner shall direct quarterly advance payments to be made by the state to the municipality commencing April 1, 1979. The commissioner shall direct adjustment of any overestimate in a succeeding quarter. A municipality may elect to receive the proceeds of its sanitation and reforestation grants on a periodic cost reimbursement basis.

(e) A home rule charter or statutory city, or county outside the metropolitan area or any municipality, as defined in subdivision 1, may submit an application for a grant authorized by this subdivision concurrently with its request for approval of a disease control program.

Sec. 9. Minnesota Statutes 1998, section 18C.005, is amended by adding a subdivision to read:

Subd. 1a. [ANHYDROUS AMMONIA.] "Anhydrous ammonia" means a compound formed by the chemical combination of the elements nitrogen and hydrogen in the molar proportion of one part nitrogen to three parts hydrogen. This relationship is shown by the chemical formula, NH_3. On a weight basis, the ratio is 14 parts nitrogen to three parts hydrogen or approximately 82 percent nitrogen to 18 percent hydrogen. Anhydrous ammonia may exist in either a gaseous or a liquid state.

Sec. 10. Minnesota Statutes 1998, section 18C.005, is amended by adding a subdivision to read:

Subd. 7a. [CUSTOM BLEND FERTILIZER.] "Custom blend fertilizer" means a fertilizer blended according to the specifications that are furnished to a distributor by a consumer prior to blending.

Sec. 11. Minnesota Statutes 1998, section 18C.005, subdivision 34, is amended to read:

Subd. 34. [SPECIALTY FERTILIZER.] "Specialty fertilizer" means a fertilizer labeled and distributed for, but not limited to, the following uses: greenhouses, nurseries, home gardens, house

plants, lawn fertilizer ~~that is not custom applied~~, shrubs, golf courses, municipal parks, and cemeteries.

Sec. 12. Minnesota Statutes 1998, section 18C.005, is amended by adding a subdivision to read:

Subd. 35a. [TAMPER.] "Tamper" means action taken by a person not authorized to take that action by law or by the owner or authorized custodian of an anhydrous ammonia container or of equipment where anhydrous ammonia is used, stored, distributed, or transported.

Sec. 13. Minnesota Statutes 1998, section 18C.201, is amended by adding a subdivision to read:

Subd. 6. [ANHYDROUS AMMONIA.] (a) A person may not:

(1) place, have placed, or possess anhydrous ammonia in a container that is not designed, constructed, maintained, and authorized to contain or transport anhydrous ammonia;

(2) transport anhydrous ammonia in a container that is not designed, constructed, maintained, and authorized to transport anhydrous ammonia;

(3) use, deliver, receive, sell, or transport a container designed and constructed to contain anhydrous ammonia without the express consent of the owner or authorized custodian of the container; or

(4) tamper with any equipment or facility used to contain, store, or transport anhydrous ammonia.

(b) For the purposes of this subdivision, containers designed and constructed for the storage and transport of anhydrous ammonia are described in rules adopted under section 18C.121, subdivision 1, or in Code of Federal Regulations, title 49.

Sec. 14. Minnesota Statutes 1998, section 18C.201, is amended by adding a subdivision to read:

Subd. 7. [NO CAUSE OF ACTION.] (a) Except as provided in paragraph (b), a person tampering with anhydrous ammonia containers or equipment under subdivision 6 shall have no cause of action for damages arising out of the tampering against (1) the owner or lawful custodian of the container or equipment; (2) a person responsible for the installation or maintenance of the container or equipment; or (3) a person lawfully selling or offering for sale the anhydrous ammonia.

(b) Paragraph (a) does not apply to a cause of action against a person who unlawfully obtained the anhydrous ammonia or anhydrous ammonia container or who possesses the anhydrous ammonia or anhydrous ammonia container for any unlawful purpose.

Sec. 15. Minnesota Statutes 1998, section 18C.215, subdivision 1, is amended to read:

Subdivision 1. [PACKAGED FERTILIZERS.] (a) A person may not sell or distribute specialty fertilizer in bags or other containers in this state unless a label is placed on or affixed to the bag or container stating in a clear, legible, and conspicuous form the following information:

(1) the net weight;

(2) the brand and grade, except the grade is not required if primary nutrients are not claimed;

(3) the guaranteed analysis;

(4) the name and address of the guarantor;

(5) directions for use, except directions for use are not required for custom blend specialty fertilizers; and

(6) a derivatives statement.

(b) A person may not sell or distribute fertilizer for agricultural purposes in bags or other

containers in this state unless a label is placed on or affixed to the bag or container stating in a clear, legible, and conspicuous form the information listed in paragraph (a), clauses (1) to (4), except:

(1) the grade is not required if primary nutrients are not claimed; and

(2) the grade on the label is optional if the fertilizer is used only for agricultural purposes and the guaranteed analysis statement is shown in the complete form as in section 18C.211.

(c) The labeled information must appear:

(1) on the front or back side of the container;

(2) on the upper one-third of the side of the container;

(3) on the upper end of the container; or

(4) printed on a tag affixed to the upper end of the container.

(d) If a person sells a custom blend specialty fertilizer in bags or other containers, the information required in paragraph (a) must either be affixed to the bag or container as required in paragraph (c) or be furnished to the customer on an invoice or delivery ticket in written or printed form.

Sec. 16. Minnesota Statutes 1998, section 18C.215, subdivision 2, is amended to read:

Subd. 2. [BLENDED, MIXED, BULK, AND CUSTOM APPLIED FERTILIZER.] (a) A distributor who blends or mixes fertilizer or distributes fertilizer, for agricultural use, in bulk, must furnish each purchaser with an invoice or delivery ticket in written or printed form showing:

(1) the net weight and guaranteed analysis of each of the materials used in the mixture and the name and address of the guarantor; or

(2) the net weight and guaranteed analysis of the final mixture and the name and address of the guarantor.

(b) A person may not custom apply specialty fertilizer in this state unless a label, invoice, or delivery ticket is given to each purchaser stating in a clear, legible, and conspicuous form the following information:

(1) the net weight, which may be listed as the total net weight applied or the net weight applied per unit treated;

(2) the guaranteed analysis;

(3) the name and address of the guarantor;

(4) the number of units treated in square feet, acres, or another unit of measure; and

(5) a derivative statement.

(c) Copies of invoices or delivery tickets must be kept for five years after the sale, delivery, or application.

Sec. 17. Minnesota Statutes 1998, section 18C.215, is amended by adding a subdivision to read:

Subd. 2a. [INFORMATION TO CUSTOMER.] If a person sells a custom blend specialty fertilizer in bulk, the information required in subdivision 1, paragraph (a), must be furnished to the customer on an invoice or delivery ticket in written or printed form.

Sec. 18. Minnesota Statutes 1998, section 18C.411, subdivision 1, is amended to read:

Subdivision 1. [REGISTRATION REQUIRED.] (a) A person may not sell brands or grades of

specialty fertilizers, soil amendments, or plant amendments in this state unless they are registered with the commissioner.

(b) Registration of the materials is not a warranty by the commissioner or the state.

(c) Specialty fertilizers custom applied are exempt from the registration requirements of this section.

(d) Custom blend specialty fertilizers are exempt from the registration requirements of this section if the distributor is licensed as required by section 18C.415 and the fertilizer is labeled as required by section 18C.215.

Sec. 19. Minnesota Statutes 1998, section 18C.421, subdivision 1, is amended to read:

Subdivision 1. [SEMIANNUAL STATEMENT.] (a) Each licensed distributor of fertilizer and each registrant of a specialty fertilizer, soil amendment, or plant amendment must file a semiannual statement for the periods ending December 31 and June 30 with the commissioner on forms furnished by the commissioner stating the number of net tons and grade of each raw fertilizer material distributed or the number of net tons of each brand or grade of fertilizer, soil amendment, or plant amendment distributed in this state during the reporting period.

(b) Tonnage reports are not required to be filed with the commissioner from licensees who distributed fertilizer solely by custom application.

(c) A report from a licensee who sells to an ultimate consumer must be accompanied by records or invoice copies indicating the name of the distributor who paid the inspection fee, the net tons received, and the grade or brand name of the products received.

~~(c)~~ (d) The report is due on or before the last day of the month following the close of each reporting period of each calendar year.

~~(d)~~ (e) The inspection fee at the rate stated in section 18C.425, subdivision 6, must accompany the statement.

Sec. 20. Minnesota Statutes 1998, section 18D.201, subdivision 3, is amended to read:

Subd. 3. [INSPECTION REQUESTS BY OTHERS.] (a) A person who believes that a violation of this chapter has occurred may request an inspection by giving notice to the commissioner of the violation. The notice must be in writing, state with reasonable particularity the grounds for the notice, and be signed by the person making the request. If the pesticide application is alleged to have damaged a crop or vegetation, the request for inspection must be submitted within 45 days of the date of the pesticide application.

(b) If after receiving a notice of violation the commissioner reasonably believes that a violation has occurred, the commissioner shall make a special inspection in accordance with the provisions of this section as soon as practicable, to determine if a violation has occurred.

(c) An inspection conducted pursuant to a notice under this subdivision may cover an entire site and is not limited to the portion of the site specified in the notice. If the commissioner determines that reasonable grounds to believe that a violation occurred do not exist, the commissioner must notify the person making the request in writing of the determination.

Sec. 21. Minnesota Statutes 1998, section 18D.331, is amended by adding a subdivision to read:

Subd. 5. [ANHYDROUS AMMONIA CONTAINMENT, TAMPERING, THEFT, TRANSPORT.] A person who knowingly violates section 18C.201, subdivision 6, is guilty of a felony and may be sentenced to imprisonment for not more than five years, or to payment of a fine of not more than $50,000, or both.

Sec. 22. Minnesota Statutes 1998, section 18E.04, subdivision 4, is amended to read:

Subd. 4. [REIMBURSEMENT PAYMENTS.] (a) The board shall pay a person that is eligible for reimbursement or payment under subdivisions 1, 2, and 3 from the agricultural chemical response and reimbursement account for:

(1) 90 percent of the total reasonable and necessary corrective action costs greater than $1,000 and less than or equal to $100,000; ~~and~~

(2) 100 percent of the total reasonable and necessary corrective action costs greater than $100,000 but less than or equal to $200,000;

(3) 80 percent of the total reasonable and necessary corrective action costs greater than $200,000 but less than or equal to $300,000; and

(4) 60 percent of the total reasonable and necessary corrective action costs greater than $300,000 but less than or equal to $350,000.

(b) A reimbursement or payment may not be made until the board has determined that the costs are reasonable and are for a reimbursement of the costs that were actually incurred.

(c) The board may make periodic payments or reimbursements as corrective action costs are incurred upon receipt of invoices for the corrective action costs.

(d) Money in the agricultural chemical response and reimbursement account is appropriated to the commissioner to make payments and reimbursements directed by the board under this subdivision.

(e) The board may not make reimbursement greater than the maximum allowed under paragraph (a) for all incidents on a single site which:

(1) were not reported at the time of release but were discovered and reported after July 1, 1989; and

(2) may have occurred prior to July 1, 1989, as determined by the commissioner.

(f) The board may only reimburse an eligible person for separate incidents within a single site if the commissioner determines that each incident is completely separate and distinct in respect of location within the single site or time of occurrence.

Sec. 23. Minnesota Statutes 1998, section 21.86, subdivision 1, is amended to read:

Subdivision 1. [PROHIBITIONS.] A person may not advertise or sell any agricultural, vegetable, flower, or tree and shrub seed if:

(a) Except as provided in clauses (1) to (3), a test to determine the percentage of germination required by sections 21.82 and 21.83 has not been completed within a nine-month period, exclusive of the calendar month in which the test was completed.

(1) When advertised or offered for sale as agricultural seed, native grass and forb seeds must have been tested for percentage of germination as required by section 21.82 within a 14-month period, exclusive of the calendar month in which the test was completed.

(2) This prohibition does not apply to tree, shrub, agricultural, or vegetable seeds packaged in hermetically sealed containers. Seeds packaged in hermetically sealed containers under the conditions defined by rule may be offered for sale for a period of 36 months after the last day of the month that the seeds were tested for germination prior to packaging.

(3) If seeds in hermetically sealed containers are offered for sale more than 36 months after the last day of the month in which they were tested prior to packaging, they must be retested within a nine-month period, exclusive of the calendar month in which the retest was completed;

(b) It is not labeled in accordance with sections 21.82 and 21.83 or has false or misleading labeling;

(c) False or misleading advertisement has been used in respect to its sale;

(d) It contains prohibited noxious weed seeds;

(e) It consists of or contains restricted noxious weed seeds in excess of 25 seeds per pound or in excess of the number declared on the label attached to the container of the seed or associated with the seed;

(f) It contains more than one percent by weight of all weed seeds;

(g) It contains less than the stated net weight of contents;

(h) It contains less than the stated number of seeds in the container;

(i) It contains any labeling, advertising, or other representation subject to sections 21.82 and 21.83 representing the seed to be certified unless:

(1) it has been determined by a seed certifying agency that the seed conformed to standards of purity and identity as to kind, species, subspecies, or variety, and also that tree seed was found to be of the origin and elevation claimed, in compliance with the rules pertaining to the seed; and

(2) the seed bears an official label issued for it by a seed certifying agency stating that the seed is of a certified class and a specified kind, species, subspecies, or variety;

(j) It is labeled with a variety name but not certified by an official seed certifying agency when it is a variety for which a United States certificate of plant variety protection has been granted under United States Code, title 7, sections 2481 to 2486, specifying sale by variety name only as a class of certified seed. Seed from a certified lot may be labeled as to variety name when used in a blend or mixture by or with approval of the owner of the variety; or

(k) The person whose name appears on the label does not have complete records including a file sample of each lot of agricultural, vegetable, flower, tree or shrub seed sold in this state as required in section 21.84.

Sec. 24. Minnesota Statutes 1998, section 27.01, subdivision 8, is amended to read:

Subd. 8. [WHOLESALE PRODUCE DEALER.] (a) "Wholesale produce dealer" or "dealer at wholesale" means:

(1) a person who buys from or contracts ~~to buy~~ with a seller for production or sale of produce in wholesale lots for resale;

(2) a person engaging in the business of a broker or agent, who handles or deals in produce for a commission or fee;

(3) a truck owner or operator who buys produce in wholesale lots for resale; and

(4) a person engaged in the business of a cannery, food manufacturer, or food processor, who purchases produce in wholesale lots as a part of that business.

(b) For purposes of paragraph (a), "wholesale lots" means purchases from Minnesota sellers must total more than $12,000 annually.

(c) "Wholesale produce dealer" or "dealer at wholesale" does not include:

(1) a truck owner and operator who regularly engages in the business of transporting freight, including produce, for a transportation fee only, and who does not purchase, contract to purchase, or sell produce;

(2) a marketing cooperative association in which substantially all of the voting stock is held by patrons who patronize the association and in which at least 75 percent of the business of the association is transacted with member or stockholder patrons;

(3) a person who purchases Minnesota seasonally grown perishable fresh fruits and vegetables, and pays cash, including lawful money of the United States, a cashier's check, a certified check, or a bank draft;

(4) a person who handles and deals in only canned, packaged, or processed produce or packaged dairy products that are no longer perishable as determined by the commissioner by rule; or

(5) retail merchants who purchase produce, defined in subdivision 2, directly from farmers, which in the aggregate does not exceed $500 per month.

Sec. 25. Minnesota Statutes 1998, section 27.19, subdivision 1, is amended to read:

Subdivision 1. [PROHIBITED ACTS.] (a) A person subject to the provisions of this section and sections 27.01 to 27.14 may not:

(1) operate or advertise to operate as a dealer at wholesale without a license;

(2) make any false statement or report as to the grade, condition, markings, quality, or quantity of produce, as defined in section 27.069, received or delivered, or act in any manner to deceive a consignor or purchaser;

(3) refuse to accept a shipment contracted for by the person, unless the refusal is based upon the showing of a state inspection certificate secured with reasonable promptness after the receipt of the shipment showing that the kind and quality of produce, as defined in section 27.069, is other than that purchased or ordered by the person;

(4) fail to account or make a settlement for produce within the required time;

(5) violate or fail to comply with the terms or conditions of a contract entered into by the person for the purchase, production, or sale of produce;

(6) purchase for a person's own account any produce received on consignment, either directly or indirectly, without the consent of the consignor;

(7) issue a false or misleading market quotation, or cancel a quotation during the period advertised by the person;

(8) increase the sales charges on produce shipped to the person by means of "dummy" or fictitious sales;

(9) receive decorative forest products and the products of farms and waters from foreign states or countries for sale or resale, either within or outside of the state, and give the purchaser the impression, through any method of advertising or description, that the produce is of Minnesota origin;

(10) fail to notify in writing all suppliers of produce of the protection afforded to suppliers by the person's licensee bond, including: availability of a bond, notice requirements, and any other conditions of the bond;

(11) make a false statement to the commissioner on an application for license or bond or in response to written questions from the commissioner regarding the license or bond;

(12) commit to pay and not pay in full for all produce committed for. A processor may not pay an amount less than the full contract price if the crop produced is satisfactory for processing and is not harvested for reasons within the processor's control. If the processor sets the date for planting, then bunching, unusual yields, and a processor's inability or unwillingness to harvest must be considered to be within the processor's control. Under this clause growers must be compensated for passed acreage at the same rate for grade and yield as they would have received had the crop been harvested in a timely manner minus any contractual provision for green manure or feed value. Both parties are excused from payment or performance for crop conditions that are beyond the control of the parties; or

(13) discriminate between different sections, localities, communities, or cities, or between persons in the same community, by purchasing produce from farmers of the same grade, quality, and kind, at different prices, except that price differentials are allowed if directly related to the costs of transportation, shipping, and handling of the produce and a person is allowed to meet the prices of a competitor in good faith, in the same locality for the same grade, quality, and kind of produce. A showing of different prices by the commissioner is prima facie evidence of discrimination.

(b) A separate violation occurs with respect to each different person involved, each purchase or transaction involved, and each false statement.

Sec. 26. Minnesota Statutes 1999 Supplement, section 28A.075, is amended to read:

28A.075 [DELEGATION TO LOCAL BOARD OF HEALTH.]

(a) At the request of a local board of health that licensed and inspected grocery and convenience stores on January 1, 1999, the commissioner must enter into agreements before January 1, 2001, with local boards of health to delegate to the appropriate local board of health the licensing and inspection duties of the commissioner pertaining to retail food handlers that are grocery or convenience stores. At the request of a local board of health that licensed and inspected part of any grocery or convenience store on January 1, 1999, the commissioner must enter into agreements before July 1, 2001, with local boards of health to delegate to the appropriate local board of health the licensing and inspection duties of the commissioner pertaining to retail food handlers that are grocery or convenience stores. Retail grocery or convenience stores inspected under the state meat inspection program of chapter 31A are exempt from delegation.

(b) A local board of health must adopt an ordinance consistent with the Minnesota Food Code, Minnesota Rules, chapter 4626, for all of its jurisdiction to regulate grocery and convenience stores and the ordinance (Food Code) must not be in conflict with standards set in law or rule.

Sec. 27. Minnesota Statutes 1998, section 31.101, as amended by Laws 1999, chapter 231, section 55, is amended to read:

31.101 [RULES; HEARINGS; UNIFORMITY WITH FEDERAL LAW.]

Subdivision 1. [AUTHORITY.] The ~~authority to~~ commissioner may promulgate and amend rules for the efficient administration and enforcement of the Minnesota Food Law ~~is vested in the commissioner and is in addition to authority granted in sections 31.10, 31.11, and 31.12. Such~~ The rules when applicable ~~shall~~ must conform, insofar as practicable and consistent with state law, with those promulgated under the federal law. This rulemaking authority is in addition to that in sections 31.10, 31.11, and 31.12. Rules adopted under this section may be amended by the commissioner under chapter 14, subject to the limitation in subdivision 7.

Subd. 2. [HEARINGS.] Hearings authorized or required by law ~~shall~~ must be conducted by the commissioner or ~~such~~ an officer, agent, or employee ~~as~~ the commissioner ~~may designate~~ designates for the purpose.

Subd. 3. [~~FEDERAL~~ PESTICIDE CHEMICAL ~~REGULATIONS~~ RULES.] Federal pesticide chemical regulations ~~and amendments thereto~~ in effect on April 1, ~~1997~~ 2000, adopted under authority of the Federal Insecticide, Fungicide and Rodenticide Act, as provided by United States Code, title 7, chapter 6, are the pesticide chemical rules in this state. ~~Such rules may be amended by the commissioner proceeding in accordance with the Administrative Procedure Act.~~

Subd. 4. [~~FEDERAL~~ FOOD ADDITIVE ~~REGULATIONS~~ RULES.] Federal food additive regulations ~~and amendments thereto~~ in effect on April 1, ~~1997~~ 2000, as provided by Code of Federal Regulations, title 21, parts 170 to 199, are the food additive rules in this state. ~~Such rules may be amended by the commissioner proceeding in accordance with the Administrative Procedure Act.~~

Subd. 5. [~~FEDERAL~~ COLOR ADDITIVE ~~REGULATIONS~~ RULES.] Federal color additive regulations ~~and amendments thereto~~ in effect on April 1, ~~1997~~ 2000, as provided by Code of

Federal Regulations, title 21, parts 70 to 82, are the color additive rules in this state. ~~Such rules may be amended by the commissioner proceeding in accordance with the Administrative Procedure Act.~~

Subd. 6. [~~FEDERAL~~ SPECIAL DIETARY USE ~~REGULATIONS~~ RULES.] Federal special dietary use regulations ~~and amendments thereto~~ in effect on April 1, ~~1997~~ 2000, as provided by Code of Federal Regulations, title 21, parts 104 and 105, are the special dietary use rules in this state. ~~Such rules may be amended by the commissioner proceeding in accordance with the Administrative Procedure Act.~~

Subd. 7. [FAIR PACKAGING AND LABELING ~~ACT REGULATIONS~~ RULES.] Federal regulations ~~and amendments thereto~~ in effect on April 1, ~~1997~~ 2000, adopted under the Fair Packaging and Labeling Act, as provided by United States Code, title 15, sections 1451 to 1461, are the rules in this state. ~~Such rules may be amended by the commissioner proceeding in accordance with the Administrative Procedure Act; provided that~~ The commissioner ~~shall~~ may not adopt amendments to ~~such~~ these rules or adopt other rules which are contrary to the labeling requirements for the net quantity of contents required pursuant to section 4 of the Fair Packaging and Labeling Act and the regulations ~~promulgated thereunder~~ adopted under that act.

Subd. 8. [FOOD AND DRUGS ~~REGULATIONS~~ RULES.] Applicable federal regulations including recodification contained in Code of Federal Regulations, title 21, parts 0-1299, Food and Drugs, in effect April 1, ~~1997~~ 2000, and not otherwise adopted herein, also are adopted as food rules of this state. ~~Such rules may be amended by the commissioner in accordance with the Administrative Procedure Act.~~

Subd. 9. [FISHERY PRODUCTS RULES.] Federal regulations in effect on April 1, ~~1997~~ 2000, as provided by Code of Federal Regulations, title 50, parts 260 to 267, are incorporated as part of the fishery products rules in this state for state inspections performed under a cooperative agreement with the United States Department of Commerce, National Marine Fisheries Service. ~~The rules may be amended by the commissioner under chapter 14.~~

Subd. 10. [MEAT AND POULTRY RULES.] Federal regulations in effect on ~~January~~ April 1, ~~1999~~ 2000, as provided by Code of Federal Regulations, title 9, part 301, et seq., are incorporated as part of the meat and poultry rules in this state. ~~The rules may be amended by the commissioner under chapter 14.~~

Subd. 11. [STANDARDS FOR FRESH FRUITS, VEGETABLES, AND OTHER PRODUCTS.] Federal regulations in effect on April 1, ~~1997~~ 2000, as provided by Code of Federal Regulations, title 7, parts 51 and 52, are incorporated as part of the rules in this state. ~~The rules may be amended by the commissioner under chapter 14.~~

Sec. 28. Minnesota Statutes 1998, section 31.102, subdivision 1, is amended to read:

Subdivision 1. [IDENTITY, QUANTITY, AND FILL OF CONTAINER RULES.] Federal definitions and standards of identity, quality, and fill of container ~~and amendments thereto,~~ in effect on April 1, ~~1997~~ 2000, adopted under authority of the federal act, are the definitions and standards of identity, quality, and fill of container in this state. ~~Such~~ The rules may be amended by the commissioner ~~proceeding in accordance with the Administrative Procedure Act~~ under chapter 14.

Sec. 29. Minnesota Statutes 1998, section 31.103, subdivision 1, is amended to read:

Subdivision 1. [CONSUMER COMMODITIES LABELING RULES.] All labels of consumer commodities ~~shall~~ must conform with the requirements for the declaration of net quantity of contents of section 4 of the Fair Packaging and Labeling Act (United States Code, title 15, section 1451 et seq.) and federal regulations in effect on April 1, ~~1997~~ 2000, ~~promulgated pursuant thereto~~ adopted under authority of that act, except to the extent that the commissioner ~~shall exercise authority to amend such~~ amends the rules ~~in accordance with the Administrative Procedure Act~~ under chapter 14. Consumer commodities exempted from the requirements of section 4 of the Fair Packaging and Labeling Act ~~shall~~ are also ~~be~~ exempt from this subdivision.

Sec. 30. Minnesota Statutes 1998, section 31.104, is amended to read:

31.104 [FOOD LABELING EXEMPTION RULES.]

The commissioner shall promulgate rules exempting from any labeling requirement food which is, in accordance with the practice of the trade, to be processed, labeled or repacked in substantial quantities at establishments other than those where originally processed or packed, on condition that such food is not adulterated or misbranded upon removal from such processing, labeling or repacking establishment.

Federal regulations in effect on April 1, ~~1997~~ 2000, adopted under authority of the federal act relating to such exemptions are effective in this state unless the commissioner ~~shall exercise authority to amend such regulations~~ amends them. The commissioner also may ~~promulgate amendments to~~ amend existing rules concerning exemptions ~~in accordance with the Administrative Procedure Act~~ under chapter 14.

Sec. 31. Minnesota Statutes 1998, section 31.632, is amended to read:

31.632 [MINNESOTA APPROVED MEATS; USE OF LABEL.]

The commissioner may authorize, pursuant to rules promulgated in the manner provided by law, the use of the label "Minnesota Approved" on meats ~~and~~, meat products, poultry, and poultry products processed by persons licensed under sections 31.51 to 31.58, or by establishments under the inspection program of the United States Department of Agriculture, if the ingredients of ~~such~~ the poultry, poultry products, meats, and meat products are meat, meat by-products, poultry, poultry products, or meat food products which have been inspected and passed by the United States Department of Agriculture, or the Minnesota department of agriculture and further if ~~such~~ the poultry, poultry products, meats, and meat products, after such processing, are sound, healthful, wholesome, and fit for human food. A person or establishment desiring to label poultry, poultry products, meats, and meat products as provided in this section shall apply to the commissioner for authority to do so. The commissioner shall grant this authority to the applicant if the applicant complies with the provisions of this section and rules promulgated pursuant to this section. A person using the label "Minnesota Approved" on poultry, poultry products, meat ~~and~~, or meat products contrary to law is guilty of a misdemeanor.

Sec. 32. Minnesota Statutes 1998, section 31.633, subdivision 1, is amended to read:

Subdivision 1. [MENU REQUIREMENT.] Any restaurant, eating place, or other establishment serving meat or poultry in any form to the public~~, which meat~~ that has any filler or meat or poultry substitute added to it or incorporated in it, shall clearly and prominently indicate on its menu or bill of fare the meat entrees that contain filler or meat or poultry substitutes.

Sec. 33. Minnesota Statutes 1998, section 31.651, is amended to read:

31.651 [KOSHER PRODUCTS, UNLAWFUL SALE.]

Subdivision 1. [KOSHER REQUIREMENTS.] No person shall sell or expose for sale any poultry, poultry products, meat, or meat preparations and falsely represent the same to be kosher, whether such poultry, poultry products, meat, or meat preparations be raw or prepared for human consumption; nor shall the person permit any such products or the contents of any package or container to be labeled or to have inscribed thereon the word "kosher" in any language unless such products shall have been prepared or processed in accordance with orthodox Hebrew religious requirements sanctioned by a recognized rabbinical council.

Subd. 2. [NOTICE REQUIRED.] Any person who sells or exposes for sale in the same place of business both kosher and nonkosher poultry, meat, or meat preparations, either raw or prepared for human consumption, shall indicate on window signs and all display advertising, in block letters at least four inches in height, "kosher and nonkosher meat and poultry sold here"; and shall display over each kind of poultry, meat, or meat preparation so exposed a sign, in block letters at least two inches in height, reading, "kosher meat," ~~or~~ "kosher poultry," "nonkosher meat," or "nonkosher poultry," as the case may be; provided that subdivision 2 shall not apply to persons selling or

offering for sale kosher poultry, poultry products, meats, or meat products solely in separate consumer packages, which have been prepackaged and properly labeled "kosher."

Subd. 3. [PRESUMPTION.] Possession of nonkosher poultry, poultry products, meat, or meat preparations in any place of business shall be presumptive evidence that the person in possession thereof exposes the same for sale.

Subd. 4. [PRIMA FACIE EVIDENCE.] The absence of a duly sanctioned kosher "plumba," mark, stamp, tag, brand, or label from any poultry, poultry products, meat, meat preparation, or food product shall be prima facie evidence that such product is nonkosher.

Sec. 34. Minnesota Statutes 1999 Supplement, section 31A.01, is amended to read:

31A.01 [POLICY.]

Meat, poultry, poultry food products, and meat food products are an important source of the nation's total supply of food. It is essential in the public interest that the health and welfare of consumers be protected by assuring that meat, poultry, and meat food products distributed to them are wholesome, unadulterated, and properly marked, labeled, and packaged. Unwholesome, adulterated, or misbranded meat, poultry, poultry food products, or meat food products injure the public welfare, destroy markets for wholesome, unadulterated, and properly labeled and packaged meat, poultry, poultry food products, and meat food products, and result in losses to livestock producers and processors of meat, poultry, poultry food products, and meat food products and injury to consumers. Unwholesome, adulterated, mislabeled, or deceptively packaged articles can be sold at lower prices and compete unfairly with wholesome, unadulterated, and properly labeled and packaged articles, to the detriment of consumers and the general public.

Regulation by the commissioner and cooperation between this state and the United States under this chapter are appropriate to protect the health and welfare of consumers and accomplish the purposes of this chapter.

Sec. 35. Minnesota Statutes 1998, section 31A.02, subdivision 5, is amended to read:

Subd. 5. [CUSTOM PROCESSING.] "Custom processing" means slaughtering, eviscerating, dressing, or processing an animal or processing meat products or poultry products for the owner of the animal or of the meat products and poultry products, if all meat products or poultry products derived from the custom operation are returned to the owner of the animal or of the meat products or poultry products. No person may sell, offer for sale, or possess with intent to sell meat derived from custom processing.

Sec. 36. Minnesota Statutes 1998, section 31A.02, subdivision 6, is amended to read:

Subd. 6. [MEAT BROKER.] "Meat broker" means a person in the business of buying or selling carcasses, parts of carcasses, meat, ~~or~~ meat food products, poultry, or poultry products of animals on commission, or otherwise negotiating purchases or sales of those articles other than for the person's own account or as an employee of another person, firm, or corporation.

Sec. 37. Minnesota Statutes 1998, section 31A.02, subdivision 10, is amended to read:

Subd. 10. [MEAT FOOD PRODUCT; POULTRY FOOD PRODUCT.] "Meat food product" or "poultry food product" means a product usable as human food and made wholly or in part from meat or poultry or a portion of the carcass of cattle, sheep, swine, poultry, farmed cervidae, as defined in section 17.451, subdivision 2, llamas, as defined in section 17.455, subdivision 2, ratitae, as defined in section 17.453, subdivision 3, or goats. "Meat food product" or "poultry food product" does not include products which contain meat, poultry, or other portions of the carcasses of cattle, sheep, swine, farmed cervidae, llamas, ratitae, or goats only in a relatively small proportion or that historically have not been considered by consumers as products of the meat food industry, and which are exempted from definition as a meat food product or poultry food product by the commissioner under the conditions the commissioner prescribes to assure that the meat or other portions of carcasses contained in the products are not adulterated and that the products are not represented as meat food products or poultry food products.

"Meat food product," as applied to products of equines, has a meaning comparable to that for cattle, sheep, swine, farmed cervidae, llamas, ratitae, and goats.

Sec. 38. Minnesota Statutes 1998, section 31A.02, subdivision 13, is amended to read:

Subd. 13. [ADULTERATED.] "Adulterated" means a carcass, part of a carcass, meat, poultry, poultry food product, or meat food product under one or more of the following circumstances:

(a) if it bears or contains a poisonous or harmful substance which may render it injurious to health; but if the substance is not an added substance, the article is not adulterated if the quantity of the substance in or on the article does not ordinarily make it injurious to health;

(b) if it bears or contains, by administration of a substance to the live animal or otherwise, an added poisonous or harmful substance, other than (1) a pesticide chemical in or on a raw agricultural commodity; (2) a food additive; or (3) a color additive, which may, in the judgment of the commissioner, make the article unfit for human food;

(c) if it is, in whole or in part, a raw agricultural commodity that bears or contains a pesticide chemical which is unsafe within the meaning of section 408 of the Federal Food, Drug, and Cosmetic Act;

(d) if it bears or contains a food additive which is unsafe within the meaning of section 409 of the Federal Food, Drug, and Cosmetic Act;

(e) if it bears or contains a color additive which is unsafe within the meaning of section 706 of the Federal Food, Drug, and Cosmetic Act;

(f) if it contains a filthy, putrid, or decomposed substance or is for any other reason unfit for human food;

(g) if it has been prepared, packed, or held under unsanitary conditions so that it may be contaminated with filth or harmful to health;

(h) if it is wholly or partly the product of an animal which has died otherwise than by slaughter;

(i) if its container is wholly or partly composed of a poisonous or harmful substance which may make the contents harmful to health;

(j) if it has been intentionally subjected to radiation, unless the use of the radiation conformed with a regulation or exemption in effect under section 409 of the Federal Food, Drug, and Cosmetic Act;

(k) if a valuable constituent has been wholly or partly omitted or removed from it; if a substance has been wholly or partly substituted for it; if damage or inferiority has been concealed; or if a substance has been added to it or mixed or packed with it so as to increase its bulk or weight, reduce its quality or strength, or make it appear better or of greater value than it is; or

(l) if it is margarine containing animal fat and any of the raw material used in it wholly or partly consisted of a filthy, putrid, or decomposed substance.

Sec. 39. Minnesota Statutes 1998, section 31A.02, subdivision 14, is amended to read:

Subd. 14. [MISBRANDED.] "Misbranded" means a carcass, part of a carcass, meat, poultry, poultry food product, or meat food product under one or more of the following circumstances:

(a) if its labeling is false or misleading;

(b) if it is offered for sale under the name of another food;

(c) if it is an imitation of another food, unless its label bears, in type of uniform size and prominence, the word "imitation" followed immediately by the name of the food imitated;

(d) if its container is made, formed, or filled so as to be misleading;

(e) if its package or other container does not have a label showing (1) the name and place of business of the manufacturer, packer, or distributor; and (2) an accurate statement of the quantity of the contents in terms of weight, measure, or numerical count subject to reasonable variations permitted and exemptions for small packages established in rules of the commissioner;

(f) if a word, statement, or other information required by or under authority of this chapter to appear on the label or other labeling is not prominently and conspicuously placed on the label or labeling in terms that make it likely to be read and understood by the ordinary individual under customary conditions of purchase and use;

(g) if it is represented as a food for which a definition and standard of identity or composition has been prescribed by rules of the commissioner under section 31A.07, unless (1) it conforms to the definition and standard, and (2) its label bears the name of the food specified in the definition and standard and, if required by the rules, the common names of optional ingredients, other than spices, flavoring, and coloring, present in the food;

(h) if it is represented as a food for which a standard of fill of container has been prescribed by rules of the commissioner under section 31A.07, and it falls below the applicable standard of fill of container, unless its label bears, in the manner and form the rules specify, a statement that it falls below the standard;

(i) if it is not subject to paragraph (g), unless its label bears (1) the usual name of the food, if there is one, and (2) in case it is fabricated from two or more ingredients, the common or usual name of each ingredient; except that spices, flavorings, and colorings may, when authorized by the commissioner, be designated as spices, flavorings, and colorings without naming each. To the extent that compliance with clause (2) is impracticable, or results in deception or unfair competition, the commissioner shall establish exemptions by rule;

(j) if it purports to be or is represented for special dietary uses, unless its label bears the information concerning its vitamin, mineral, and other dietary properties that the commissioner, after consultation with the Secretary of Agriculture of the United States, determines by rule to be necessary to inform purchasers of its value for special dietary uses;

(k) if it bears or contains any artificial flavoring, artificial coloring, or chemical preservative, unless it bears labeling stating that fact;

(l) if it fails to bear, directly or on its container, as the commissioner by rule prescribes, the inspection legend and other information the commissioner may require by rule to assure that it will not have false or misleading labeling and that the public will be told how to keep the article wholesome.

Sec. 40. Minnesota Statutes 1998, section 31A.03, is amended to read:

31A.03 [INSPECTION OF LIVE ANIMALS; DISPOSITION OF DEFECTIVE ANIMALS.]

To prevent the use in intrastate commerce of adulterated meat ~~and~~, meat food products, poultry, and poultry food products, the commissioner shall appoint inspectors and have them examine and inspect all animals before the animals enter a slaughtering, packing, meat canning, rendering, or similar establishment in this state in which slaughtering of animals and preparation of meat ~~and~~, meat food products, poultry, and poultry food products are conducted solely for intrastate commerce. Animals found on inspection to show symptoms of disease must be set apart and slaughtered separately from other animals. The carcasses of those animals must be carefully examined and inspected under rules of the commissioner.

Sec. 41. Minnesota Statutes 1998, section 31A.05, is amended to read:

31A.05 [APPLICATION OF INSPECTION PROVISIONS.]

Sections 31A.03 and 31A.04 apply to carcasses or parts of animals, poultry, or poultry food products, and meat or meat products derived from them that are usable as human food, when these items are brought into a slaughtering, meat canning, salting, packing, rendering, or similar

establishment, where inspection under sections 31A.01 to 31A.16 is done. Examination and inspection must be made before the carcasses or animal parts may enter into a department where they are to be treated and prepared for meat food products or poultry food products.

Sections 31A.03 and 31A.04 also apply to products which, after having been issued from a slaughtering, meat canning, salting, packing, rendering, or similar establishment, must be returned to it or to a similar establishment where inspection is done.

The commissioner may limit the entry of carcasses, parts of carcasses, poultry, poultry food products, meat ~~and~~, meat food products, and other materials into an establishment where inspection under sections 31A.01 to 31A.16 is done to conditions the commissioner prescribes to assure that allowing the entry of articles into inspected establishments is consistent with the purposes of this chapter.

Sec. 42. Minnesota Statutes 1998, section 31A.06, is amended to read:

31A.06 [INSPECTORS' DUTIES.]

The commissioner shall appoint inspectors to examine and inspect poultry food products and meat food products prepared in a slaughtering, meat canning, salting, packing, rendering, or similar establishment, where the articles are prepared solely for intrastate commerce. For examination and inspection purposes, the inspectors must be given access at all times, whether the establishment is operated or not, to every part of the establishment. The inspectors shall mark, stamp, tag, or label as "Minnesota Inspected and Passed" all products found to be unadulterated, and the inspectors shall label, mark, stamp, or tag as "Minnesota Inspected and Condemned" all products found to be adulterated. Condemned meat food products or poultry food products must be destroyed for food purposes under section 31A.04. The commissioner may remove inspectors from an establishment which fails to destroy condemned poultry food products or meat food products.

Sec. 43. Minnesota Statutes 1998, section 31A.07, subdivision 1, is amended to read:

Subdivision 1. [LABELING; PACKING.] When poultry, poultry food products, meat, or ~~a~~ meat food ~~product~~ products prepared for intrastate commerce which ~~has~~ have been inspected and marked "Minnesota Inspected and Passed" is placed or packed in a can, pot, tin, canvas, or other receptacle or covering in an establishment where inspection is done under sections 31A.01 to 31A.31, the person, firm, or corporation preparing the product shall have a label attached to the can, pot, tin, canvas, or other receptacle or covering, under supervision of an inspector. The label must state that the contents have been "Minnesota Inspected and Passed" under sections 31A.01 to 31A.31. An inspection or examination of poultry, poultry food products, meat, or meat food products deposited or enclosed in cans, tins, pots, canvas, or other receptacles or coverings in an establishment where inspection is done under this chapter is not complete until the poultry, poultry food products, meat, or meat food products have been sealed or enclosed in the can, tin, pot, canvas, or other receptacle or covering under the supervision of an inspector.

Sec. 44. Minnesota Statutes 1998, section 31A.07, subdivision 2, is amended to read:

Subd. 2. [LABELS; MARKS.] All carcasses, parts of carcasses, poultry, poultry food products, meat, and meat food products inspected at an establishment under this chapter and found not to be adulterated, must when they leave the establishment bear, directly or on their containers, legible labels or official marks as required by the commissioner.

Sec. 45. Minnesota Statutes 1998, section 31A.08, is amended to read:

31A.08 [RULES.]

The commissioner shall have experts in sanitation or other competent inspectors inspect all slaughtering, meat canning, salting, packing, rendering, or similar establishments in which animals are slaughtered and their poultry, poultry food products, meat, and meat food products are prepared solely for intrastate commerce. The inspections must be conducted as necessary for the commissioner to know the sanitary conditions of the establishments, and to prescribe the rules of

sanitation under which the establishments must be maintained. If an establishment has sanitary conditions that allow poultry, poultry food products, meat, or meat food products to become adulterated, the commissioner shall refuse to allow the poultry, poultry food products, meat, or meat food products to be labeled, marked, stamped, or tagged as "Minnesota Inspected and Passed."

Sec. 46. Minnesota Statutes 1998, section 31A.10, is amended to read:

31A.10 [PROHIBITIONS.]

No person may, with respect to an animal, carcass, part of a carcass, poultry, poultry food product, meat, or meat food product:

(1) slaughter an animal or prepare an article that is usable as human food, at any establishment preparing articles solely for intrastate commerce, except in compliance with this chapter;

(2) sell, transport, offer for sale or transportation, or receive for transportation, in intrastate commerce (i) articles which are usable as human food and are adulterated or misbranded at the time of sale, transportation, offer for sale or transportation, or receipt for transportation; or (ii) articles required to be inspected under sections 31A.01 to 31A.16 that have not been inspected and passed;

(3) do something to an article that is usable as human food while the article is being transported in intrastate commerce or held for sale after transportation, which is intended to cause or has the effect of causing the article to be adulterated or misbranded; or

(4) sell, offer for sale, or possess with intent to sell meat derived from custom processing.

Sec. 47. Minnesota Statutes 1998, section 31A.13, is amended to read:

31A.13 [INSPECTORS.]

The commissioner shall appoint inspectors to inspect animals, whole or parts of carcasses, poultry, poultry food products, meat, and meat food products the inspection of which is provided for by law, and the sanitary conditions of all establishments in which the poultry, poultry food products, meat, and meat food products are prepared. Inspectors shall refuse to stamp, mark, tag, or label a whole or part of a carcass or a meat food product derived from it, prepared in an establishment covered by sections 31A.01 to 31A.12, until it has actually been inspected and found to be not adulterated. Inspectors shall perform other duties required by this chapter or by rules adopted by the commissioner that are necessary for the efficient execution of this chapter. Inspections under this chapter must conform to the rules adopted by the commissioner consistent with this chapter.

Sec. 48. Minnesota Statutes 1999 Supplement, section 31A.15, subdivision 1, is amended to read:

Subdivision 1. [INSPECTION.] The provisions of sections 31A.01 to 31A.16 requiring inspection of the slaughter of animals and the preparation of the carcasses, parts of carcasses, meat, poultry, poultry food products, and meat food products at establishments conducting slaughter and preparation do not apply:

(1) to the processing by a person of the person's own animals and the owner's preparation and transportation in intrastate commerce of the carcasses, parts of carcasses, meat, poultry, poultry food products, and meat food products of those animals exclusively for use by the owner and members of the owner's household, nonpaying guests, and employees; or

(2) to the custom processing by a person of cattle, sheep, swine, poultry, or goats delivered by the owner for processing, and the preparation or transportation in intrastate commerce of the carcasses, parts of carcasses, meat, poultry, poultry food products, and meat food products of animals, exclusively for use in the household of the owner by the owner and members of the owner's household, nonpaying guests, and employees. Meat from custom processing of cattle,

sheep, swine, poultry, or goats must be identified and handled as required by the commissioner, during all phases of processing, chilling, cooling, freezing, preparation, storage, and transportation. The custom processor may not engage in the business of buying or selling carcasses, parts of carcasses, meat, poultry, poultry food products, or meat food products of animals usable as human food unless the carcasses, parts of carcasses, meat, poultry, poultry food products, or meat food products have been inspected and passed and are identified as inspected and passed by the Minnesota department of agriculture or the United States Department of Agriculture.

Sec. 49. Minnesota Statutes 1998, section 31A.16, is amended to read:

31A.16 [STORING AND HANDLING CONDITIONS.]

The commissioner may adopt rules prescribing conditions under which carcasses, parts of carcasses, poultry, poultry food products, meat, and meat food products of animals usable as human food must be stored or otherwise handled by a person in the business of buying, selling, freezing, storing, or transporting them, in or for intrastate commerce, if the commissioner considers action necessary to assure that the articles will not be adulterated or misbranded when delivered to the consumer.

Sec. 50. Minnesota Statutes 1998, section 31A.17, is amended to read:

31A.17 [ARTICLES NOT INTENDED AS HUMAN FOOD.]

Inspection must not be provided under sections 31A.01 to 31A.16 at an establishment for the slaughter of animals or the preparation of carcasses or parts or products of animals which are not intended for use as human food. Before they are offered for sale or transportation in intrastate commerce, those articles must be denatured or otherwise identified as prescribed by rules of the commissioner to deter their use for human food, unless they are naturally inedible by humans. No person may buy, sell, transport, offer for sale or transportation, or receive for transportation, in intrastate commerce, carcasses, parts of carcasses, poultry, poultry food products, meat, or meat food products of animals which are not intended for use as human food unless they are denatured or otherwise identified as required by the rules of the commissioner or are naturally inedible by humans.

Sec. 51. Minnesota Statutes 1998, section 31B.02, subdivision 4, is amended to read:

Subd. 4. [LIVESTOCK.] "Livestock" means live or dead cattle, sheep, swine, horses, mules, farmed cervidae, as defined in section 17.451, subdivision 2, llamas, as defined in section 17.455, subdivision 2, ratitae, as defined in section 17.453, subdivision 3, bison (buffalo), or goats.

Sec. 52. Minnesota Statutes 1999 Supplement, section 31B.07, subdivision 3, is amended to read:

Subd. 3. [EXPIRATION.] The reporting provisions of this section expire 30 days after a department or agency of the federal government has a price reporting requirement at least as comprehensive as this section, as determined by the commissioner and results in Minnesota-specific information being available to the commissioner and to Minnesota producers.

Sec. 53. Minnesota Statutes 1998, section 41B.03, subdivision 1, is amended to read:

Subdivision 1. [ELIGIBILITY GENERALLY.] To be eligible for a program in sections 41B.01 to 41B.23:

(1) a borrower must be a resident of Minnesota or a domestic family farm corporation, as defined in section 500.24, subdivision 2; and

(2) the borrower or one of the borrowers must be the principal operator of the farm or, for a prospective homestead redemption borrower, must have at one time been the principal operator of a farm~~; and~~

~~(3) the borrower must not receive assistance under sections 41B.01 to 41B.23 exceeding an aggregate of $100,000 in loans during the borrower's lifetime~~.

Sec. 54. Minnesota Statutes 1998, section 41B.03, subdivision 2, is amended to read:

Subd. 2. [ELIGIBILITY FOR RESTRUCTURED LOAN.] In addition to the eligibility requirements of subdivision 1, a prospective borrower for a restructured loan must:

(1) have received at least 50 percent of average annual gross income from farming for the past three years or, for homesteaded property, received at least 40 percent of average gross income from farming in the past three years, and farming must be the principal occupation of the borrower;

(2) have a debt-to-asset ratio equal to or greater than 50 percent and in determining this ratio, the assets must be valued at their current market value;

(3) have projected annual expenses, including operating expenses, family living, and interest expenses after the restructuring, that do not exceed 95 percent of the borrower's projected annual income considering prior production history and projected prices for farm production, except that the authority may reduce the 95 percent requirement if it finds that other significant factors in the loan application support the making of the loan; ~~and~~

(4) demonstrate substantial difficulty in meeting projected annual expenses without restructuring the loan; and

(5) must have a total net worth, including assets and liabilities of the borrower's spouse and dependents, of less than $400,000 in 1999 and an amount in subsequent years which is adjusted for inflation by multiplying $400,000 by the cumulative inflation rate as determined by the United States All-Items Consumer Price Index.

Sec. 55. Minnesota Statutes 1998, section 41B.039, subdivision 2, is amended to read:

Subd. 2. [STATE PARTICIPATION.] The state may participate in a new real estate loan with an eligible lender to a beginning farmer to the extent of 45 percent of the principal amount of the loan or ~~$100,000~~ $125,000, whichever is less. The interest rates and repayment terms of the authority's participation interest may be different than the interest rates and repayment terms of the lender's retained portion of the loan.

Sec. 56. Minnesota Statutes 1998, section 41B.04, subdivision 8, is amended to read:

Subd. 8. [STATE'S PARTICIPATION.] With respect to loans that are eligible for restructuring under sections 41B.01 to 41B.23 and upon acceptance by the authority, the authority shall enter into a participation agreement or other financial arrangement whereby it shall participate in a restructured loan to the extent of 45 percent of the primary principal or ~~$100,000~~ $150,000, whichever is less. The authority's portion of the loan must be protected during the authority's participation by the first mortgage held by the eligible lender to the extent of its participation in the loan.

Sec. 57. Minnesota Statutes 1998, section 41B.042, subdivision 4, is amended to read:

Subd. 4. [PARTICIPATION LIMIT; INTEREST.] The authority may participate in new seller-sponsored loans to the extent of 45 percent of the principal amount of the loan or ~~$100,000~~ $125,000, whichever is less. The interest rates and repayment terms of the authority's participation interest may be different than the interest rates and repayment terms of the seller's retained portion of the loan.

Sec. 58. Minnesota Statutes 1998, section 41B.043, subdivision 2, is amended to read:

Subd. 2. [SPECIFICATIONS.] No direct loan may exceed $35,000 or ~~$100,000~~ $125,000 for a loan participation or be made to refinance an existing debt. Each direct loan and participation must be secured by a mortgage on real property and such other security as the authority may require.

Sec. 59. Minnesota Statutes 1998, section 41B.045, subdivision 2, is amended to read:

Subd. 2. [LOAN PARTICIPATION.] The authority may participate in a livestock expansion loan with an eligible lender to a livestock farmer who meets the requirements of section 41B.03, subdivision 1, clauses (1) and (2), and who are actively engaged in a livestock operation. A prospective borrower must have a total net worth, including assets and liabilities of the borrower's spouse and dependents, of less than $400,000 in 1999 and an amount in subsequent years which is adjusted for inflation by multiplying $400,000 by the cumulative inflation rate as determined by the United States All-Items Consumer Price Index.

Participation is limited to 45 percent of the principal amount of the loan or $250,000, whichever is less. The interest rates and repayment terms of the authority's participation interest may be different from the interest rates and repayment terms of the lender's retained portion of the loan. Loans under this program must not be included in the lifetime limitation calculated under section 41B.03, subdivision 1.

Sec. 60. Minnesota Statutes 1998, section 223.16, subdivision 5, is amended to read:

Subd. 5. [GRAIN BUYER.] "Grain buyer" means a person who purchases grain ~~from a producer~~ for the purpose of reselling the grain with the exception of a person who purchases seed grain for crop production or who purchases grain as feed for the person's own livestock.

Sec. 61. Minnesota Statutes 1998, section 223.17, subdivision 5, is amended to read:

Subd. 5. [CASH SALES; MANNER OF PAYMENT.] For a cash sale of a shipment of grain which is part of a multiple shipment sale, the grain buyer shall tender payment to the seller in cash or by check not later than ten days after the sale of that shipment, except that when the entire sale is completed, payment shall be tendered not later than the close of business on the next day, or within 48 hours, whichever is later. For other cash sales the grain buyer, before the close of business on the next business day after the sale, shall tender payment to the seller in cash or by check, or shall wire or mail funds to the seller's account in the amount of at least 80 percent of the value of the grain at the time of delivery. The grain buyer shall complete final settlement as rapidly as possible through ordinary diligence. ~~Any transaction which is not a cash sale in compliance with the provisions of this subdivision constitutes a voluntary extension of credit which is not afforded protection under the grain buyer's bond, and which must comply with sections 223.175 and 223.177.~~

Sec. 62. Minnesota Statutes 1998, section 223.175, is amended to read:

223.175 [WRITTEN VOLUNTARY EXTENSION OF CREDIT CONTRACTS; FORM.]

A written confirmation required under section 223.177, subdivision 2, and a written voluntary extension of credit contract must include those items prescribed by the commissioner by rule. A contract shall include a statement of the legal and financial responsibilities of grain buyers and sellers established in this chapter. A contract shall also include the following statement in not less than ten point, all capital type, framed in a box with space provided for the seller's signature: "THIS CONTRACT CONSTITUTES A VOLUNTARY EXTENSION OF CREDIT. THIS CONTRACT IS NOT COVERED BY ANY GRAIN BUYER'S BOND." If a written contract is provided at the time the grain is delivered to the grain buyer, the seller shall sign the contract in the space provided beneath the statement. A transaction that does not meet the provisions of a voluntary extension of credit, including the issuance and signing of a voluntary extension of credit contract, is a cash sale.

Sec. 63. Minnesota Statutes 1998, section 232.21, is amended by adding a subdivision to read:

Subd. 14. [OPEN STORAGE.] "Open storage" means grain or agricultural products received by a warehouse operator from a depositor for which warehouse receipts have not been issued or a purchase made and the records documented accordingly.

Sec. 64. Minnesota Statutes 1998, section 232.23, subdivision 1, is amended to read:

Subdivision 1. [DISCRIMINATION PROHIBITED.] (a) Except as provided in paragraph (b), a public grain warehouse operator must receive for storage, so far as the capacity of the grain warehouse will permit, all sound grain tendered in warehouseable condition without discrimination against any person tendering the grain.

(b) The requirements in paragraph (a) do not apply to storage capacity owned by producers that is managed by the public grain warehouse operator but is not under the same ownership as the grain warehouse.

Sec. 65. Minnesota Statutes 1998, section 232.23, subdivision 3, is amended to read:

Subd. 3. [GRAIN DELIVERED CONSIDERED ~~SOLD~~ STORED.] All grain delivered to a public grain warehouse operator shall be considered ~~sold~~ stored at the time of delivery, unless arrangements have been made with the public grain warehouse operator prior to or at the time of delivery to apply the grain on contract, for shipment or consignment or for ~~storage~~ cash sale. Grain may be held in open storage or placed on a warehouse receipt. Warehouse receipts must be issued for all grain held in open storage within six months of delivery to the warehouse unless the depositor has signed a statement that the depositor does not desire a warehouse receipt. The warehouse operator's tariff applies for any grain that is retained in open storage or under warehouse receipt.

Sec. 66. Minnesota Statutes 1998, section 232.23, subdivision 6, is amended to read:

Subd. 6. [LIABILITY.] A public grain warehouse operator ~~issuing a grain warehouse receipt~~ is liable to the depositor for the delivery of the kind, grade, and net quantity of grain called for by the grain warehouse receipt~~.~~ or scale ticket marked "store."

Sec. 67. Minnesota Statutes 1999 Supplement, section 500.24, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] The definitions in this subdivision apply to this section.

(a) "Farming" means the production of (1) agricultural products; (2) livestock or livestock products; (3) milk or milk products; or (4) fruit or other horticultural products. It does not include the processing, refining, or packaging of said products, nor the provision of spraying or harvesting services by a processor or distributor of farm products. It does not include the production of timber or forest products, the production of poultry or poultry products, or the feeding and caring for livestock that are delivered to a corporation for slaughter or processing for up to 20 days before slaughter or processing.

(b) "Family farm" means an unincorporated farming unit owned by one or more persons residing on the farm or actively engaging in farming.

(c) "Family farm corporation" means a corporation founded for the purpose of farming and the ownership of agricultural land in which the majority of the ~~voting~~ stock is held by and the majority of the stockholders are persons ~~or~~, the spouses of persons, or current beneficiaries of one or more family farm trusts in which the trustee holds stock in a family farm corporation, related to each other within the third degree of kindred according to the rules of the civil law, and at least one of ~~said~~ the related persons is residing on or actively operating the farm, and none of whose stockholders are corporations; provided that a family farm corporation shall not cease to qualify as such hereunder by reason of any ~~devise or bequest~~:

(1) transfer of shares of ~~voting~~ stock to a person or the spouse of a person related within the third degree of kindred according to the rules of civil law to the person making the transfer, or to a family farm trust of which the shareholder, spouse, or related person is a current beneficiary; or

(2) distribution from a family farm trust of shares of stock to a beneficiary related within the third degree of kindred according to the rules of civil law to a majority of the current beneficiaries of the trust, or to a family farm trust of which the shareholder, spouse, or related person is a current beneficiary.

For the purposes of this section, a transfer may be made with or without consideration, either directly or indirectly, during life or at death, whether or not in trust, of the shares in the family farm corporation, and stock owned by a family farm trust are considered to be owned in equal shares by the current beneficiaries.

(d) "Family farm trust" means:

(1) a trust in which:

(i) a majority of the current beneficiaries are persons or spouses of persons who are related to each other within the third degree of kindred according to the rules of civil law;

(ii) all of the current beneficiaries are natural persons or nonprofit corporations or trusts described in Internal Revenue Code, section 170(c), as amended, and the regulations under that section; and

(iii) one of the family member current beneficiaries is residing on or actively operating the farm; or

(2) a charitable remainder trust as defined in Internal Revenue Code, section 664, as amended, and the regulations under that section, and a charitable lead trust as set forth in Internal Revenue Code, section 170(f), and the regulations under that section, if the lead period does not exceed ten years and the majority of remainder beneficiaries are related to the grantor within the third degree of kindred according to the rules of civil law.

For the purposes of this section, if a distributee trust becomes entitled to, or at the discretion of any person may receive, a distribution from income or principal of a family farm trust, then the distributee trust must independently qualify as a family farm trust.

(e) "Authorized farm corporation" means a corporation meeting the following standards:

(1) it has no more than five shareholders, provided that for the purposes of this section, a husband and wife are considered one shareholder;

(2) all its shareholders, other than any estate, are natural persons;

(3) it does not have more than one class of shares;

(4) its revenue from rent, royalties, dividends, interest, and annuities does not exceed 20 percent of its gross receipts;

(5) shareholders holding 51 percent or more of the interest in the corporation reside on the farm or are actively engaging in farming;

(6) it does not, directly or indirectly, own or otherwise have an interest in any title to more than 1,500 acres of agricultural land; and

(7) none of its shareholders are shareholders in other authorized farm corporations that directly or indirectly in combination with the corporation own more than 1,500 acres of agricultural land.

~~(e)~~ (f) "Authorized livestock farm corporation" means a corporation formed for the production of livestock and meeting the following standards:

(1) it is engaged in the production of livestock other than dairy cattle;

(2) all its shareholders, other than any estate, are natural persons or family farm corporations;

(3) it does not have more than one class of shares;

(4) its revenue from rent, royalties, dividends, interest, and annuities does not exceed 20 percent of its gross receipts;

(5) shareholders holding 75 percent or more of the control, financial, and capital investment in

the corporation are farmers residing in Minnesota and at least 51 percent of the required percentage of farmers are actively engaged in livestock production;

(6) it does not, directly or indirectly, own or otherwise have an interest in any title to more than 1,500 acres of agricultural land; and

(7) none of its shareholders are shareholders in other authorized farm corporations that directly or indirectly in combination with the corporation own more than 1,500 acres of agricultural land.

~~(f)~~ (g) "Agricultural land" means real estate used for farming or capable of being used for farming in this state.

~~(g)~~ (h) "Pension or investment fund" means a pension or employee welfare benefit fund, however organized, a mutual fund, a life insurance company separate account, a common trust of a bank or other trustee established for the investment and reinvestment of money contributed to it, a real estate investment trust, or an investment company as defined in United States Code, title 15, section 80a-3.

~~(h)~~ (i) "Farm homestead" means a house including adjoining buildings that has been used as part of a farming operation or is part of the agricultural land used for a farming operation.

~~(i)~~ (j) "Family farm partnership" means a limited partnership formed for the purpose of farming and the ownership of agricultural land in which the majority of the interests in the partnership is held by and the majority of the partners are persons ~~or~~, the spouses of persons, or current beneficiaries of one or more family farm trusts in which the trustee holds an interest in a family farm partnership related to each other within the third degree of kindred according to the rules of the civil law, at least one of the related persons is residing on ~~or~~ the farm, actively operating the farm, or the agricultural land was owned by one or more of the related persons for a period of five years before its transfer to the limited partnership, and none of the partners are corporations. A family farm partnership does not cease to qualify as a family farm partnership because of a ~~devise or bequest~~:

(1) transfer of a partnership interest ~~in the partnership~~ to a person or spouse of a person related within the third degree of kindred according to the rules of civil law to the person making the transfer or to a family farm trust of which the partner, spouse, or related person is a current beneficiary; or

(2) distribution from a family farm trust of a partnership interest to a beneficiary related within the third degree of kindred according to the rules of civil law to a majority of the current beneficiaries of the trust, or to a family farm trust of which the partner, spouse, or related person is a current beneficiary.

For the purposes of this section, a transfer may be made with or without consideration, either directly or indirectly, during life or at death, whether or not in trust, of a partnership interest in the family farm partnership, and interest owned by a family farm trust is considered to be owned in equal shares by the current beneficiaries.

~~(j)~~ (k) "Authorized farm partnership" means a limited partnership meeting the following standards:

(1) it has been issued a certificate from the secretary of state or is registered with the county recorder and farming and ownership of agricultural land is stated as a purpose or character of the business;

(2) it has no more than five partners;

(3) all its partners, other than any estate, are natural persons;

(4) its revenue from rent, royalties, dividends, interest, and annuities ~~do~~ does not exceed 20 percent of its gross receipts;

(5) its general partners hold at least 51 percent of the interest in the land assets of the partnership and reside on the farm or are actively engaging in farming not more than 1,500 acres as a general partner in an authorized limited partnership;

(6) its limited partners do not participate in the business of the limited partnership including operating, managing, or directing management of farming operations;

(7) it does not, directly or indirectly, own or otherwise have an interest in any title to more than 1,500 acres of agricultural land; and

(8) none of its limited partners are limited partners in other authorized farm partnerships that directly or indirectly in combination with the partnership own more than 1,500 acres of agricultural land.

(l) "Family farm limited liability company" means a limited liability company founded for the purpose of farming and the ownership of agricultural land in which the majority of the membership interests are held by and the majority of the members are persons or the spouses of persons, or current beneficiaries of one or more family farm trusts in which the trustee holds stock in a family farm limited liability company related to each other within the third degree of kindred according to the rules of the civil law, at least one of the related persons is actively operating the farm, and none of the members are corporations or limited liability companies. A family farm limited liability company does not cease to qualify as a family farm limited liability company because of:

(1) a transfer of a membership interest to a person or spouse of a person related within the third degree of kindred according to the rules of civil law to the person making the transfer or to a family farm trust of which the member, spouse, or related person is a current beneficiary; or

(2) distribution from a family farm trust of a membership interest to a beneficiary related within the third degree of kindred according to the rules of civil law to a majority of the current beneficiaries of the trust, or to a family farm trust of which the member, spouse, or related person is a current beneficiary.

For the purposes of this section, a transfer may be made with or without consideration, either directly or indirectly, during life or at death, whether or not in trust, of a membership interest in the family farm limited liability company, and interest owned by a family farm trust is considered to be owned in equal shares by the current beneficiaries. Except for a state or federally chartered financial institution acquiring an encumbrance for the purpose of security or an interest under paragraph (x), a member of a family farm limited liability company may not transfer a membership interest, including a financial interest, to a person who is not otherwise eligible to be a member under this paragraph.

(m) "Authorized farm limited liability company" means a limited liability company meeting the following standards:

(1) it has no more than five members;

(2) all its members, other than any estate, are natural persons;

(3) it does not have more than one class of membership interests;

(4) its revenue from rent, royalties, dividends, interest, and annuities does not exceed 20 percent of its gross receipts;

(5) members holding 51 percent or more of both the governance rights and financial rights in the limited liability company reside on the farm or are actively engaged in farming;

(6) it does not, directly or indirectly, own or otherwise have an interest in any title to more than 1,500 acres of agricultural land; and

(7) none of its members are members in other authorized farm limited liability companies that

directly or indirectly in combination with the authorized farm limited liability company own more than 1,500 acres of agricultural land.

Except for a state or federally chartered financial institution acquiring an encumbrance for the purpose of security or an interest under paragraph (x), a member of an authorized farm limited liability company may not transfer a membership interest, including a financial interest, to a person who is not otherwise eligible to be a member under this paragraph.

~~(k)~~ (n) "Farmer" means a natural person who regularly participates in physical labor or operations management in the person's farming operation and files "Schedule F" as part of the person's annual Form 1040 filing with the United States Internal Revenue Service.

~~(l)~~ (o) "Actively engaged in livestock production" means performing day-to-day physical labor or day-to-day operations management that significantly contributes to livestock production and the functioning of a livestock operation.

~~(m)~~ (p) "Research or experimental farm" means a corporation, limited partnership, ~~or~~ pension ~~or~~, investment fund, or limited liability company that owns or operates agricultural land for research or experimental purposes, provided that any commercial sales from the operation are incidental to the research or experimental objectives of the corporation. A corporation, limited partnership, limited liability company, or pension or investment fund seeking initial approval by the commissioner to operate agricultural land for research or experimental purposes must first submit to the commissioner a prospectus or proposal of the intended method of operation containing information required by the commissioner including a copy of any operational contract with individual participants.

~~(n)~~ (q) "Breeding stock farm" means a corporation ~~or~~, limited partnership, or limited liability company, that owns or operates agricultural land for the purpose of raising breeding stock, including embryos, for resale to farmers or for the purpose of growing seed, wild rice, nursery plants, or sod. An entity that is organized to raise livestock other than dairy cattle under this paragraph that does not qualify as an authorized farm corporation must:

(1) sell all castrated animals to be fed out or finished to farming operations that are neither directly nor indirectly owned by the business entity operating the breeding stock operation; and

(2) report its total production and sales annually to the commissioner.

~~(o)~~ (r) "Aquatic farm" means a corporation ~~or~~, limited partnership, or limited liability company, that owns or leases agricultural land as a necessary part of an aquatic farm as defined in section 17.47, subdivision 3.

~~(p)~~ (s) "Religious farm" means a corporation formed primarily for religious purposes whose sole income is derived from agriculture.

~~(q)~~ (t) "Utility corporation" means a corporation regulated under Minnesota Statutes 1974, chapter 216B, that owns agricultural land for purposes described in that chapter, or an electric generation or transmission cooperative that owns agricultural land for use in its business if the land is not used for farming except under lease to a family farm unit, a family farm corporation, ~~or~~ a family farm trust, a family farm partnership, or a family farm limited liability company.

~~(r) "Benevolent trust" means a pension fund or family trust established by the owners of a family farm, authorized farm corporation, authorized livestock farm corporation, or family farm corporation that holds an interest in title to agricultural land on which one or more of those owners or shareholders have resided or have been actively engaged in farming as required by paragraph (b), (c), (d), or (e).~~

~~(s)~~ (u) "Development organization" means a corporation, limited partnership, limited liability company, or pension or investment fund that ~~owns~~ has an interest in agricultural land for which the corporation, limited partnership, limited liability company, or pension or investment fund has documented plans to use and subsequently uses the land within six years from the date of purchase for a specific nonfarming purpose, or if the land is zoned nonagricultural, or if the land is located

within an incorporated area. A corporation, limited partnership, limited liability company, or pension or investment fund may hold agricultural land in the amount necessary for its nonfarm business operation; provided, however, that pending the development of agricultural land for nonfarm purposes, the land may not be used for farming except under lease to a family farm unit, a family farm corporation, a family farm trust, an authorized farm corporation, an authorized livestock farm corporation, a family farm partnership, ~~or~~ an authorized farm partnership, a family farm limited liability company, or an authorized farm limited liability company, or except when controlled through ownership, options, leaseholds, or other agreements by a corporation that has entered into an agreement with the United States under the New Community Act of 1968 (Title IV of the Housing and Urban Development Act of 1968, United States Code, title 42, sections 3901 to 3914) as amended, or a subsidiary or assign of such a corporation.

~~(t)~~ (v) "Exempt land" means agricultural land owned or leased by a corporation as of May 20, 1973, agricultural land owned or leased by a pension or investment fund as of May 12, 1981, ~~or~~ agricultural land owned or leased by a limited partnership as of May 1, 1988, or agricultural land owned or leased by a trust as of the effective date of this act, including the normal expansion of that ownership at a rate not to exceed 20 percent of the amount of land owned as of May 20, 1973, for a corporation; May 12, 1981, for a pension or investment fund; ~~or~~ May 1, 1988, for a limited partnership, or the effective date of this act for a trust, measured in acres, in any five-year period, and including additional ownership reasonably necessary to meet the requirements of pollution control rules. A corporation, limited partnership, or pension or investment fund that is eligible to own or lease agricultural land under this section prior to May 1997, or a corporation that is eligible to own or lease agricultural land as a benevolent trust under this section prior to the effective date of this act, may continue to own or lease agricultural land subject to the same conditions and limitations as previously allowed.

~~(u)~~ (w) "Gifted land" means agricultural land acquired as a gift, either by grant or devise, by an educational, religious, or charitable nonprofit corporation, limited partnership, limited liability company, or pension or investment fund if all land so acquired is disposed of within ten years after acquiring the title.

~~(v)~~ (x) "Repossessed land" means agricultural land acquired by a corporation, limited partnership, limited liability company, or pension or investment fund by process of law in the collection of debts, or by any procedure for the enforcement of a lien or claim on the land, whether created by mortgage or otherwise if all land so acquired is disposed of within five years after acquiring the title. The five-year limitation is a covenant running with the title to the land against any grantee, assignee, or successor of the pension or investment fund, corporation, ~~or~~ limited partnership, or limited liability company. The land so acquired must not be used for farming during the five-year period, except under a lease to a family farm unit, a family farm corporation, an authorized farm corporation, an authorized livestock farm corporation, a family farm partnership, ~~or~~ an authorized farm partnership, a family farm limited liability company, or an authorized farm limited liability company. Notwithstanding the five-year divestiture requirement under this paragraph, a financial institution may continue to own the agricultural land if the agricultural land is leased to the immediately preceding former owner, but must dispose of the agricultural land within ten years of acquiring the title. Livestock acquired by a pension or investment fund, corporation, ~~or~~ limited partnership, or limited liability company in the collection of debts, or by a procedure for the enforcement of lien or claim on the livestock whether created by security agreement or otherwise after August 1, 1994, must be sold or disposed of within one full production cycle for the type of livestock acquired or 18 months after the livestock is acquired, whichever is ~~later~~ earlier.

~~(w)~~ (y) "Commissioner" means the commissioner of agriculture.

~~(x)~~ (z) ~~"Demonstration~~ "Nonprofit corporation" means a nonprofit corporation organized under state nonprofit corporation law ~~and formed primarily for the purpose of demonstrating historical farming practices~~ or qualified for tax-exempt status under federal tax law that uses the land for a specific nonfarming purpose or leases the agricultural land to a family farm unit, a family farm corporation, an authorized farm corporation, an authorized livestock farm corporation, a family farm limited liability company, an authorized farm limited liability company, a family farm partnership, or an authorized farm partnership.

(aa) "Current beneficiary" means a person who at any time during a year is entitled to, or at the discretion of any person may, receive a distribution from the income or principal of the trust. It does not include a distributee trust, other than a trust described in section 170(c) of the Internal Revenue Code, as amended, but does include the current beneficiaries of the distributee trust. It does not include a person in whose favor a power of appointment could be exercised until the holder of the power of appointment actually exercises the power of appointment in that person's favor. It does not include a person who is entitled to receive a distribution only after a specified time or upon the occurrence of a specified event until the time or occurrence of the event. For the purposes of this section, a distributee trust is a current beneficiary of a family farm trust.

(bb) "De minimis" means that any corporation, pension or investment fund, limited liability company, or limited partnership that directly or indirectly owns, acquires, or otherwise obtains any interest in 40 acres or less of agricultural land and annually receives less than $150 per acre in gross revenue from rental or agricultural production.

Sec. 68. Minnesota Statutes 1999 Supplement, section 500.24, subdivision 3, is amended to read:

Subd. 3. [FARMING AND OWNERSHIP OF AGRICULTURAL LAND BY CORPORATIONS RESTRICTED.] (a) No corporation, limited liability company, pension or investment fund, trust, or limited partnership shall engage in farming; nor shall any corporation, limited liability company, pension or investment fund, trust, or limited partnership, directly or indirectly, own, acquire, or otherwise obtain any interest, in agricultural land other than a bona fide encumbrance taken for purposes of security. This subdivision does not apply to general partnerships. This subdivision does not apply to any agricultural land, corporation, limited partnership, trust, limited liability company, or pension or investment fund that meet any of the definitions in subdivision 2, paragraphs (b) to ~~(e)~~ (f), ~~(i),~~ (j) to (m), ~~(m) to (v)~~ (p) to (x), ~~and (x)~~ (z), and (bb), has a conservation plan prepared for the agricultural land, and reports as required under subdivision 4.

(b) A corporation, pension or investment fund, trust, limited liability company, or limited partnership that cannot meet any of the definitions in subdivision 2, paragraphs (b) to (f), (j) to (m), (p) to (x), (z), and (bb), may petition the commissioner for an exemption from this subdivision. The commissioner may issue an exemption if the entity meets the following criteria:

(1) the exemption would not contradict the purpose of this section; and

(2) the petitioning entity would not have a significant impact upon the agriculture industry and the economy.

The commissioner shall review annually each entity that is issued an exemption under this paragraph to ensure that the entity continues to meet the criteria in clauses (1) and (2). If an entity fails to meet the criteria, the commissioner shall withdraw the exemption and the entity is subject to enforcement proceedings under subdivision 5. The commissioner shall submit a report with a list of each entity that is issued an exemption under this paragraph to the chairs of the senate and house agricultural policy committees by October 1 of each year.

Sec. 69. Minnesota Statutes 1998, section 500.24, subdivision 3a, is amended to read:

Subd. 3a. [LEASE AGREEMENT; CONSERVATION PRACTICE PROTECTION CLAUSE.] A corporation, pension or investment fund, ~~or~~ limited partnership, or limited liability company other than ~~a family farm corporation, an authorized farm corporation, an authorized livestock farm corporation, a family farm partnership, or an authorized farm partnership~~ those meeting any of the definitions in subdivision 2, paragraphs (c) to (f) or (j) to (m), when leasing farm land to a family farm unit, a family farm corporation, an authorized farm corporation, an authorized livestock farm corporation, a family farm partnership, ~~or~~ an authorized farm partnership, a family farm limited liability company, or an authorized farm limited liability company, under provisions of subdivision 2, paragraph ~~(v)~~ (x), must include within the lease agreement a provision prohibiting intentional damage or destruction to a conservation practice on the agricultural land.

Sec. 70. Minnesota Statutes 1998, section 500.24, subdivision 3b, is amended to read:

Subd. 3b. [PROTECTION OF CONSERVATION PRACTICES.] A corporation, pension or investment fund, or limited partnership, or limited liability company other than ~~a family farm corporation, an authorized farm corporation, an authorized livestock farm corporation, a family farm partnership, or authorized farm partnership~~ those meeting any of the definitions in subdivision 2, paragraphs (c) to (f) or (j) to (m), which, during the period of time it holds agricultural land under subdivision 2, paragraph ~~(v)~~ (x), intentionally destroys a conservation practice as defined in section 103F.401, subdivision 3, to which the state has made a financial contribution, must pay the commissioner, for deposit in the general fund, an amount equal to the state's total contributions to that conservation practice plus interest from the time of investment in the conservation practice. Interest must be calculated at an annual percentage rate of 12 percent.

Sec. 71. Minnesota Statutes 1998, section 500.24, subdivision 4, is amended to read:

Subd. 4. [REPORTS.] (a) The chief executive officer of every pension or investment fund, corporation, ~~or~~ limited partnership, limited liability company, or entity that is seeking to qualify for an exemption from the commissioner, and the trustee of a family farm trust that holds any interest in agricultural land or land used for the breeding, feeding, pasturing, growing, or raising of livestock, dairy or poultry, or products thereof, or land used for the production of agricultural crops or fruit or other horticultural products, other than a bona fide encumbrance taken for purposes of security, or which is engaged in farming or proposing to commence farming in this state after May 20, 1973, shall file with the commissioner a report containing the following information and documents:

(1) the name of the pension or investment fund, corporation, ~~or~~ limited partnership, or limited liability company and its place of incorporation, certification, or registration;

(2) the address of the pension or investment plan headquarters or of the registered office of the corporation in this state, the name and address of its registered agent in this state and, in the case of a foreign corporation ~~or~~, limited partnership, or limited liability company, the address of its principal office in its place of incorporation, certification, or registration;

(3) the acreage and location listed by quarter-quarter section, township, and county of each lot or parcel of agricultural land or land used for the keeping or feeding of poultry in this state owned or leased by the pension or investment fund, limited partnership, ~~or~~ corporation, or limited liability company;

(4) the names and addresses of the officers, administrators, directors, or trustees of the pension or investment fund, or of the officers, shareholders owning more than ten percent of the stock, including the percent of stock owned by each such shareholder, ~~and~~ the members of the board of directors of the corporation, and the members of the limited liability company, and the general and limited partners and the percentage of interest in the partnership by each partner;

(5) the farm products which the pension or investment fund, limited partnership, ~~or~~ corporation, or limited liability company produces or intends to produce on its agricultural land;

(6) with the first report, a copy of the title to the property where the farming operations are or will occur indicating the particular exception claimed under subdivision 3; and

(7) with the first or second report, a copy of the conservation plan proposed by the soil and water conservation district, and with subsequent reports a statement of whether the conservation plan was implemented.

The report of a corporation, trust, limited liability company, or partnership seeking to qualify hereunder as a family farm corporation, an authorized farm corporation, an authorized livestock farm corporation, a family farm partnership, ~~or~~ an authorized farm partnership, a family farm limited liability company, an authorized farm limited liability company, or a family farm trust or under an exemption from the commissioner shall contain the following additional information: the number of shares ~~or the~~, partnership interests, or governance and financial rights owned by persons or current beneficiaries of a family farm trust residing on the farm or actively engaged in

farming, or their relatives within the third degree of kindred according to the rules of the civil law or their spouses; the name, address, and number of shares owned by each shareholder ~~or~~, partnership interests owned by each partner~~;~~ or governance and financial rights owned by each member, and a statement as to percentage of gross receipts of the corporation derived from rent, royalties, dividends, interest, and annuities. No pension or investment fund, limited partnership, ~~or~~ corporation, or limited liability company shall commence farming in this state until the commissioner has inspected the report and certified that its proposed operations comply with the provisions of this section.

(b) Every pension or investment fund, limited partnership, trust, ~~or~~ corporation, or limited liability company as described in paragraph (a) shall, prior to April 15 of each year, file with the commissioner a report containing the information required in paragraph (a), based on its operations in the preceding calendar year and its status at the end of the year. A pension or investment fund, limited partnership, ~~or~~ corporation, or limited liability company that does not file the report by April 15 must pay a $500 civil penalty. The penalty is a lien on the land being farmed under subdivision 3 until the penalty is paid.

(c) The commissioner may, for good cause shown, issue a written waiver or reduction of the civil penalty for failure to make a timely filing of the annual report required by this subdivision. The waiver or reduction is final and conclusive with respect to the civil penalty, and may not be reopened or modified by an officer, employee, or agent of the state, except upon a showing of fraud or malfeasance or misrepresentation of a material fact. The report required under paragraph (b) must be completed prior to a reduction or waiver under this paragraph. The commissioner may enter into an agreement under this paragraph only once for each corporation or partnership.

(d) Failure to file a required report or the willful filing of false information is a gross misdemeanor.

Sec. 72. Minnesota Statutes 1998, section 500.24, subdivision 5, is amended to read:

Subd. 5. [ENFORCEMENT.] With reason to believe that a corporation, limited partnership, limited liability company, trust, or pension or investment fund is violating subdivision 3, the attorney general shall commence an action in the district court in which any agricultural lands relative to such violation are situated, or if situated in two or more counties, in any county in which a substantial part of the lands are situated. The attorney general shall file for record with the county recorder or the registrar of titles of each county in which any portion of said lands are located a notice of the pendency of the action as provided in section 557.02. If the court finds that the lands in question are being held in violation of subdivision 3, it shall enter an order so declaring. The attorney general shall file for record any such order with the county recorder or the registrar of titles of each county in which any portion of said lands are located. Thereafter, the pension or investment fund, limited partnership, or corporation owning such land shall have a period of five years from the date of such order to divest itself of such lands. The aforementioned five-year limitation period shall be deemed a covenant running with the title to the land against any pension or investment fund, limited partnership, or corporate grantee or assignee or the successor of such pension or investment fund, limited partnership, or corporation. Any lands not so divested within the time prescribed shall be sold at public sale in the manner prescribed by law for the foreclosure of a mortgage by action. In addition, any prospective or threatened violation may be enjoined by an action brought by the attorney general in the manner provided by law.

Sec. 73. Minnesota Statutes 1999 Supplement, section 500.245, subdivision 1, is amended to read:

Subdivision 1. [DISPOSAL OF LAND.] (a) A state or federal agency, limited partnership, ~~or a~~ corporation, or limited liability company may not lease or sell agricultural land or a farm homestead before offering or making a good faith effort to offer the land for sale or lease to the immediately preceding former owner at a price no higher than the highest price offered by a third party that is acceptable to the seller or lessor. The offer must be made on the notice to offer form under subdivision 2. The requirements of this subdivision do not apply to a sale or lease by a corporation that is a family farm corporation or an authorized farm corporation or to a sale or lease by the commissioner of agriculture of property acquired by the state under the family farm

security program under chapter 41. This subdivision applies only to a sale or lease when the seller or lessor acquired the property by enforcing a debt against the agricultural land or farm homestead, including foreclosure of a mortgage, accepting a deed in lieu of foreclosure, terminating a contract for deed, or accepting a deed in lieu of terminating a contract for deed. Selling or leasing property to a third party at a price is prima facie evidence that the price is acceptable to the seller or lessor. The seller must provide written notice to the immediately preceding former owner that the agricultural land or farm homestead will be offered for sale at least 14 days before the agricultural land or farm homestead is offered for sale.

(b) An immediately preceding former owner is the entity with record legal title to the agricultural land or farm homestead before acquisition by the state or federal agency or corporation except: if the immediately preceding former owner is a bankruptcy estate, the debtor in bankruptcy is the immediately preceding former owner; and if the agricultural land or farm homestead was acquired by termination of a contract for deed or deed in lieu of termination of a contract for deed, the immediately preceding former owner is the purchaser under the contract for deed. For purposes of this subdivision, only a family farm, family farm corporation, ~~or~~ family farm partnership or family farm limited liability company can be an immediately preceding former owner.

(c) An immediately preceding former owner may elect to purchase or lease the entire property or an agreed to portion of the property. If the immediately preceding former owner elects to purchase or lease a portion of the property, the election must be reported in writing to the seller or lessor prior to the time the property is first offered for sale or lease. If election is made to purchase or lease a portion of the property, the portion must be contiguous and compact so that it does not unreasonably reduce access to or the value of the remaining property.

(d) For purposes of this subdivision, the term "a price no higher than the highest price offered by a third party" means the acceptable cash price offered by a third party or the acceptable time-price offer made by a third party. A cash price offer is one that involves simultaneous transfer of title for payment of the entire amount of the offer. If the acceptable offer made by a third party is a time-price offer, the seller or lessor must make the same time-price offer or an equivalent cash offer to the immediately preceding former owner. An equivalent cash offer is equal to the total of the payments made over a period of the time-price offer discounted by yield curve of the United States treasury notes and bonds of similar maturity on the first business day of the month in which the offer is personally delivered or mailed for time periods similar to the time period covered by the time-price offer, plus 2.0 percent. A time-price offer is an offer that is financed entirely or partially by the seller and includes an offer to purchase under a contract for deed or mortgage. An equivalent cash offer is not required to be made if the state participates in an offer to a third party through the rural finance authority.

(e) This subdivision applies to a seller when the property is sold and to a lessor each time the property is leased, for the time period specified in section 500.24, subdivision 2, paragraph (v), after the agricultural land is acquired except:

(1) an offer to lease to the immediately preceding former owner is required only until the immediately preceding owner fails to accept an offer to lease the property or the property is sold;

(2) an offer to sell to the immediately preceding former owner is required until the property is sold; and

(3) if the immediately preceding former owner elects to lease or purchase a portion of the property, this subdivision does not apply to the seller with regard to the balance of the property after the election is made under paragraph (c).

(f) The notice of an offer under subdivision 2 that is personally delivered with a signed receipt or sent by certified mail with a receipt of mailing to the immediately preceding former owner's last known address is a good faith offer.

(g) This subdivision does not apply to a sale or lease that occurs after the seller or lessor has held the property for the time period specified in section 500.24, subdivision 2, paragraph ~~(v)~~ (x).

(h) For purposes of this subdivision, if the immediately preceding former owner is a bankruptcy estate the debtor in the bankruptcy is the immediately preceding owner.

(i) The immediately preceding former owner must exercise the right to lease all or a portion of the agricultural land or a homestead located on agricultural land in writing within 15 days after an offer to lease under this subdivision is mailed with a receipt of mailing or personally delivered. If election is made to lease only the homestead or a portion of the agricultural land, the portion to be leased must be clearly identified in writing. The immediately preceding former owner must exercise the right to buy the agricultural land, a portion of the agricultural land, or a farm homestead located on agricultural land, in writing, within 65 days after an offer to buy under this subdivision is mailed with a receipt of mailing or is personally delivered. Within ten days after exercising the right to lease or buy by accepting the offer, the immediately preceding owner must fully perform according to the terms of the offer including paying the amounts due. A seller may sell and a lessor may lease the agricultural land or farm homestead subject to this subdivision to the third party in accordance with their lease or purchase agreement if:

(1) the immediately preceding former owner does not accept an offer to lease or buy before the offer terminates; or

(2) the immediately preceding former owner does not perform the obligations of the offer, including paying the amounts due, within ten days after accepting the offer.

(j) A certificate indicating whether or not the property contains agricultural land or a farm homestead that is signed by the county assessor where the property is located and recorded in the office of the county recorder or the registrar of titles where the property is located is prima facie evidence of whether the property is agricultural land or a farm homestead.

(k) As prima facie evidence that an offer to sell or lease agricultural land or a farm homestead has terminated, a receipt of mailing the notice under subdivision 2 and an affidavit, signed by a person authorized to act on behalf of a state, federal agency, or corporation selling or leasing the agricultural land or a farm homestead may be filed in the office of the county recorder or registrar of titles of the county where the agricultural land or farm homestead is located. The affidavit must state that:

(1) notice of an offer to buy or lease the agricultural land or farm homestead was provided to the immediately preceding former owner at a price not higher than the highest price offered by a third party that is acceptable;

(2) the time during which the immediately preceding former owner is required to exercise the right to buy or lease the agricultural land or farm homestead has expired;

(3) the immediately preceding former owner has not exercised the right to buy or lease the agricultural land or farm homestead as provided in this subdivision or has accepted an offer and has not fully performed according to the terms of the offer; and

(4) the offer to the immediately preceding former owner has terminated.

(l) The right of an immediately preceding former owner to receive an offer to lease or purchase agricultural land under this subdivision or to lease or purchase at a price no higher than the highest price offered by a third party that is acceptable to the seller or lessor may be extinguished or limited by an express statement signed by the immediately preceding owner that complies with the plain language requirements of section 325G.31. The right may not be extinguished or limited except by:

(1) an express statement in a deed in lieu of foreclosure of the agricultural land;

(2) an express statement in a deed in lieu of a termination of a contract for deed for the agricultural land;

(3) an express statement conveying the right to the state or federal agency or corporation owning the agricultural land that is required to make an offer under this subdivision; however, the

preceding former owner may rescind the conveyance by notifying the state or federal agency or corporation in writing within 20 calendar days after signing the express statement;

(4) to cure a title defect, an express statement conveying the right may be made to a person to whom the agricultural land has been transferred by the state or federal agency or corporation; or

(5) an express statement conveying the right to a contract for deed vendee to whom the agricultural land or farm homestead was sold under a contract for deed by the immediately preceding former owner if the express statement and the contract for deed are recorded.

(m) The right of an immediately preceding former owner to receive an offer to lease or purchase agricultural land under this subdivision may not be assigned or transferred except as provided in paragraph (l), but may be inherited.

(n) An immediately preceding former owner, except a former owner who is actively engaged in farming as defined in section 500.24, subdivision 2, paragraph (a), and who agrees to remain actively engaged in farming on a portion of the agricultural land or farm homestead for at least one year after accepting an offer under this subdivision, may not sell agricultural land acquired by accepting an offer under this subdivision if the arrangement of the sale was negotiated or agreed to prior to the former owner accepting the offer under this subdivision. A person who sells property in violation of this paragraph is liable for damages plus reasonable attorney fees to a person who is damaged by a sale in violation of this paragraph. There is a rebuttable presumption that a sale by an immediately preceding former owner is in violation of this paragraph if the sale takes place within 270 days of the former owner accepting the offer under this subdivision. This paragraph does not apply to a sale by an immediately preceding former owner to the owner's spouse, the owner's parents, the owner's sisters and brothers, the owner's spouse's sisters and brothers, or the owner's children.

Sec. 74. Minnesota Statutes 1998, section 500.245, subdivision 2, is amended to read:

Subd. 2. [NOTICE OF OFFER.] (a) The state, a federal agency, limited partnership, ~~or a~~ corporation, or limited liability company subject to subdivision 1 must provide a notice of an offer to sell or lease agricultural land substantially as follows, after inserting the appropriate terms within the parentheses:

"NOTICE OF OFFER TO (LEASE, BUY) AGRICULTURAL LAND

TO: (...Immediately preceding former owner...)

FROM: (...The state, federal agency, limited partnership, ~~or~~ corporation, or limited liability company subject to subdivision 1...)

DATE: (...date notice is mailed or personally delivered...)

(...The state, federal agency, limited partnership, ~~or~~ corporation, or limited liability company...) HAS ACQUIRED THE AGRICULTURAL LAND DESCRIBED BELOW AND HAS RECEIVED AN ACCEPTABLE OFFER TO (LEASE, SELL) THE AGRICULTURAL LAND FROM ANOTHER PARTY. UNDER MINNESOTA STATUTES, SECTION 500.245, SUBDIVISION 1, AN OFFER FROM (...the state, federal agency, limited partnership, ~~or~~ corporation, or limited liability company...) MUST BE MADE TO YOU AT A PRICE NO HIGHER THAN THE HIGHEST OFFER MADE BY ANOTHER PARTY.

THE AGRICULTURAL LAND BEING OFFERED CONTAINS APPROXIMATELY (...approximate number of acres...) ACRES AND IS INFORMALLY DESCRIBED AS FOLLOWS:

(Informal description of the agricultural land being offered that reasonably describes the land. This description does not need to be a legal description.)

(...The state, federal agency, limited partnership, ~~or~~ corporation, or limited liability company...) OFFERS TO (SELL, LEASE) THE AGRICULTURAL LAND DESCRIBED ABOVE FOR A CASH PRICE OF $(...cash price or equivalent cash price for lease and lease period, or cash price or equivalent cash price for sale of land...), WHICH IS NOT HIGHER THAN THE PRICE OFFERED BY ANOTHER PARTY. THE PRICE IS OFFERED ON THE FOLLOWING TERMS:

(Terms, if any, of acceptable offer)

IF YOU WANT TO ACCEPT THIS OFFER YOU MUST NOTIFY (...the state, federal agency, limited partnership, ~~or~~ corporation, or limited liability company...) IN WRITING THAT YOU ACCEPT THE OFFER OR SIGN UNDERNEATH THE FOLLOWING PARAGRAPH AND RETURN A COPY OF THIS NOTICE BY (15 for a lease, 65 for a sale) DAYS AFTER THIS NOTICE IS PERSONALLY DELIVERED OR MAILED TO YOU. THE OFFER IN THIS NOTICE TERMINATES ON (...date of termination - 15 days for lease and 65 days for sale after date of mailing or personal delivery...)

ACCEPTANCE OF OFFER

I ACCEPT THE OFFER TO (BUY, LEASE) THE AGRICULTURAL LAND DESCRIBED ABOVE AT THE PRICE OFFERED TO ME IN THIS NOTICE. AS PART OF ACCEPTING THIS OFFER I WILL PERFORM ACCORDING TO THE TERMS OF THE OFFER, INCLUDING MAKING PAYMENTS DUE UNDER THE OFFER, WITHIN TEN DAYS AFTER THE DATE I ACCEPT THIS OFFER. I UNDERSTAND THAT NEGOTIATING OR AGREEING TO AN ARRANGEMENT TO SELL THE AGRICULTURAL LAND TO ANOTHER PERSON PRIOR TO ACCEPTING THIS OFFER MAY BE A VIOLATION OF LAW AND I MAY BE LIABLE TO A PERSON DAMAGED BY THE SALE.

.....
Signature of Former Owner Accepting Offer

.....
Date"

IMPORTANT NOTICE

ANY ACTION FOR THE RECOVERY OF THE AGRICULTURAL LAND DESCRIBED ABOVE OR ANY ACTION FOR DAMAGES, EXCEPT FOR DAMAGES FOR FRAUD, REGARDING THIS OFFER MUST BE COMMENCED BY A LAWSUIT BEFORE THE EXPIRATION OF THREE YEARS AFTER THIS LAND IS SOLD TO ANOTHER PARTY. UPON FILING A LAWSUIT, YOU MUST ALSO FILE A NOTICE OF LIS PENDENS WITH THE COUNTY RECORDER OR REGISTRAR OF TITLES IN THE COUNTY WHERE THE LAND IS LOCATED.

(b) For an offer to sell, a copy of the purchase agreement containing the price and terms of the highest offer made by a third party that is acceptable to the seller and a signed affidavit by the seller affirming that the purchase agreement is true, accurate, and made in good faith must be included with the notice under this subdivision. At the seller's discretion, reference to the third party's identity may be deleted from the copy of the purchase agreement.

(c) For an offer to lease, a copy of the lease containing the price and terms of the highest offer made by a third party that is acceptable to the lessor and a signed affidavit by the lessor affirming that the lease is true, accurate, and made in good faith must be included with the notice under this subdivision. At the lessor's discretion, reference to the third party's identity may be deleted from the copy of the lease agreement.

(d) The affidavit under paragraphs (b) and (c) is subject to section 609.48.

Sec. 75. [SEED POTATOES; CLEARWATER COUNTY.]

Notwithstanding the seed potato certification requirements under Minnesota Statutes, section 21.1196, in calendar year 2000, seed potatoes may be planted in Clearwater county without

certification if the seed potatoes have had at least field inspection as required for certified seed potatoes, have passed the field inspection standards of disease tolerance, and are free from ring rot.

Sec. 76. [EFFECTIVE DATE.]

Section 22 is effective the day following final enactment and applies to claims for corrective action costs incurred after that date. Sections 67 to 74 are effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to agriculture; changing the scope of the value-added agricultural product processing and marketing grant program; establishing a certification pilot program; including bison in certain definitions of livestock; changing meeting provisions and duties of the board of grain standards; expanding a grants-in-aid program; changing certain fees; making technical changes to pesticide and fertilizer laws; changing certain reimbursement payments; changing seed testing provisions; providing for delegation of certain duties; clarifying the scope of certain regulation of wholesale produce dealers; updating certain food standards; simplifying certain language; providing for uniformity in meat and poultry inspection; changing certain reporting requirements; increasing the amount of livestock dealer bonds; changing rural finance authority loan provisions; clarifying status of certain grain buying transactions; changing certain grain storage provisions; changing the corporate and partnership farming law; providing alternative seed potato regulation in Clearwater county; amending Minnesota Statutes 1998, sections 17.101, subdivision 5; 17A.03, subdivision 5; 17A.05, subdivision 2; 17B.07; 17B.12; 18.023, subdivision 3a; 18C.005, subdivision 34, and by adding subdivisions; 18C.201, by adding subdivisions; 18C.215, subdivisions 1, 2, and by adding a subdivision; 18C.411, subdivision 1; 18C.421, subdivision 1; 18D.201, subdivision 3; 18D.331, by adding a subdivision; 18E.04, subdivision 4; 21.86, subdivision 1; 27.01, subdivision 8; 27.19, subdivision 1; 31.101, as amended; 31.102, subdivision 1; 31.103, subdivision 1; 31.104; 31.632; 31.633, subdivision 1; 31.651; 31A.02, subdivisions 5, 6, 10, 13, and 14; 31A.03; 31A.05; 31A.06; 31A.07, subdivisions 1 and 2; 31A.08; 31A.10; 31A.13; 31A.16; 31A.17; 31B.02, subdivision 4; 41B.03, subdivisions 1 and 2; 41B.039, subdivision 2; 41B.04, subdivision 8; 41B.042, subdivision 4; 41B.043, subdivision 2; 41B.045, subdivision 2; 223.16, subdivision 5; 223.17, subdivision 5; 223.175; 232.21, by adding a subdivision; 232.23, subdivisions 1, 3, and 6; 500.24, subdivisions 3a, 3b, 4, and 5; and 500.245, subdivision 2; Minnesota Statutes 1999 Supplement, sections 17B.15, subdivision 1; 28A.075; 31A.01; 31A.15, subdivision 1; 31B.07, subdivision 3; 500.24, subdivisions 2 and 3; and 500.245, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 17."

We request adoption of this report and repassage of the bill.

House Conferees: (Signed) Tim Finseth, Robert Ness, Stephen G. Wenzel

Senate Conferees: (Signed) Dallas C. Sams, Steve Murphy, John C. Hottinger

Senator Sams moved that the foregoing recommendations and Conference Committee Report on H.F. No. 3312 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

H.F. No. 3312 was read the third time, as amended by the Conference Committee, and placed on its repassage.

The question was taken on the repassage of the bill, as amended by the Conference Committee.

The roll was called, and there were yeas 54 and nays 9, as follows:

Those who voted in the affirmative were:

Belanger	Day	Fischbach	Frederickson	Higgins
Berg	Dille	Flynn	Hanson	Hottinger

Janezich	Kiscaden	Moe, R.D.	Price	Solon
Johnson, D.E.	Kleis	Murphy	Ring	Spear
Johnson, D.H.	Knutson	Neuville	Robertson	Stumpf
Johnson, D.J.	Laidig	Oliver	Robling	Terwilliger
Junge	Langseth	Olson	Runbeck	Vickerman
Kelley, S.P.	Larson	Ourada	Sams	Wiener
Kelly, R.C.	Lesewski	Pappas	Samuelson	Wiger
Kierlin	Limmer	Pariseau	Scheevel	Ziegler
Kinkel	Metzen	Pogemiller	Scheid	

Those who voted in the negative were:

Anderson	Betzold	Krentz	Marty	Ranum
Berglin	Foley	Lourey	Piper	

So the bill, as amended by the Conference Committee, was repassed and its title was agreed to.

REPORTS OF COMMITTEES

Senator Moe, R.D. moved that the Committee Reports at the Desk be now adopted. The motion prevailed.

Senator Moe, R.D. from the Committee on Rules and Administration, to which was referred under Rule 35, together with the committee report thereon,

S.F. No. 3131: A bill for an act relating to natural resources; designating certain wildlife management areas; adding land to certain state forests; providing for all-terrain vehicle use in certain wildlife management areas; amending Minnesota Statutes 1998, section 97A.135, subdivision 2a; proposing coding for new law in Minnesota Statutes, chapter 97A.

Reports the same back with the recommendation that the report from the Committee on Environment and Natural Resources, shown in the Journal for May 4, 2000, be adopted; that committee recommendation being:

"the bill be amended and when so amended the bill do pass". Amendments adopted. Report adopted.

Senator Moe, R.D. from the Committee on Rules and Administration, to which was re-referred

S.F. No. 3835: A resolution memorializing the President of the United States and the President's Council on Environmental Quality to expedite the environmental impact statement of the United States Forest Service to begin reducing fuel loadings within the Boundary Waters Canoe Area Wilderness.

Reports the same back with the recommendation that the resolution do pass. Report adopted.

SECOND READING OF SENATE BILLS

S.F. Nos. 3131 and 3835 were read the second time.

RECESS

Senator Moe, R.D. moved that the Senate do now recess until 2:00 a.m. The motion prevailed.

The hour of 2:00 a.m. having arrived, the President called the Senate to order.

CALL OF THE SENATE

Senator Betzold imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

MOTIONS AND RESOLUTIONS - CONTINUED

Senator Johnson, D.E. moved that H.F. No. 2891 and the Conference Committee Report thereon be taken from the table. The motion prevailed.

CONFERENCE COMMITTEE REPORT ON H.F. NO. 2891

A bill for an act relating to transportation; appropriating money for state road construction, public transit, and other purposes; establishing an intergovernmental cooperative facilities loan fund; establishing a major transportation projects commission; restricting expenditures for commuter rail and light rail transit; canceling bonding authorization for light rail transit; directing a study of freeway ramp meters in the metropolitan area; providing for a grant to the University of Minnesota for design and engineering of personal rapid transit; directing a study of high-occupancy vehicle lane use by certain vehicles; providing for approval of and payment under supplemental goods or services agreements of the commissioner of transportation; authorizing suspension of motor vehicle registration when tax is paid by dishonored check; exempting dealers in firefighting equipment from motor vehicle dealer licensing; providing for commuter rail plan dispute resolution; providing for inspection of vehicles of motor carriers; requiring the budget for light rail transit to include cost of utility relocation; requiring a municipality to issue permits for a specific business or use that uses river transportation as a major mode of transportation once a special permit has been issued and an environmental assessment worksheet has been completed; expanding eligibility for replacement transit service program; requiring a report on metro mobility; establishing working group to assess impact of DM&E rail line project; requiring study and legislative report on statewide public safety radio system; clarifying a definition of state license and service fees; sunsetting a department fee and an account; amending Minnesota Statutes 1998, sections 16A.6701, subdivision 1; 161.32, by adding a subdivision; 168.27, subdivision 8; 168A.29, subdivision 1; 169.781, by adding a subdivision; 174.35; 216B.16, by adding a subdivision; 221.131, subdivision 4; 221.132; and 473.388, subdivision 2; Minnesota Statutes 1999 Supplement, sections 168.17; 174.88; 174.86, subdivision 2, and by adding a subdivision; and 221.0252, subdivision 7; proposing coding for new law in Minnesota Statutes, chapters 161; 174; and 462; repealing Minnesota Statutes 1998, section 299A.70.

Senator Johnson, D.E. moved that the foregoing recommendations and Conference Committee Report on H.F. No. 2891 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

H.F. No. 2891 was read the third time, as amended by the Conference Committee, and placed on its repassage.

The question was taken on the repassage of the bill, as amended by the Conference Committee.

The roll was called, and there were yeas 64 and nays 2, as follows:

Those who voted in the affirmative were:

Anderson	Fischbach	Johnson, D.E.	Kiscaden	Lessard
Belanger	Flynn	Johnson, D.H.	Kleis	Limmer
Berg	Foley	Johnson, D.J.	Knutson	Lourey
Berglin	Frederickson	Junge	Krentz	Metzen
Betzold	Hanson	Kelley, S.P.	Laidig	Moe, R.D.
Cohen	Higgins	Kelly, R.C.	Langseth	Murphy
Day	Hottinger	Kierlin	Larson	Neuville
Dille	Janezich	Kinkel	Lesewski	Novak

Oliver	Piper	Robling	Scheid	Vickerman
Olson	Pogemiller	Runbeck	Solon	Wiener
Ourada	Price	Sams	Spear	Wiger
Pappas	Ring	Samuelson	Stumpf	Ziegler
Pariseau	Robertson	Scheevel	Terwilliger	

Those who voted in the negative were:

Marty	Ranum

So the bill, as amended by the Conference Committee, was repassed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

RECONSIDERATION

Having voted on the prevailing side, Senator Lessard moved that the vote whereby H.F. No. 3213 was passed by the Senate on May 9, 2000, be now reconsidered. The motion prevailed. So the vote was reconsidered.

RECONSIDERATION

Having voted on the prevailing side, Senator Lessard moved that the vote whereby the second Lessard amendment to H.F. No. 3213 was adopted on May 9, 2000, be now reconsidered. The motion prevailed. So the vote was reconsidered.

Senator Lessard withdrew his second amendment.

Senator Lessard then moved to amend H.F. No. 3213, as amended pursuant to Rule 49, adopted by the Senate April 10, 2000, as follows:

(The text of the amended House File is identical to S.F. No. 2878.)

Page 14, after line 26, insert:

"Sec. 18. [SMOKECHASER EMPLOYMENT STATUS.]

By October 15, 2000, the commissioner of natural resources shall make a recommendation to the governor and the legislative committees with jurisdiction over natural resources policy and finance on the inclusion of smokechasers employed by the department of natural resources as covered employees for the purposes of Minnesota Statutes, sections 268.03 to 268.23."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Senator Laidig questioned whether the amendment was germane.

The President ruled that the amendment was germane.

The question was taken on the adoption of the Lessard amendment. The motion prevailed. So the amendment was adopted.

H.F. No. 3213 was read the third time, as amended, and placed on its final passage.

The question was taken on the passage of the bill, as amended.

The roll was called, and there were yeas 63 and nays 1, as follows:

Those who voted in the affirmative were:

Belanger	Janezich	Langseth	Olson	Samuelson
Berg	Johnson, D.E.	Larson	Ourada	Scheevel
Berglin	Johnson, D.H.	Lesewski	Pappas	Scheid
Betzold	Johnson, D.J.	Lessard	Pariseau	Solon
Cohen	Junge	Limmer	Piper	Spear
Day	Kelley, S.P.	Lourey	Pogemiller	Stumpf
Dille	Kelly, R.C.	Marty	Price	Terwilliger
Fischbach	Kierlin	Metzen	Ranum	Vickerman
Flynn	Kinkel	Moe, R.D.	Ring	Wiener
Foley	Kiscaden	Murphy	Robertson	Wiger
Frederickson	Kleis	Neuville	Robling	Ziegler
Higgins	Knutson	Novak	Runbeck	
Hottinger	Krentz	Oliver	Sams	

Those who voted in the negative were:

Laidig

So the bill, as amended, was passed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Order of Business of Messages From the House.

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 2677, and repassed said bill in accordance with the report of the Committee, so adopted.

S.F. No. 2677: A bill for an act relating to crime prevention; recodifying the driving while impaired crimes and related provisions; making numerous clarifying, technical, and substantive changes in the pursuit of simplification; amending Minnesota Statutes 1998, section 629.471; Minnesota Statutes 1999 Supplement, sections 260B.171, subdivision 7; 260B.225, subdivision 4; and 609.035, subdivision 2; proposing coding for new law as Minnesota Statutes, chapter 169A; repealing Minnesota Statutes 1998, sections 168.042; 169.01, subdivisions 61, 68, 82, 83, 86, 87, 88, and 89; 169.121, subdivisions 1, 1a, 1b, 1d, 2, 3b, 3c, 5, 5a, 5b, 6, 7, 8, 9, 10, 10a, 11, and 12; 169.1211; 169.1215; 169.1216; 169.1217, subdivisions 2, 3, 4, 5, 6, and 8; 169.1218; 169.1219; 169.122, subdivisions 1, 2, 3, and 4; 169.123, subdivisions 2, 2a, 2b, 2c, 3, 4, 5, 5a, 5b, 6, 7, 8, and 10; 169.124; 169.125; 169.126; 169.1261; 169.1265; 169.128; and 169.129, subdivision 3; Minnesota Statutes 1999 Supplement, sections 169.121, subdivisions 1c, 3, 3d, 3f, and 4; 169.1217, subdivisions 1, 7, 7a, and 9; 169.122, subdivision 5; 169.123, subdivisions 1 and 5c; and 169.129, subdivision 1.

Senate File No. 2677 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 9, 2000

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 2854, and repassed said bill in accordance with the report of the Committee, so adopted.

S.F. No. 2854: A bill for an act relating to civil commitment; requiring the commissioner of corrections before releasing persons convicted of criminal sexual conduct or sentenced as patterned offenders to send his determination whether a petition under the sexual psychopath law

is necessary to certain county attorneys; allowing county attorneys or their designee to have access to certain information for purposes of determining whether good cause exists to file a commitment proceeding; amending Minnesota Statutes 1998, sections 244.05, subdivision 7; and 253B.185, by adding a subdivision.

Senate File No. 2854 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 9, 2000

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 2575, and repassed said bill in accordance with the report of the Committee, so adopted.

S.F. No. 2575: A bill for an act relating to economic development; regulating eligibility of farmers for the dislocated worker program; amending Minnesota Statutes 1999 Supplement, section 268.975, subdivision 3.

Senate File No. 2575 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 9, 2000

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 2893, and repassed said bill in accordance with the report of the Committee, so adopted.

S.F. No. 2893: A bill for an act relating to business subsidies; providing clarification to the obligation of government agencies and businesses related to certain business subsidies; amending Minnesota Statutes 1999 Supplement, sections 116J.993, subdivision 3; 116J.994, subdivisions 1, 2, 3, 4, 5, 6, 7, 8, 9, and by adding a subdivision; and 116J.995.

Senate File No. 2893 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 9, 2000

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on House File No. 4127, and repassed said bill in accordance with the report of the Committee, so adopted.

House File No. 4127 is herewith transmitted to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted May 9, 2000

CONFERENCE COMMITTEE REPORT ON H.F. NO. 4127

A bill for an act relating to financing state and local government; providing a sales tax rebate; extending the time to qualify for and making certain other changes to the 1999 sales tax rebate; providing agricultural assistance; reducing individual income tax rates; making changes to income, franchise, withholding, sales and use, property, motor vehicle sales and registration, mortgage registry, health care provider, motor fuels, cigarette and tobacco, liquor, insurance premiums, lawful gambling, taconite production, solid waste, estate, and special taxes; changing and allowing

tax credits, subtractions, and exemptions; conforming with changes in federal income tax provisions; providing for allocation and apportionment of income; changing property tax valuation, assessment, levy, classification, homestead, credit, aid, exemption, deferral, review, appeal, abatement, and distribution provisions; extending levy limits and changing levy authority; authorizing certain light rail transit spending if approved by the voters; reducing rates of health care provider taxes; reducing rates on lawful gambling and solid waste management taxes; changing tax increment financing provisions; providing special authority for certain political subdivisions; changing and clarifying tax administration, collection, enforcement, interest, and penalty provisions; changing revenue recapture provisions; freezing the taconite production tax; regulating state and local business subsidies; modifying certain aids to local units of government; recodifying sales and use taxes; recodifying insurance tax laws; establishing a legislative budget office; validating corporations established by political subdivisions and regulating their financing; changing county reporting requirements; providing certain duties and powers to the commissioner of revenue, the state auditor, and to the attorney general; defining terms; classifying data; requiring studies; providing for the transfer of excess surplus in the workers' compensation assigned risk plan; appropriating money; amending Minnesota Statutes 1998, sections 3.98, subdivision 3; 8.30; 16A.46; 37.13; 43A.316, subdivision 9; 43A.317, subdivision 8; 60A.15, subdivision 1; 60A.19, subdivision 8; 60A.198, subdivision 3; 60A.208, subdivision 8; 60A.209, subdivision 3; 60C.17; 60E.04, subdivision 4; 60E.095; 61B.30, subdivision 1; 62C.01, subdivision 3; 62E.10, subdivision 1; 62E.13, subdivision 10; 62L.13, subdivision 3; 62T.10; 64B.24; 71A.04, subdivision 1; 79.252, subdivision 4; 79.34, subdivision 1a; 115A.557, subdivision 3; 115A.69, subdivision 6; 116A.25; 126C.01, by adding a subdivision; 126C.17, subdivision 10; 176A.08; 238.08, subdivision 3; 270.063, by adding a subdivision; 270.072, subdivision 2, and by adding a subdivision; 270A.03, subdivision 7; 270A.07, subdivision 1; 273.111, subdivision 3; 273.124, by adding a subdivision; 273.125, subdivision 8; 273.37, subdivision 3; 275.065, subdivisions 3, 6, 8, and by adding a subdivision; 275.07, subdivision 1; 275.08, subdivision 1b; 275.70, by adding a subdivision; 275.72, subdivisions 1 and 3; 276.19, subdivision 1; 289A.08, by adding a subdivision; 289A.20, subdivision 2; 289A.26, subdivision 1; 289A.31, subdivision 7; 289A.35; 289A.60, subdivisions 1 and 14; 290.01, subdivisions 19c and 19d; 290.015, subdivisions 1, 3, and 4; 290.06, subdivision 22, and by adding subdivisions; 290.0671, subdivision 6; 290.0672, subdivisions 1 and 2; 290.0673, subdivision 8; 290.17, subdivision 2; 290.35, subdivisions 2, 3, and 6; 290.92, subdivisions 3, 28, and 29; 290B.04, by adding a subdivision; 290B.05, subdivision 3; 290B.07; 290B.08, subdivisions 1 and 2; 290B.09, subdivision 2; 295.50, subdivision 9b; 295.58; 296A.03, subdivision 5; 296A.21, subdivisions 2 and 3; 296A.22, subdivision 6; 297A.01, subdivisions 13, 15, 16, and by adding a subdivision; 297A.15, by adding a subdivision; 297A.25, subdivisions 5, 16, 34, 62, 76, and by adding subdivisions; 297B.01, subdivision 7; 297B.03; 297E.02, by adding a subdivision; 297F.01, subdivisions 7, 14, 17, and by adding subdivisions; 297F.08, subdivisions 2, 5, 8, and 9; 297F.13, subdivision 4; 297F.21, subdivisions 1 and 3; 297G.01, by adding a subdivision; 297G.03, subdivision 1; 297H.02, subdivision 2; 297H.03, subdivision 2; 297H.04, subdivision 2; 297H.13, subdivisions 2, 4, and by adding a subdivision; 360.035; 424.165; 429.011, subdivisions 2a and 5; 429.021, subdivision 1; 429.031, subdivision 1; 458A.09; 458A.30; 458D.23; 469.040, by adding a subdivision; 469.115; 469.127; 469.1734, subdivision 4; 469.174, subdivisions 9, 10, 11, 12, 14, and 22; 469.175, subdivisions 1a, 2, 2a, 3, 4, 5, and 6; 469.176, subdivisions 1b and 4d; 469.1761, subdivision 4; 469.1763, subdivision 2, and by adding a subdivision; 469.177, subdivision 1; 469.1813, subdivision 4; 473.388, subdivisions 4 and 7; 473.446, subdivision 1, and by adding a subdivision; 473.448; 473.545; 473.608, subdivision 2; and 477A.06, subdivision 3; Minnesota Statutes 1999 Supplement, sections 16D.09, subdivision 2; 43A.23, subdivision 1; 60A.19, subdivision 6; 116J.993, subdivision 3; 116J.994, subdivisions 1, 3, 4, 5, 6, 7, 8, and 9; 116J.995; 168.012, subdivision 1; 270.65; 270A.03, subdivision 2; 270A.07, subdivision 2; 272.02, subdivision 39, and by adding a subdivision; 273.11, subdivision 1a; 273.124, subdivisions 1, 8, and 14; 273.13, subdivisions 22, 23, 24, 25, and 31; 273.1382, subdivisions 1, 1a, and 1b; 273.1398, subdivisions 1a and 4a; 275.065, subdivision 5a; 275.70, subdivision 5; 275.71, subdivisions 2, 3, and 4; 287.01, subdivision 2; 289A.02, subdivision 7; 289A.20, subdivision 4; 289A.55, subdivision 9; 290.01, subdivisions 19, 19b, and 31; 290.06, subdivisions 2c and 2d; 290.0671, subdivision 1; 290.0674, subdivision 2; 290.0675, subdivisions 1, 2, and 3; 290.091, subdivisions 1, 2, and 6; 290.191, subdivisions 2 and 3; 290.9725; 290A.03, subdivision 15; 290B.03, subdivision 1; 290B.05, subdivision 1; 291.005, subdivision 1; 295.52, subdivision 7; 295.53, subdivision 1; 297A.25,

subdivisions 9 and 11; 297E.02, subdivisions 1, 4, and 6; 297F.08, subdivision 8a; 297H.05; 298.24, subdivision 1; 383D.74, subdivision 2; 469.101, subdivision 2; 469.1771, subdivision 1; 469.1813, subdivisions 1 and 6; 477A.011, subdivision 36; 477A.03, subdivision 2; 477A.06, subdivision 1; and 505.08, subdivision 3; Laws 1987, chapter 402, section 2, subdivisions 1, 4, and 5; Laws 1988, chapter 645, section 3, as amended; Laws 1995, First Special Session chapter 3, article 15, section 25; Laws 1997, chapter 231, article 1, section 19, subdivisions 1, as amended, and 3, as amended; Laws 1999, chapter 112, section 1, subdivision 1; Laws 1999, chapter 243, article 1, section 2; article 6, section 18; proposing coding for new law in Minnesota Statutes, chapters 3; 273; 278; 297A; 465; and 473; proposing coding for new law as Minnesota Statutes, chapter 297I; repealing Minnesota Statutes 1998, sections 60A.15; 60A.152; 60A.198, subdivision 6; 60A.199, subdivisions 2, 3, 4, 5, 6, 6a, 7, 8, 9, 10, and 11; 60A.209, subdivisions 4 and 5; 69.54; 69.55; 69.56; 69.57; 69.58; 69.59; 69.60; 69.61; 71A.04, subdivision 2; 270.072, subdivision 5; 270.075, subdivisions 3 and 4; 270.083; 273.127; 273.13, subdivision 24a; 273.1316; 297A.01; 297A.02; 297A.022; 297A.023; 297A.03; 297A.04; 297A.041; 297A.06; 297A.065; 297A.07; 297A.09; 297A.10; 297A.11; 297A.12; 297A.13; 297A.135; 297A.14; 297A.141; 297A.15; 297A.16; 297A.17; 297A.18; 297A.21; 297A.211; 297A.213; 297A.22; 297A.23; 297A.24; 297A.25; 297A.2531; 297A.2545; 297A.255; 297A.256; 297A.2571; 297A.2572; 297A.2573; 297A.259; 297A.26; 297A.28; 297A.33, subdivision 2; 297A.44, subdivision 1; 297A.46; 297A.47; 297A.48; 299F.21; 299F.22; 299F.23; 299F.24; 299F.25; 299F.26; 465.715, subdivisions 1, 2, and 3; 469.055, subdivision 5; 469.101, subdivision 21; 469.135; 469.136; 469.137; 469.138; 469.139; 469.140; 469.174, subdivision 13; 469.175, subdivision 6a; and 469.176, subdivision 4a; Minnesota Statutes 1999 Supplement, sections 290.06, subdivision 26; 290.9726, subdivision 7; and 465.715, subdivision 1a; Minnesota Rules, parts 2765.1500, subpart 6; and 8160.0300, subpart 4.

May 9, 2000

The Honorable Steve Sviggum
Speaker of the House of Representatives

The Honorable Allan H. Spear
President of the Senate

We, the undersigned conferees for H.F. No. 4127, report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendments and that H.F. No. 4127 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

2000 SALES TAX REBATE

Section 1. [STATEMENT OF PURPOSE.]

(a) The state of Minnesota derives revenues from a variety of taxes, fees, and other sources, including the state sales tax.

(b) It is fair and reasonable to refund the existing state budget surplus in the form of a rebate of nonbusiness consumer sales taxes paid by individuals in calendar year 1998.

(c) Information concerning the amount of sales tax paid at various income levels is contained in the Minnesota tax incidence report, which is written by the commissioner of revenue and presented to the legislature according to Minnesota Statutes, section 270.0682.

(d) It is fair and reasonable to use information contained in the Minnesota tax incidence report, updated to calendar year 1998, to determine the proportionate share of the sales tax rebate due each eligible taxpayer since no effective or practical mechanism exists for determining the amount of actual sales tax paid by each eligible individual.

Sec. 2. [SALES TAX REBATE.]

(a) An individual who:

(1) was eligible for a credit under Laws 1998, chapter 389, article 1, section 1, and who filed for or received that credit on or before November 30, 2000; or

(2) was a resident of Minnesota for any part of 1998, and filed a 1998 Minnesota income tax return on or before November 30, 2000, and had a tax liability before refundable credits on that return of at least $1 but did not file the claim for credit authorized under Laws 1998, chapter 389, article 1, section 1, as amended, and who was not allowed to be claimed as a dependent on a 1998 federal income tax return filed by another person; or

(3) had the property taxes payable on his or her homestead abated to zero under Laws 1998, chapter 383, section 20, shall receive a sales tax rebate.

(b) The sales tax rebate for taxpayers who qualify under paragraph (a) as married filing joint or head of household must be computed according to the following schedule:

Income	Sales Tax Rebate
less than $2,500	$168
at least $2,500 but less than $5,000	$217
at least $5,000 but less than $10,000	$231
at least $10,000 but less than $15,000	$253
at least $15,000 but less than $20,000	$275
at least $20,000 but less than $25,000	$299
at least $25,000 but less than $30,000	$312
at least $30,000 but less than $35,000	$338
at least $35,000 but less than $40,000	$369
at least $40,000 but less than $45,000	$396
at least $45,000 but less than $50,000	$417
at least $50,000 but less than $60,000	$444
at least $60,000 but less than $70,000	$476
at least $70,000 but less than $80,000	$523
at least $80,000 but less than $90,000	$562
at least $90,000 but less than $100,000	$620
at least $100,000 but less than $120,000	$671
at least $120,000 but less than $140,000	$735
at least $140,000 but less than $160,000	$795
at least $160,000 but less than $180,000	$851
at least $180,000 but less than $200,000	$904
at least $200,000 but less than $400,000	$1,157
at least $400,000 but less than $600,000	$1,522
at least $600,000 but less than $800,000	$1,826
at least $800,000 but less than $1,000,000	$2,093
$1,000,000 and over	$2,400

(c) The sales tax rebate for individuals who qualify under paragraph (a) as single or married filing separately must be computed according to the following schedule:

Income	Sales Tax Rebate
less than $2,500	$95
at least $2,500 but less than $5,000	$116
at least $5,000 but less than $10,000	$137
at least $10,000 but less than $15,000	$184
at least $15,000 but less than $20,000	$210
at least $20,000 but less than $25,000	$228
at least $25,000 but less than $30,000	$238

at least $30,000 but less than $40,000	$259
at least $40,000 but less than $50,000	$290
at least $50,000 but less than $70,000	$342
at least $70,000 but less than $100,000	$435
at least $100,000 but less than $140,000	$524
at least $140,000 but less than $200,000	$632
at least $200,000 but less than $400,000	$857
at least $400,000 but less than $600,000	$1,128
$600,000 and over	$1,200

(d) Individuals who were not residents of Minnesota for any part of 1998 and who paid more than $10 in Minnesota sales tax on nonbusiness consumer purchases in that year qualify for a rebate under this paragraph only. Qualifying nonresidents must file a claim for rebate on a form prescribed by the commissioner by November 30, 2000. The claim must include receipts showing the Minnesota sales tax paid and the date of the sale. Taxes paid on purchases allowed in the computation of federal taxable income or reimbursed by an employer are not eligible for the rebate. The commissioner shall determine the qualifying taxes paid and rebate the lesser of:

(1) 29.7 percent of that amount; or

(2) the maximum amount for which the claimant would have been eligible as determined under paragraph (b) if the taxpayer filed the 1998 federal income tax return as a married taxpayer filing jointly or head of household, or as determined under paragraph (c) for other taxpayers.

(e) "Income," for purposes of this section other than paragraph (d), is taxable income as defined in section 63 of the Internal Revenue Code of 1986, as amended through December 31, 1997, plus the sum of any additions to federal taxable income for the taxpayer under Minnesota Statutes, section 290.01, subdivision 19a, and reported on the original 1998 income tax return, including subsequent adjustments to that return made within the time limits specified in paragraph (l). For an individual who was a resident of Minnesota for less than the entire year, the sales tax rebate equals the sales tax rebate calculated under paragraph (b) or (c) multiplied by the percentage determined pursuant to Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e), as calculated on the original 1998 income tax return, including subsequent adjustments to that return made within the time limits specified in paragraph (l). For purposes of paragraph (d), "income" is taxable income as defined in section 63 of the Internal Revenue Code of 1986, as amended through December 31, 1997, and reported on the taxpayer's original federal tax return for the first taxable year beginning after December 31, 1997.

(f) Individuals who were residents of Minnesota for all of 1998, were not eligible for a rebate under paragraph (a), attained the age of 18 on or before December 31, 1998, and received in 1998 social security benefits as defined in section 86(d)(1) of the Internal Revenue Code of 1986, as amended through December 31, 1999, are entitled to a rebate of $95. If the Social Security Administration or Railroad Retirement Board is paying benefits to a recipient by electronic funds transfers in 2000, the rebate under this paragraph must be paid by the commissioner through electronic funds transfer to the same financial institution and into the same account into which the Social Security Administration or Railroad Retirement Board transfers social security benefits in calendar year 2000.

(g) An individual who:

(1) was allowed to be claimed as a dependent on a 1998 federal income tax return filed by another person;

(2) would have otherwise been eligible for a rebate under clause (a)(2); and

(3) reported earned income as defined in section 32(c)(2)(A)(i) of the Internal Revenue Code,

is eligible for a rebate under this paragraph only. The rebate under this paragraph equals 35 percent of the amount allowed under the schedule in paragraph (c) based on the individual's income. For an individual who was a resident of Minnesota for less than the entire year, the sales

tax rebate equals the rebate calculated under this paragraph multiplied by the percentage determined pursuant to Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e), as calculated on the original 1998 income tax return.

(h) An individual who

(1) was a resident of Minnesota for any part of 1998;

(2) was not eligible for a rebate under paragraph (a) or (f);

(3) was not allowed to be claimed as a dependent on a 1998 federal income tax return by another person; and

(4) filed a 1998 Minnesota income tax return before November 30, 2000, in order to

(i) claim a credit under section 290.067, 290.0671, or 290.0674;

(ii) claim a refund of withheld taxes; or

(iii) claim a refund of estimated taxes,

is eligible for a rebate under this paragraph only. For married couples filing joint returns and heads of households, the rebate equals the minimum amount in paragraph (b). For single filers and married individuals filing separate returns, the rebate equals the minimum amount in paragraph (c). For an individual who was a resident of Minnesota for less than the entire year, the sales tax rebate equals the rebate calculated under this paragraph multiplied by the percentage determined pursuant to Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e), as calculated on the original 1998 income tax return.

(i) For a fiscal year taxpayer, the dates in paragraphs (a) through (d) are extended one month for each month in calendar year 1998 that occurred prior to the start of the individual's 1998 fiscal tax year.

(j) Before payment, the commissioner of revenue shall adjust the rebate as follows:

the rebates calculated in paragraphs (b), (c), (d), (f), (g), and (h) must be proportionately reduced to account for (i) rebates under paragraphs (g) and (h), and (ii) 1998 income tax returns that are filed on or after January 1, 2000, but before June 1, 2000, so that the estimated amount of sales tax rebates payable under paragraphs (b), (c), (d), (f), (g), and (h) on the date the rebate is processed does not exceed $635,600,000. The adjustment under this paragraph is not a rule subject to Minnesota Statutes, chapter 14.

(k) The commissioner of revenue may begin making sales tax rebates by July 1, 2000. Sales tax rebates not paid by January 1, 2001, bear interest at the rate specified in Minnesota Statutes, section 270.75.

(l) A sales tax rebate shall not be adjusted based on changes to a 1998 income tax return that are made by order of assessment after the date the rebate is processed, or made by the taxpayer that are filed with the commissioner of revenue after that date.

(m) Individuals who filed a joint income tax return for 1998 shall receive a joint sales tax rebate. After the sales tax rebate has been issued, but before the check has been cashed, either joint claimant may request a separate check for one-half of the joint sales tax rebate. Notwithstanding anything in this section to the contrary, if prior to payment, the commissioner has been notified that persons who filed a joint 1998 income tax return are living at separate addresses, as indicated on their 1999 income tax return or otherwise, the commissioner may issue separate checks to each person. The amount payable to each person is one-half of the total joint rebate.

(n) If a rebate is received by the estate of a deceased individual after the probate estate has been closed, and if the original rebate check is returned to the commissioner with a copy of the decree of descent or final account of the estate, social security numbers, and addresses of the

beneficiaries, the commissioner may issue separate checks in proportion to their share in the residuary estate in the names of the residuary beneficiaries of the estate.

(o) The sales tax rebate is a "Minnesota tax law" for purposes of Minnesota Statutes, section 270B.01, subdivision 8.

(p) The sales tax rebate is "an overpayment of any tax collected by the commissioner" for purposes of Minnesota Statutes, section 270.07, subdivision 5. For purposes of this paragraph, a joint sales tax rebate is payable to each spouse equally.

(q) If the commissioner of revenue cannot locate an individual entitled to a sales tax rebate by July 1, 2002, or if an individual to whom a sales tax rebate was issued has not cashed the check by July 1, 2002, the right to the sales tax rebate lapses and the check must be deposited in the general fund.

(r) Individuals entitled to a sales tax rebate pursuant to paragraph (a), (f), (g), or (h) but who did not receive one, and individuals who receive a sales tax rebate that was not correctly computed, must file a claim with the commissioner before July 1, 2001, in a form prescribed by the commissioner. These claims must be treated as if they are a claim for refund under Minnesota Statutes, section 289A.50, subdivisions 4 and 7.

(s) The sales tax rebate is a refund subject to revenue recapture under Minnesota Statutes, chapter 270A. The commissioner of revenue shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, refund one-half of the joint sales tax rebate to the spouse who does not owe the debt.

(t) The rebate is a reduction of fiscal year 2000 sales tax revenues. The amount necessary to make the sales tax rebates and interest provided in this section is appropriated from the general fund to the commissioner of revenue in fiscal year 2000 and is available until June 30, 2002.

(u) If a sales tax rebate check is cashed by someone other than the payee or payees of the check, and the commissioner of revenue determines that the check has been forged or improperly endorsed or the commissioner determines that a rebate was overstated or erroneously issued, the commissioner may issue an order of assessment for the amount of the check or the amount the check is overstated against the person or persons cashing it. The assessment must be made within two years after the check is cashed, but if cashing the check constitutes theft under Minnesota Statutes, section 609.52, or forgery under Minnesota Statutes, section 609.631, the assessment can be made at any time. The assessment may be appealed administratively and judicially. The commissioner may take action to collect the assessment in the same manner as provided by Minnesota Statutes, chapter 289A, for any other order of the commissioner assessing tax.

(v) Notwithstanding Minnesota Statutes, sections 9.031, 16A.40, 16B.49, 16B.50, and any other law to the contrary, the commissioner of revenue may take whatever actions the commissioner deems necessary to pay the rebates required by this section, and may, in consultation with the commissioner of finance and the state treasurer, contract with a private vendor or vendors to process, print, and mail the rebate checks or warrants required under this section and receive and disburse state funds to pay those checks or warrants.

(w) The commissioner may pay rebates required by this section by electronic funds transfer to individuals who requested that their 1999 individual income tax refund be paid through electronic funds transfer. The commissioner may make the electronic funds transfer payments to the same financial institution and into the same account as the 1999 individual income tax refund.

Sec. 3. [APPROPRIATIONS.]

(a) $1,730,600 is appropriated from the general fund to the commissioner of revenue to administer the sales tax rebates in this article and in article 3 for fiscal year 2000. Any unencumbered balance remaining on June 30, 2000, does not cancel but is available for expenditure by the commissioner of revenue until June 30, 2001. Notwithstanding Minnesota Statutes, section 16A.285, and except as provided in paragraph (b), the commissioner of revenue may not use this appropriation for any purpose other than administering the 1999 and 2000 sales tax rebates. This is a one-time appropriation and may not be added to the agency’s budget base.

(b) Of the amount appropriated in paragraph (a), the necessary amount is transferred from the commissioner of revenue to the legislative auditor, not to exceed $50,000, for an audit of the appropriations to the department of revenue for administration of the property tax rebates in Laws 1997, chapter 231, article 16, section 29; and Laws 1998, chapter 389, article 1, section 4; and the appropriation for administration of the sales tax rebate in Laws 1999, chapter 243, article 1, section 3. The purpose of this audit is to determine whether the funds appropriated were expended consistent with the purpose of the appropriations. The legislative auditor shall report the findings of the audit to the legislature by January 1, 2001.

(c) $278,000 is appropriated from the general fund to the state treasurer to pay the cost of clearing sales tax rebate checks through commercial banks.

Sec. 4. [EFFECTIVE DATE.]

Sections 1 to 3 are effective the day following final enactment.

ARTICLE 2

AGRICULTURAL ASSISTANCE

Section 1. Laws 1999, chapter 112, section 1, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (a) The definitions in this subdivision apply to this section.

(b) "Acre" means an acre of effective agricultural use land within the state of Minnesota as reported to the farm service agency on form 156EZ.

(c) "Commissioner" means the commissioner of revenue.

(d) "Effective agricultural use land" means the land suitable for growing an agricultural crop and excludes land enrolled in the conservation reserve program established by Minnesota Statutes, section 103F.515, or the water bank program established by Minnesota Statutes, section 103F.601.

(e) "Farm" or "farm operation" means an agricultural production operation with a unique farm number as reported on form 156EZ to the farm service agency, which includes at least 40 acres of effective agricultural use land.

(f) "Farm operator" means a person who is identified as the operator of a farm on form 156EZ filed with the farm service agency.

(g) "Farm service agency" means the United States Farm Service Agency.

(h) "Farmer" or "farmer at risk" means a person who produces an agricultural crop or livestock and is reported to the farm service agency as bearing a percentage of the risk for the farm operation.

(i) "Livestock" means cattle, hogs, poultry, and sheep.

(j) "Livestock production facility" means a farm that has produced at least a total of $10,000 in sales of unprocessed livestock or unprocessed dairy products or receipts from the care of another farmer's livestock as reported on schedule F or form 1065 or form 1120 or 1120S of the farmer's federal income tax return for either taxable years beginning in calendar year 1997 or 1998.

(k) "Person" includes individuals, fiduciaries, estates, trusts, partnerships, joint ventures, and corporations.

EFFECTIVE DATE: This section is effective retroactively to April 23, 1999.

Sec. 2. Laws 1999, chapter 112, section 1, subdivision 2, is amended to read:

Subd. 2. [PAYMENT TO FARMERS.] Every farm operator may apply on a separate form for each farm that they operate to the commissioner for payments as provided under this subdivision. The payment shall be made to each farmer at risk for a farm operation and shall equal $4,

multiplied by the number of acres of the farm operation, multiplied by the percentage of the risk borne by that farmer for that farm operation. If total payments for a farm to all farmers at risk for that farm would exceed $5,600, the payment to each farmer at risk shall be prorated so that the total payments to all farmers at risk for that farm do not exceed $5,600.

Applications shall be based on information reported to the farm service agency for crop year 1998 by December 31, 1998. The applications shall include the social security number or federal employer identification number or a producer number assigned by the farm service agency for each farmer and the farm service agency farm number from form 156EZ. The commissioner shall prepare application forms for the payment and ensure that they are available throughout the state. The commissioner shall make payments by June 30, 1999, to each eligible farmer who applies by May 31, 1999, or within 30 days of the application if the application is received after May 31, 1999. In no case will applications be accepted after ~~September~~ June 30, ~~1999~~ 2000.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 3. Laws 1999, chapter 112, section 1, subdivision 7, is amended to read:

Subd. 7. [CERTIFICATION AND PAYMENT.] Any person eligible for the refund under subdivisions 4 to 8 shall send the commissioner a copy of the certification that the taxpayer received from the county auditor. In no case will applications be accepted after ~~November~~ June 30, ~~1999~~ 2000. The commissioner shall issue a refund by July 15, 1999, to each qualifying taxpayer who applied by June 15, 1999, or within 30 days of receipt of the application if received after June 15, 1999.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 4. Laws 1999, chapter 112, section 2, is amended to read:

Sec. 2. [APPROPRIATION.]

(a) The amount necessary to fund the payments required under section 1, subdivisions 2 and 7, is appropriated in fiscal ~~year~~ years 1999 and 2000 from the general fund to the commissioner of revenue. This appropriation is available until June 30, ~~2000~~ 2001.

(b) $68,000 is appropriated in fiscal year 1999 to the commissioner of revenue for distribution to counties for the costs of administering section 1, subdivisions 4 to 8. This appropriation is available until June 30, 2000. The distribution to counties shall be based on the number of refunds received under the provisions of section 1, subdivisions 4 to 8.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 5. [AGRICULTURAL ASSISTANCE IN 2000.]

Subdivision 1. [DEFINITIONS.] (a) The definitions in this subdivision apply to this section.

(b) "Acre" means an acre of agricultural land within a qualified county as reported on the schedule of crop insurance.

(c) "Commissioner" means the commissioner of agriculture.

(d) "Crop insurance" means federal multiple peril crop and revenue insurance, hail and wind crop insurance, or catastrophic crop insurance.

(e) "Person" includes individuals, fiduciaries, estates, trusts, partnerships, joint farm ventures, and corporations.

(f) "Qualified counties" means the counties which were declared as disaster counties in Minnesota by a 1999 presidential declaration or which are contiguous to any one of the counties which was declared a disaster county in Minnesota by a 1999 presidential declaration. The counties are: Aitkin, Becker, Beltrami, Carlton, Cass, Clay, Clearwater, Cook, Crow Wing, Hubbard, Itasca, Kanabec, Kittson, Koochiching, Lake, Lake of the Woods, Mahnomen, Marshall,

Mille Lacs, Morrison, Norman, Otter Tail, Pennington, Pine, Polk, Red Lake, Roseau, St. Louis, Todd, Wadena, and Wilkin.

Subd. 2. [PAYMENT.] Every person operating a farm in a qualified county who has obtained crop insurance on that farm may apply on a form prepared by the commissioner for payments as provided under this subdivision. The payment equals $4, multiplied by the number of acres covered under the crop insurance. In no case shall total payments for any single acre of land exceed $4.

Applications must be based on information for crop year 2000. The applications must include the applicant's social security number or federal employer identification number and a copy of the schedule of crop insurance for crop year 2000. In the case of a married couple, the social security numbers or federal employer identification numbers are required for both spouses. The commissioner shall prepare application forms for the payments and ensure that they are available in the qualified counties. The commissioner shall make payments by October 1, 2000, to each eligible person who applies by August 15, 2000, or within 45 days of the application if the application is received after August 15, 2000. In no case will applications be accepted after September 30, 2000.

Subd. 3. [LIMIT.] No individual or married couple may receive total payments under this section in excess of $5,600 whether individually, through the person's pro rata ownership share of another eligible farming entity, or both.

Subd. 4. [PENALTIES.] If the commissioner of agriculture determines that claims for payments under subdivision 2 are or were excessive or were filed with fraudulent intent, the claim must be disallowed in full. If the claim has been paid, the commissioner of agriculture shall notify the commissioner of revenue of the relevant information, and the amount disallowed must be recovered by assessment and collection under Minnesota Statutes, chapters 270 and 289A. The assessment must be made within two years after a check is cashed, but if cashing a check constitutes theft under Minnesota Statutes, section 609.52, or forgery under Minnesota Statutes, section 609.631, the assessment may be made at any time. The assessment may be appealed administratively and judicially.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 6. [APPROPRIATION.]

(a) The amount necessary to fund the payments under section 5 is appropriated in fiscal year 2001 from the general fund to the commissioner of agriculture. This appropriation is available until June 30, 2001.

(b) The amount necessary to administer the agricultural assistance program under section 5 is appropriated from the general fund to the commissioner of agriculture, provided that amount shall not exceed $50,000.

EFFECTIVE DATE: This section is effective the day following final enactment.

ARTICLE 3

1999 SALES TAX REBATE

Section 1. Laws 1999, chapter 243, article 1, section 2, is amended to read:

Sec. 2. [SALES TAX REBATE.]

(a) An individual who:

(1) was eligible for a credit under Laws 1997, chapter 231, article 1, section 16, as amended by Laws 1997, First Special Session chapter 5, section 35, and Laws 1997, Third Special Session chapter 3, section 11, and Laws 1998, chapter 304, and Laws 1998, chapter 389, article 1, section 3, and who filed for or received that credit on or before June 15, 1999; or

(2) was a resident of Minnesota for any part of 1997, and filed a 1997 Minnesota income tax return on or before June 15, 1999, and had a tax liability before refundable credits on that return of at least $1 but did not file the claim for credit authorized under Laws 1997, chapter 231, article 1, section 16, as amended, and who was not allowed to be claimed as a dependent on a 1997 federal income tax return filed by another person; or

(3) had the property taxes payable on his or her homestead abated to zero under Laws 1997, chapter 231, article 2, section 64,

shall receive a sales tax rebate.

(b) The sales tax rebate for taxpayers who qualify under paragraph (a) as married filing joint or head of household must be computed according to the following schedule:

Income	Sales Tax Rebate
less than $2,500	$ 358
at least $2,500 but less than $5,000	$ 469
at least $5,000 but less than $10,000	$ 502
at least $10,000 but less than $15,000	$ 549
at least $15,000 but less than $20,000	$ 604
at least $20,000 but less than $25,000	$ 641
at least $25,000 but less than $30,000	$ 690
at least $30,000 but less than $35,000	$ 762
at least $35,000 but less than $40,000	$ 820
at least $40,000 but less than $45,000	$ 874
at least $45,000 but less than $50,000	$ 921
at least $50,000 but less than $60,000	$ 969
at least $60,000 but less than $70,000	$1,071
at least $70,000 but less than $80,000	$1,162
at least $80,000 but less than $90,000	$1,276
at least $90,000 but less than $100,000	$1,417
at least $100,000 but less than $120,000	$1,535
at least $120,000 but less than $140,000	$1,682
at least $140,000 but less than $160,000	$1,818
at least $160,000 but less than $180,000	$1,946
at least $180,000 but less than $200,000	$2,067
at least $200,000 but less than $400,000	$2,644
at least $400,000 but less than $600,000	$3,479
at least $600,000 but less than $800,000	$4,175
at least $800,000 but less than $1,000,000	$4,785
$1,000,000 and over	$5,000

(c) The sales tax rebate for individuals who qualify under paragraph (a) as single or married filing separately must be computed according to the following schedule:

Income	Sales Tax Rebate
less than $2,500	$ 204
at least $2,500 but less than $5,000	$ 249
at least $5,000 but less than $10,000	$ 299
at least $10,000 but less than $15,000	$ 408
at least $15,000 but less than $20,000	$ 464
at least $20,000 but less than $25,000	$ 496
at least $25,000 but less than $30,000	$ 515
at least $30,000 but less than $40,000	$ 570
at least $40,000 but less than $50,000	$ 649
at least $50,000 but less than $70,000	$ 776
at least $70,000 but less than $100,000	$ 958

at least $100,000 but less than $140,000	$1,154
at least $140,000 but less than $200,000	$1,394
at least $200,000 but less than $400,000	$1,889
at least $400,000 but less than $600,000	$2,485
$600,000 and over	$2,500

(d) Individuals who were not residents of Minnesota for any part of 1997 and who paid more than $10 in Minnesota sales tax on nonbusiness consumer purchases in that year qualify for a rebate under this paragraph only. Qualifying nonresidents must file a claim for rebate on a form prescribed by the commissioner before the later of June 15, 1999, or 30 days after the date of enactment of this act. The claim must include receipts showing the Minnesota sales tax paid and the date of the sale. Taxes paid on purchases allowed in the computation of federal taxable income or reimbursed by an employer are not eligible for the rebate. The commissioner shall determine the qualifying taxes paid and rebate the lesser of:

(1) 69.0 percent of that amount; or

(2) the maximum amount for which the claimant would have been eligible as determined under paragraph (b) if the taxpayer filed the 1997 federal income tax return as a married taxpayer filing jointly or head of household, or as determined under paragraph (c) for other taxpayers.

(e) "Income," for purposes of this section other than paragraph (d), is taxable income as defined in section 63 of the Internal Revenue Code of 1986, as amended through December 31, 1996, plus the sum of any additions to federal taxable income for the taxpayer under Minnesota Statutes, section 290.01, subdivision 19a, and reported on the original 1997 income tax return including subsequent adjustments to that return made within the time limits specified in paragraph (h). For an individual who was a resident of Minnesota for less than the entire year, the sales tax rebate equals the sales tax rebate calculated under paragraph (b) or (c) multiplied by the percentage determined pursuant to Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e), as calculated on the original 1997 income tax return including subsequent adjustments to that return made within the time limits specified in paragraph (h). For purposes of paragraph (d), "income" is taxable income as defined in section 63 of the Internal Revenue Code of 1986, as amended through December 31, 1996, and reported on the taxpayer's original federal tax return for the first taxable year beginning after December 31, 1996.

(f) An individual who would have been eligible for a rebate under paragraph (a), clause (1) or (2), or (d) had the individual filed a 1997 Minnesota income tax return or claim form by June 15, 1999, who files the return or claim form by June 30, 2000, is eligible for the rebate amount under paragraph (b) as adjusted by paragraph (h) if the individual is married filing joint or head of household and the rebate amount under paragraph (c) as adjusted by paragraph (h) if the individual is married filing separately or single.

(g) For a fiscal year taxpayer, the June 15, 1999, dates in paragraphs (a) through (d) are extended one month for each month in calendar year 1997 that occurred prior to the start of the individual's 1997 fiscal tax year.

(h) Before payment, the commissioner of revenue shall adjust the rebate as follows:

(1) the rebates calculated in paragraphs (b), (c), and (d) must be proportionately reduced to account for 1997 income tax returns that are filed on or after January 1, 1999, but before July 1, 1999, so that the amount of sales tax rebates payable under paragraphs (b), (c), and (d) does not exceed $1,250,000,000; and

(2) the commissioner of finance shall certify by July 15, 1999, preliminary fiscal year 1999 general fund net nondedicated revenues. The certification shall exclude the impact of any legislation enacted during the 1999 regular session. If certified net nondedicated revenues exceed the amount forecast in February 1999, up to $50,000,000 of the increase shall be added to the total amount rebated. The commissioner of revenue shall adjust all rebates proportionally to reflect any increases. The total amount of the rebate shall not exceed $1,300,000,000.

The adjustments under this paragraph are not rules subject to Minnesota Statutes, chapter 14.

~~(g)~~ (i) The commissioner of revenue may begin making sales tax rebates by August 1, 1999. Sales tax rebates not paid by October 1, 1999, bear interest at the rate specified in Minnesota Statutes, section 270.75. Sales tax rebates paid to (1) taxpayers who file their original 1997 Minnesota income tax return after June 15, 1999, and (2) qualifying nonresidents who file a claim for rebate after June 15, 1999,

bear interest at the rate specified in Minnesota Statutes, section 270.75, beginning October 1, 2000.

~~(h)~~ (j) A sales tax rebate shall not be adjusted based on changes to a 1997 income tax return that are made by order of assessment after June 15, 1999, or made by the taxpayer that are filed with the commissioner of revenue after June 15, 1999.

~~(i)~~ (k) Individuals who filed a joint income tax return for 1997 shall receive a joint sales tax rebate. After the sales tax rebate has been issued, but before the check has been cashed, either joint claimant may request a separate check for one-half of the joint sales tax rebate. Notwithstanding anything in this section to the contrary, if prior to payment, the commissioner has been notified that persons who filed a joint 1997 income tax return are living at separate addresses, as indicated on their 1998 income tax return or otherwise, the commissioner may issue separate checks to each person. The amount payable to each person is one-half of the total joint rebate. If a rebate is received by the estate of a deceased individual after the probate estate has been closed, and if the original rebate check is returned to the commissioner with a copy of the decree of descent or final account of the estate, social security numbers, and addresses of the beneficiaries, the commissioner may issue separate checks in proportion to their share in the residuary estate in the names of the residuary beneficiaries of the estate.

~~(j)~~ (l) The sales tax rebate is a "Minnesota tax law" for purposes of Minnesota Statutes, section 270B.01, subdivision 8.

~~(k)~~ (m) The sales tax rebate is "an overpayment of any tax collected by the commissioner" for purposes of Minnesota Statutes, section 270.07, subdivision 5. For purposes of this paragraph, a joint sales tax rebate is payable to each spouse equally.

~~(l)~~ (n) If the commissioner of revenue cannot locate an individual entitled to a sales tax rebate by July 1, 2001, or if an individual to whom a sales tax rebate was issued has not cashed the check by July 1, 2001, the right to the sales tax rebate lapses and the check must be deposited in the general fund.

~~(m)~~ (o) Individuals entitled to a sales tax rebate pursuant to paragraph (a), but who did not receive one, and individuals who receive a sales tax rebate that was not correctly computed, must file a claim with the commissioner before July 1, 2000, in a form prescribed by the commissioner. Taxpayers who file their original 1997 Minnesota income tax return after June 15, 1999, and qualifying nonresidents who file a claim for rebate after June 15, 1999, and who do not receive it or who receive a sales tax rebate that was not correctly computed, must file a claim with the commissioner before July 1, 2001, in a form prescribed by the commissioner. These claims must be treated as if they are a claim for refund under Minnesota Statutes, section 289A.50, subdivisions 4 and 7.

~~(n)~~ (p) The sales tax rebate is a refund subject to revenue recapture under Minnesota Statutes, chapter 270A. The commissioner of revenue shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, refund one-half of the joint sales tax rebate to the spouse who does not owe the debt.

~~(o)~~ (q) The rebate is a reduction of fiscal year 1999 sales tax revenues. The amount necessary to make the sales tax rebates and interest provided in this section is appropriated from the general fund to the commissioner of revenue in fiscal year 1999 and is available until June 30, 2001.

~~(p)~~ (r) If a sales tax rebate check is cashed by someone other than the payee or payees of the check, and the commissioner of revenue determines that the check has been forged or improperly

endorsed or the commissioner determines that a rebate was overstated or erroneously issued, the commissioner may issue an order of assessment for the amount of the check or the amount the check is overstated against the person or persons cashing it. The assessment must be made within two years after the check is cashed, but if cashing the check constitutes theft under Minnesota Statutes, section 609.52, or forgery under Minnesota Statutes, section 609.631, the assessment can be made at any time. The assessment may be appealed administratively and judicially. The commissioner may take action to collect the assessment in the same manner as provided by Minnesota Statutes, chapter 289A, for any other order of the commissioner assessing tax.

~~(q)~~ (s) Notwithstanding Minnesota Statutes, sections 9.031, 16A.40, 16B.49, 16B.50, and any other law to the contrary, the commissioner of revenue may take whatever actions the commissioner deems necessary to pay the rebates required by this section, and may, in consultation with the commissioner of finance and the state treasurer, contract with a private vendor or vendors to process, print, and mail the rebate checks or warrants required under this section and receive and disburse state funds to pay those checks or warrants.

~~(r)~~ (t) The commissioner may pay rebates required by this section by electronic funds transfer to individuals who requested that their 1998 individual income tax refund be paid through electronic funds transfer. The commissioner may make the electronic funds transfer payments to the same financial institution and into the same account as the 1998 individual income tax refund.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 2. [APPLICATION OF LAW.]

The limitation on the total amount of rebates in Laws 1999, chapter 243, article 1, section 2, paragraph (f), does not apply to rebates issued under section 1. To the extent applicable, all other provisions of Laws 1999, chapter 243, article 1, section 2, apply to the rebates paid under section 1.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 3. [APPROPRIATION.]

The amount necessary to pay the rebates under section 1 is appropriated from the general fund to the commissioner of revenue for fiscal years 2000 and 2001.

EFFECTIVE DATE: This section is effective the day following final enactment.

ARTICLE 4

INCOME AND FRANCHISE TAXES

Section 1. Minnesota Statutes 1998, section 289A.08, is amended by adding a subdivision to read:

Subd. 16. [TAX REFUND OR RETURN PREPARERS.] (a) A "tax refund or return preparer," as defined in section 289A.60, subdivision 13, paragraph (g), who prepared more than 500 Minnesota individual income tax returns for the prior calendar year must file all Minnesota individual income tax returns prepared for the current calendar year by electronic means.

(b) For tax returns prepared for the tax year beginning in 2001, the "500" in paragraph (a) is reduced to 250.

(c) For tax returns prepared for tax years beginning after December 31, 2001, the "500" in paragraph (a) is reduced to 100.

(d) Paragraph (a) does not apply to a return if the taxpayer has indicated on the return that the taxpayer did not want the return filed by electronic means.

EFFECTIVE DATE: This section is effective for tax returns prepared for taxable years beginning after December 31, 1999.

Sec. 2. Minnesota Statutes 1998, section 289A.20, subdivision 2, is amended to read:

Subd. 2. [WITHHOLDING FROM WAGES, ENTERTAINER WITHHOLDING, WITHHOLDING FROM PAYMENTS TO OUT-OF-STATE CONTRACTORS, AND WITHHOLDING BY PARTNERSHIPS AND SMALL BUSINESS CORPORATIONS.] (a) A tax required to be deducted and withheld during the quarterly period must be paid on or before the last day of the month following the close of the quarterly period, unless an earlier time for payment is provided. A tax required to be deducted and withheld from compensation of an entertainer and from a payment to an out-of-state contractor must be paid on or before the date the return for such tax must be filed under section 289A.18, subdivision 2. Taxes required to be deducted and withheld by partnerships and S corporations must be paid on or before the date the return must be filed under section 289A.18, subdivision 2.

(b) An employer who, during the previous quarter, withheld more than $1,500 of tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, must deposit tax withheld under those sections with the commissioner within the time allowed to deposit the employer's federal withheld employment taxes under Treasury Regulation, section 31.6302-1, without regard to the safe harbor or de minimis rules in subparagraph (f) or the one-day rule in subsection (c), clause (3). Taxpayers must submit a copy of their federal notice of deposit status to the commissioner upon request by the commissioner.

(c) The commissioner may prescribe by rule other return periods or deposit requirements. In prescribing the reporting period, the commissioner may classify payors according to the amount of their tax liability and may adopt an appropriate reporting period for the class that the commissioner judges to be consistent with efficient tax collection. In no event will the duration of the reporting period be more than one year.

(d) If less than the correct amount of tax is paid to the commissioner, proper adjustments with respect to both the tax and the amount to be deducted must be made, without interest, in the manner and at the times the commissioner prescribes. If the underpayment cannot be adjusted, the amount of the underpayment will be assessed and collected in the manner and at the times the commissioner prescribes.

(e) If the aggregate amount of the tax withheld during a fiscal year ending June 30 under section 290.92, subdivision 2a or 3, is equal to or exceeds the amounts established for remitting federal withheld taxes pursuant to the regulations promulgated under section 6302(h) of the Internal Revenue Code, the employer must remit each required deposit <u>for wages paid</u> in the subsequent calendar year by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the deposit is due. If the date the deposit is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the deposit is due.

(f) A third-party bulk filer as defined in section 290.92, subdivision 30, paragraph (a), clause (2), who remits withholding deposits must remit all deposits by means of a funds transfer as provided in paragraph (e), regardless of the aggregate amount of tax withheld during a fiscal year for all of the employers.

EFFECTIVE DATE: <u>This section is effective for wages paid after December 31, 1999.</u>

Sec. 3. Minnesota Statutes 1998, section 289A.26, subdivision 1, is amended to read:

Subdivision 1. [MINIMUM LIABILITY.] A corporation subject to taxation under chapter 290 (excluding section 290.92) or an entity subject to taxation under section 290.05, subdivision 3, must make payment of estimated tax for the taxable year if its tax liability so computed can reasonably be expected to exceed $500, or in accordance with rules prescribed by the commissioner for an affiliated group of corporations ~~electing to file~~ <u>filing</u> one return ~~as permitted~~ under section 289A.08, subdivision 3.

EFFECTIVE DATE: <u>This section is effective the day following final enactment.</u>

Sec. 4. Minnesota Statutes 1998, section 289A.60, subdivision 1, is amended to read:

Subdivision 1. [PENALTY FOR FAILURE TO PAY TAX.] (a) If a tax other than a withholding or sales or use tax is not paid within the time specified for payment, a penalty must be added to the amount required to be shown as tax. The penalty is three percent of the tax not paid on or before the date specified for payment of the tax if the failure is for not more than 30 days, with an additional penalty of three percent of the amount of tax remaining unpaid during each additional 30 days or fraction of 30 days during which the failure continues, not exceeding 24 percent in the aggregate.

If an individual files a state individual income tax return and pays all of the state individual income tax with the filing of a return within six months of the date the return is due and the amount paid by the due date of the return is at least 90 percent of the amount of tax due, as shown on the return, the individual is presumed to have reasonable cause for the late payment.

(b) If a withholding or sales or use tax is not paid within the time specified for payment, a penalty must be added to the amount required to be shown as tax. The penalty is five percent of the tax not paid on or before the date specified for payment of the tax if the failure is for not more than 30 days, with an additional penalty of five percent of the amount of tax remaining unpaid during each additional 30 days or fraction of 30 days during which the failure continues, not exceeding 15 percent in the aggregate.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 5. Minnesota Statutes 1999 Supplement, section 290.01, subdivision 19b, is amended to read:

Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

(1) interest income on obligations of any authority, commission, or instrumentality of the United States to the extent includable in taxable income for federal income tax purposes but exempt from state income tax under the laws of the United States;

(2) if included in federal taxable income, the amount of any overpayment of income tax to Minnesota or to any other state, for any previous taxable year, whether the amount is received as a refund or as a credit to another taxable year's income tax liability;

(3) the amount paid to others, less the credit allowed under section 290.0674, not to exceed $1,625 for each qualifying child in grades kindergarten to 6 and $2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) contributions made in taxable years beginning after December 31, 1981, and before January 1, 1985, to a qualified governmental pension plan, an individual retirement account, simplified

employee pension, or qualified plan covering a self-employed person that were included in Minnesota gross income in the taxable year for which the contributions were made but were deducted or were not included in the computation of federal adjusted gross income, less any amount allowed to be subtracted as a distribution under this subdivision or a predecessor provision in taxable years that began before January 1, 2000. This subtraction applies only for taxable years beginning after December 31, 1999, and before January 1, 2001. If an individual's subtraction under this clause exceeds the individual's taxable income, the excess may be carried forward to taxable years beginning after December 31, 2000, and before January 1, 2002;

(5) income as provided under section 290.0802;

(6) the amount of unrecovered accelerated cost recovery system deductions allowed under subdivision 19g;

(7) to the extent included in federal adjusted gross income, income realized on disposition of property exempt from tax under section 290.491;

(8) to the extent not deducted in determining federal taxable income or used to claim the long-term care insurance credit under section 290.0672, the amount paid for health insurance of self-employed individuals as determined under section 162(l) of the Internal Revenue Code, except that the percent limit does not apply. If the ~~taxpayer~~ individual deducted insurance payments under section 213 of the Internal Revenue Code of 1986, the subtraction under this clause must be reduced by the lesser of:

(i) the total itemized deductions allowed under section 63(d) of the Internal Revenue Code, less state, local, and foreign income taxes deductible under section 164 of the Internal Revenue Code and the standard deduction under section 63(c) of the Internal Revenue Code; or

(ii) the lesser of (A) the amount of insurance qualifying as "medical care" under section 213(d) of the Internal Revenue Code to the extent not deducted under section 162(1) of the Internal Revenue Code or excluded from income or (B) the total amount deductible for medical care under section 213(a);

(9) the exemption amount allowed under Laws 1995, chapter 255, article 3, section 2, subdivision 3;

(10) to the extent included in federal taxable income, postservice benefits for youth community service under section 124D.42 for volunteer service under United States Code, title 42, section 5011(d), as amended;

(11) to the extent not deducted in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code over $500; ~~and~~

(12) to the extent included in federal taxable income, holocaust victims' settlement payments for any injury incurred as a result of the holocaust, if received by an individual who was persecuted for racial or religious reasons by Nazi Germany or any other Axis regime or an heir of such a person; and

(13) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 6. Minnesota Statutes 1998, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. [CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE INCOME.] For corporations, there shall be added to federal taxable income:

(1) the amount of any deduction taken for federal income tax purposes for income, excise, or franchise taxes based on net income or related minimum taxes, including but not limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or any foreign country or possession of the United States;

(2) interest not subject to federal tax upon obligations of: the United States, its possessions, its agencies, or its instrumentalities; the state of Minnesota or any other state, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities; the District of Columbia; or Indian tribal governments;

(3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal Revenue Code;

(4) the amount of any net operating loss deduction taken for federal income tax purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss deduction under section 810 of the Internal Revenue Code;

(5) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 of the Internal Revenue Code;

(6) losses from the business of mining, as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota income tax;

(7) the amount of any capital losses deducted for federal income tax purposes under sections 1211 and 1212 of the Internal Revenue Code;

(8) the amount of any charitable contributions deducted for federal income tax purposes under section 170 of the Internal Revenue Code;

(9) the exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;

(10) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;

(11) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities;

(12) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g);

(13) the amount of any environmental tax paid under section 59(a) of the Internal Revenue Code; and

(14) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 7. Minnesota Statutes 1998, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. [CORPORATIONS; MODIFICATIONS DECREASING FEDERAL TAXABLE INCOME.] For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

(1) the amount of foreign dividend gross-up added to gross income for federal income tax purposes under section 78 of the Internal Revenue Code;

(2) the amount of salary expense not allowed for federal income tax purposes due to claiming the federal jobs credit under section 51 of the Internal Revenue Code;

(3) any dividend (not including any distribution in liquidation) paid within the taxable year by a national or state bank to the United States, or to any instrumentality of the United States exempt from federal income taxes, on the preferred stock of the bank owned by the United States or the instrumentality;

(4) amounts disallowed for intangible drilling costs due to differences between this chapter and the Internal Revenue Code in taxable years beginning before January 1, 1987, as follows:

(i) to the extent the disallowed costs are represented by physical property, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7, subject to the modifications contained in subdivision 19e; and

(ii) to the extent the disallowed costs are not represented by physical property, an amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section 290.09, subdivision 8;

(5) the deduction for capital losses pursuant to sections 1211 and 1212 of the Internal Revenue Code, except that:

(i) for capital losses incurred in taxable years beginning after December 31, 1986, capital loss carrybacks shall not be allowed;

(ii) for capital losses incurred in taxable years beginning after December 31, 1986, a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be allowed;

(iii) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryback to each of the three taxable years preceding the loss year, subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

(iv) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryover to each of the five taxable years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;

(6) an amount for interest and expenses relating to income not taxable for federal income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or 291 of the Internal Revenue Code in computing federal taxable income;

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

(8) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7;

(9) the amount included in federal taxable income attributable to the credits provided in Minnesota Statutes 1986, section 273.1314, subdivision 9, or Minnesota Statutes, section 469.171, subdivision 6;

(10) amounts included in federal taxable income that are due to refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to

Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under section 290.01, subdivision 19c, clause (1), in a prior taxable year;

(11) 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation;

(12) income or gains from the business of mining as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

(13) the amount of handicap access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

(14) the amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068;

(15) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code; ~~and~~

(16) the amount of any refund of environmental taxes paid under section 59A of the Internal Revenue Code; and

(17) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 8. Minnesota Statutes 1998, section 290.01, subdivision 19e, is amended to read:

Subd. 19e. [DEPRECIATION MODIFICATIONS FOR CORPORATIONS.] In the case of corporations, a modification shall be made for the accelerated cost recovery system. The allowable deduction for the accelerated cost recovery system is the same amount as provided in section 168 of the Internal Revenue Code with the following modifications. The modifications apply to taxable years beginning after December 31, 1986, and to property for which deductions under the Tax Reform Act of 1986, Public Law Number 99-514, are elected or apply. The modifications in paragraphs (a) and (c) do not apply to taxable years beginning after December 31, 2000.

(a) For property placed in service after December 31, 1980, and before January 1, 1987, 40 percent of the allowance pursuant to section 168 of the Internal Revenue Code of 1954, as amended through December 31, 1985, for 15-, 18-, or 19-year real property shall not be allowed and for all other property 20 percent shall not be allowed.

(b) For property placed in service after December 31, 1987, no modification shall be made.

(c) For property placed in service after July 31, 1986, and before January 1, 1987, for which the taxpayer elects the deduction pursuant to section 203 of the Tax Reform Act of 1986, Public Law Number 99-514, and for property placed in service after December 31, 1986, and before January 1, 1988, 15 percent of the allowance pursuant to section 168 of the Internal Revenue Code shall not be allowed.

(d) For property placed in service after December 31, 1980, and before January 1, 1987, for which the taxpayer elects to use the straight line method provided in section 168(b)(3), (f)(12), or (j)(1) or a method provided in section 168(e)(2) of the Internal Revenue Code, as amended through December 31, 1986, but excluding property for which the taxpayer elects the deduction pursuant to section 203 of the Tax Reform Act of 1986, Public Law Number 99-514, the modifications provided in paragraph (a) do not apply.

(e) For taxable years beginning before January 1, 2001, for property subject to the modifications contained in paragraphs (a) and (c) and Minnesota Statutes 1986, section 290.09, subdivision 7, clause (c), the following modification shall be made after the entire amount of the allowable deduction has been allowed for federal tax purposes for that property under the provisions of section 168 of the Internal Revenue Code. The remaining depreciable basis in those assets for Minnesota purposes, including the amount of any basis reduction to reflect the investment tax credit for federal purposes under sections 48(q) and 49(d) of the Internal Revenue Code, shall be a depreciation allowance computed using the straight line method over the following number of years:

(1) three-year property, one year;

(2) five-year and seven-year property, two years;

(3) ten-year property, five years; and

(4) all other property, seven years.

(f) For taxable years beginning after December 31, 2000, the amount of any remaining modification made under paragraph (a) or (c) or Minnesota Statutes 1986, section 290.09, subdivision 7, clause (c), not previously deducted under paragraph (e), including the amount of any basis reduction to reflect the federal investment tax credit for federal purposes under section 48(q) and 49(d) of the Internal Revenue Code, is a depreciation allowance in the first taxable year after December 31, 2000.

(g) For taxable years beginning before January 1, 2001, and for property placed in service after December 31, 1987, the remaining depreciable basis for Minnesota purposes that is attributable to the basis reduction for federal purposes to reflect the investment tax credit under sections 48(q) and 49(d) of the Internal Revenue Code, shall be allowed as a deduction in the first taxable year after the entire amount of the allowable deduction for that property under the provisions of section 168 of the Internal Revenue Code, has been allowed, except that where the straight line method provided in section 168(b)(3) is used, the deduction provided in this clause shall be allowed in the last taxable year in which an allowance for depreciation is allowed for that property.

~~(g)~~ (h) For qualified timber property for which the taxpayer made an election under section 194 of the Internal Revenue Code, the remaining depreciable basis for Minnesota purposes is allowed as a deduction in the first taxable year after the entire allowable deduction has been allowed for federal tax purposes.

~~(h)~~ (i) The basis of property to which section 168 of the Internal Revenue Code applies is its basis as provided in this chapter including the modifications provided in this subdivision and in Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c). The recapture tax provisions provided in sections 1245 and 1250 of the Internal Revenue Code apply but must be calculated using the basis provided in the preceding sentence.

~~(i)~~ (j) The basis of an asset acquired in an exchange of assets, including an involuntary conversion, is the same as its federal basis under the provisions of the Internal Revenue Code, except that the difference in basis due to the modifications in this subdivision and in Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c), is a deduction as provided in paragraph (e).

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 2000.

Sec. 9. Minnesota Statutes 1998, section 290.015, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RULE.] (a) Except as provided in subdivision 3, a person that conducts a trade or business that has a place of business in this state, regularly has employees or independent contractors conducting business activities on its behalf in this state, or owns or leases real property that is located in this state or tangible personal property ~~located~~, including but not limited to mobile property, that is present in this state ~~as defined in section 290.191, subdivision 6, paragraph (e),~~ is subject to the taxes imposed by this chapter.

(b) Except as provided in subdivision 3, a person that conducts a trade or business not described in paragraph (a) is subject to the taxes imposed by this chapter if the trade or business obtains or regularly solicits business from within this state, without regard to physical presence in this state.

(c) For purposes of paragraph (b), business from within this state includes, but is not limited to:

(1) sales of products or services of any kind or nature to customers in this state who receive the product or service in this state;

(2) sales of services which are performed from outside this state but the services are received in this state;

(3) transactions with customers in this state that involve intangible property and result in ~~income flowing to the person from within~~ receipts attributed to this state as provided in section 290.191, subdivision 5 or 6;

(4) leases of tangible personal property that is located in this state as defined in section 290.191, subdivision 5, paragraph (g), or 6, paragraph (e); and

(5) sales and leases of real property located in this state~~; and~~

~~(6) if a financial institution, deposits received from customers in this state~~.

(d) For purposes of paragraph (b), solicitation includes, but is not limited to:

(1) the distribution, by mail or otherwise, without regard to the state from which such distribution originated or in which the materials were prepared, of catalogs, periodicals, advertising flyers, or other written solicitations of business to customers in this state;

(2) display of advertisements on billboards or other outdoor advertising in this state;

(3) advertisements in newspapers published in this state;

(4) advertisements in trade journals or other periodicals, the circulation of which is primarily within this state;

(5) advertisements in a Minnesota edition of a national or regional publication or a limited regional edition of which this state is included of a broader regional or national publication which are not placed in other geographically defined editions of the same issue of the same publication;

(6) advertisements in regional or national publications in an edition which is not by its contents geographically targeted to Minnesota, but which is sold over the counter in Minnesota or by subscription to Minnesota residents;

(7) advertisements broadcast on a radio or television station located in Minnesota; or

(8) any other solicitation by telegraph, telephone, computer database, cable, optic, microwave, or other communication system.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 10. Minnesota Statutes 1998, section 290.015, subdivision 3, is amended to read:

Subd. 3. [EXCEPTIONS.] (a) A person is not subject to tax under this chapter if the person is engaged in the business of selling tangible personal property and taxation of that person under this chapter is precluded by Public Law Number 86-272, United States Code, title 15, sections 381 to 384, or would be so precluded except for the fact that the person stored tangible personal property in a state licensed facility under chapter 231.

(b) Ownership of an interest in the following types of property (including those contacts with this state reasonably required to evaluate and complete the acquisition or disposition of the property, the servicing of the property or the income from it, the collection of income from the

property, or the acquisition or liquidation of collateral relating to the property) shall not be a factor in determining whether the owner is subject to tax under this chapter:

(1) an interest in a real estate mortgage investment conduit, a real estate investment trust, a financial asset securitization investment trust, or a regulated investment company or a fund of a regulated investment company, as those terms are defined in the Internal Revenue Code;

(2) an interest in money market instruments or securities as defined in section 290.191, subdivision 6, paragraphs (c) and (d);

(3) an interest in a loan-backed, mortgage-backed, or receivable-backed security representing either: (i) ownership in a pool of promissory notes, mortgages, or receivables or certificates of interest or participation in such notes, mortgages, or receivables, or (ii) debt obligations or equity interests which provide for payments in relation to payments or reasonable projections of payments on the notes, mortgages, or receivables;

(4) an interest acquired from a person in assets described in section 290.191, subdivision 11, paragraphs (e) to (l), subject to the provisions of paragraph (c), clause (2)(A);

(5) an interest acquired from a person in the right to service, or collect income from any assets described in section 290.191, subdivision 11, paragraphs (e) to (l), subject to the provisions of paragraph (c), clause (2)(A);

(6) an interest acquired from a person in a funded or unfunded agreement to extend or guarantee credit whether conditional, mandatory, temporary, standby, secured, or otherwise, subject to the provisions of paragraph (c), clause (2)(A);

(7) an interest of a person other than an individual, estate, or trust, in any intangible, tangible, real, or personal property acquired in satisfaction, whether in whole or in part, of any asset embodying a payment obligation which is in default, whether secured or unsecured, the ownership of an interest in which would be exempt under the preceding provisions of this subdivision, provided the property is disposed of within a reasonable period of time; or

(8) amounts held in escrow or trust accounts, pursuant to and in accordance with the terms of property described in this subdivision.

(c)(1) For purposes of paragraph (b), clauses (4) to (6), an interest in the type of assets or credit agreements described is deemed to exist at the time the owner becomes legally obligated, conditionally or unconditionally, to fund, acquire, renew, extend, amend, or otherwise enter into the credit arrangement.

(2)(A) An owner has acquired an interest from a person in paragraph (b), clauses (4) to (6), assets if:

(i) the owner at the time of the acquisition of the asset does not own, directly or indirectly, 15 percent or more of the outstanding stock or in the case of a partnership 15 percent or more of the capital or profit interests of the person from whom it acquired the asset;

(ii) the person from whom the owner acquired the asset regularly sells, assigns, or transfers interests in paragraph (b), clauses (4) to (6), assets during the 12 calendar months immediately preceding the month of acquisition to three or more persons; and

(iii) the person from whom the owner acquired the asset does not sell, assign, or transfer 75 percent or more of its paragraph (b), clauses (4) to (6), assets during the 12 calendar months immediately preceding the month of acquisition to the owner.

For purposes of determining indirect ownership under item (i), the owner is deemed to own all stock, capital, or profit interests owned by another person if the owner directly owns 15 percent or more of the stock, capital, or profit interests in the other person. The owner is also deemed to own through any intermediary parties all stock, capital, and profit interests directly owned by a person to the extent there exists a 15 percent or more chain of ownership of stock, capital, or profit interests between the owner, intermediary parties and the person.

(B) If the owner of the asset is a member of ~~the~~ a unitary ~~group~~ business, paragraph (b), clauses (4) to (8), do not apply to an interest acquired from another member of the unitary ~~group~~ business. If the interest in the asset was originally acquired from a nonunitary member and at that time qualified as a section 290.015, subdivision 3, paragraph (b), asset, the foregoing limitation does not apply.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 11. Minnesota Statutes 1998, section 290.015, subdivision 4, is amended to read:

Subd. 4. [LIMITATIONS.] (a) This section does not subject a trade or business to any regulation, including any tax, of any local unit of government or subdivision of this state if the trade or business does not own or lease tangible or real property located within this state and has no employees or independent contractors present in this state to assist in the carrying on of the business.

(b) The purchase of tangible personal property or intangible property or services by a person that conducts a trade or business with the principal place of business outside of Minnesota, referred to as the "non-Minnesota person", from a person within Minnesota shall not be taken into account in determining whether the non-Minnesota person is subject to the taxes imposed by this chapter, except for services involving either the direct solicitation of Minnesota customers or relationships with Minnesota customers after sales are made. This paragraph is subject to the limitations contained in subdivision 3, paragraph (b), clauses (4) to (6).

(c) ~~No~~ Contact with any Minnesota financial institution by any financial institution with its principal place of business outside Minnesota with respect to transactions described in subdivision 3, or with respect to deposits received from or by a Minnesota financial institution, shall not be taken into account in determining whether such a financial institution is subject to the taxes imposed by this chapter. ~~The fact of~~ Participation by a Minnesota financial institution in a transaction which also involves a borrower and a financial institution that conducts a trade or business with its principal place of business outside of Minnesota shall not be a factor in determining whether such financial institution is subject to the taxes imposed by this chapter. This paragraph does not apply to transactions between or among members of the same unitary ~~group~~ business.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 12. Minnesota Statutes 1999 Supplement, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. [SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES, AND TRUSTS.] (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code must be computed by applying to their taxable net income the following schedule of rates:

(1) On the first ~~$25,220~~ $25,680, ~~5.5~~ 5.35 percent;

(2) On all over ~~$25,220~~ $25,680, but not over ~~$100,200~~ $102,030, ~~7.25~~ 7.05 percent;

(3) On all over ~~$100,200~~ $102,030, ~~8~~ 7.85 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts.

(b) The income taxes imposed by this chapter upon unmarried individuals must be computed by applying to taxable net income the following schedule of rates:

(1) On the first ~~$17,250~~ $17,570, ~~5.5~~ 5.35 percent;

(2) On all over ~~$17,250~~ $17,570, but not over ~~$56,680~~ $57,710, ~~7.25~~ 7.05 percent;

(3) On all over ~~$56,680~~ $57,710, ~~8~~ 7.85 percent.

(c) The income taxes imposed by this chapter upon unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code must be computed by applying to taxable net income the following schedule of rates:

(1) On the first ~~$21,240~~ $21,630, ~~5.5~~ 5.35 percent;

(2) On all over ~~$21,240~~ $21,630, but not over ~~$85,350~~ $86,910, ~~7.25~~ 7.05 percent;

(3) On all over ~~$85,350~~ $86,910, ~~8~~ 7.85 percent.

(d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than $100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to $1.

(e) An individual who is not a Minnesota resident for the entire year must compute the individual's Minnesota income tax as provided in this subdivision. After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code and increased by the additions required under section 290.01, subdivision 19a, clauses (1) and (6), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in section 290.01, subdivision 19a, clauses (1) and (6), and reduced by the amounts specified in section 290.01, subdivision 19b, clause (1).

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 13. Minnesota Statutes 1999 Supplement, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. [INFLATION ADJUSTMENT OF BRACKETS.] (a) For taxable years beginning after December 31, ~~1999~~ 2000, the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, ~~1998~~ 1999, and before January 1, ~~2000~~ 2001. The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest $10 amount. If the rate bracket ends in $5, it must be rounded up to the nearest $10 amount.

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~1998~~ 1999" shall be substituted for the word "1992." For ~~2000~~ 2001, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1998~~ 1999, to the 12 months ending on August 31, ~~1999~~ 2000, and in each subsequent year, from the 12 months ending on August 31, ~~1998~~ 1999, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be

considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

No later than December 15 of each year, the commissioner shall announce the specific percentage that will be used to adjust the tax rate brackets.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 14. Minnesota Statutes 1998, section 290.06, subdivision 22, is amended to read:

Subd. 22. [CREDIT FOR TAXES PAID TO ANOTHER STATE.] (a) A taxpayer who is liable for taxes on or measured by net income to another state or province or territory of Canada, as provided in paragraphs (b) through (f), upon income allocated or apportioned to Minnesota, is entitled to a credit for the tax paid to another state or province or territory of Canada if the tax is actually paid in the taxable year or a subsequent taxable year. A taxpayer who is a resident of this state pursuant to section 290.01, subdivision 7, clause (2), and who is subject to income tax as a resident in the state of the individual's domicile is not allowed this credit unless the state of domicile does not allow a similar credit.

(b) For an individual, estate, or trust, the credit is determined by multiplying the tax payable under this chapter by the ratio derived by dividing the income subject to tax in the other state or province or territory of Canada that is also subject to tax in Minnesota while a resident of Minnesota by the taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue Code, modified by the addition required by section 290.01, subdivision 19a, clause (1), and the subtraction allowed by section 290.01, subdivision 19b, clause (1), to the extent the income is allocated or assigned to Minnesota under sections 290.081 and 290.17.

(c) If the taxpayer is an athletic team that apportions all of its income under section 290.17, subdivision 5, ~~paragraph (c),~~ the credit is determined by multiplying the tax payable under this chapter by the ratio derived from dividing the total net income subject to tax in the other state or province or territory of Canada by the taxpayer's Minnesota taxable income.

(d) The credit determined under paragraph (b) or (c) shall not exceed the amount of tax so paid to the other state or province or territory of Canada on the gross income earned within the other state or province or territory of Canada subject to tax under this chapter, nor shall the allowance of the credit reduce the taxes paid under this chapter to an amount less than what would be assessed if such income amount was excluded from taxable net income.

(e) In the case of the tax assessed on a lump sum distribution under section 290.032, the credit allowed under paragraph (a) is the tax assessed by the other state or province or territory of Canada on the lump sum distribution that is also subject to tax under section 290.032, and shall not exceed the tax assessed under section 290.032. To the extent the total lump sum distribution defined in section 290.032, subdivision 1, includes lump sum distributions received in prior years or is all or in part an annuity contract, the reduction to the tax on the lump sum distribution allowed under section 290.032, subdivision 2, includes tax paid to another state that is properly apportioned to that distribution.

(f) If a Minnesota resident reported an item of income to Minnesota and is assessed tax in such other state or province or territory of Canada on that same income after the Minnesota statute of limitations has expired, the taxpayer shall receive a credit for that year under paragraph (a), notwithstanding any statute of limitations to the contrary. The claim for the credit must be submitted within one year from the date the taxes were paid to the other state or province or territory of Canada. The taxpayer must submit sufficient proof to show entitlement to a credit.

(g) For the purposes of this subdivision, a resident shareholder of a corporation treated as an "S" corporation under section 290.9725, must be considered to have paid a tax imposed on the shareholder in an amount equal to the shareholder's pro rata share of any net income tax paid by the S corporation to another state. For the purposes of the preceding sentence, the term "net income tax" means any tax imposed on or measured by a corporation's net income.

(h) For the purposes of this subdivision, a resident partner of an entity taxed as a partnership under the Internal Revenue Code must be considered to have paid a tax imposed on the partner in an amount equal to the partner's pro rata share of any net income tax paid by the partnership to another state. For purposes of the preceding sentence, the term "net income" tax means any tax imposed on or measured by a partnership's net income.

(i) For the purposes of this subdivision, "another state" includes the District of Columbia, but does not include Puerto Rico or the several territories organized by Congress.

(j) The limitations on the credit in paragraphs (b), (c), and (d), are imposed on a state by state basis.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 15. Minnesota Statutes 1998, section 290.06, is amended by adding a subdivision to read:

Subd. 22a. [NONRESIDENT'S CREDIT FOR TAXES PAID TO STATE OF DOMICILE.] (a) Notwithstanding subdivision 22, a nonresident who is subject to tax in this state on the gain on the sale of a partnership interest, which is allocable to this state under section 290.17, subdivision 2, paragraph (c), is allowed a credit for the tax paid to the state of the individual's domicile upon the gain in the taxable year or a subsequent taxable year. This credit is only allowed if the state of domicile does not allow a credit for the tax paid to Minnesota on the gain.

(b) For purposes of this subdivision, the credit equals the tax paid to the state of domicile multiplied by the ratio derived by dividing the amount of gain on the sale of the partnership interest subject to tax in the other state that is also subject to tax in Minnesota by the taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue Code. The credit allowed may not reduce the taxes paid under this chapter to an amount less than the tax that would apply if the gain were excluded from taxable net income.

(c) If a nonresident taxpayer reported the gain to Minnesota and is assessed tax in the state of domicile on that same income after the Minnesota statute of limitations has expired, the taxpayer is allowed a credit for that year, notwithstanding any statute of limitations to the contrary. The claim for the credit must be submitted within one year from the date the taxes were paid to the state of domicile and the taxpayer must submit sufficient proof to show entitlement to a credit.

(d) For the purposes of this subdivision, "another state" includes the District of Columbia, but does not include Puerto Rico or the several territories organized by Congress.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 16. Minnesota Statutes 1998, section 290.06, is amended by adding a subdivision to read:

Subd. 28. [CREDIT FOR TRANSIT PASSES.] A taxpayer may take a credit against the tax due under this chapter equal to 30 percent of the expense incurred by the taxpayer to provide transit passes, for use in Minnesota, to employees of the taxpayer. As used in this subdivision, "transit pass" has the meaning given in section 132(f)(5)(A) of the Internal Revenue Code. If the taxpayer purchases the transit passes from the transit system operator, and resells them to the employees, the credit is based on the amount of the difference between the price paid for the passes by the employer and the amount charged to employees.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 17. Minnesota Statutes 1999 Supplement, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. [CREDIT ALLOWED.] (a) An individual is allowed a credit against the tax imposed by this chapter equal to a percentage of earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code.

(b) For individuals with no qualifying children, the credit equals ~~1.1475~~ 1.9125 percent of the first $4,460 of earned income. The credit is reduced by ~~1.1475~~ 1.9125 percent of earned income or modified adjusted gross income, whichever is greater, in excess of $5,570, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals ~~7.45~~ 8.5 percent of the first $6,680 of earned income and 8.5 percent of earned income over $11,650 but less than $12,990. The credit is reduced by ~~5.13~~ 5.73 percent of earned income or modified adjusted gross income, whichever is greater, in excess of $14,560, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals ~~8.8~~ ten percent of the first $9,390 of earned income and 20 percent of earned income over $14,350 but less than $16,230. The credit is reduced by ~~9.38~~ 10.3 percent of earned income or modified adjusted gross income, whichever is greater, in excess of $17,280, but in no case is the credit less than zero.

(e) For a nonresident or part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(f) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income.

(g) The commissioner shall construct tables showing the amount of the credit at various income levels and make them available to taxpayers. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transition between income brackets.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999, and is not contingent on the enactment of sections 18 and 19.

Sec. 18. Minnesota Statutes 1998, section 290.0671, subdivision 6, is amended to read:

Subd. 6. [APPROPRIATION.] An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund. This amount includes any amounts appropriated to the commissioner of human services from the federal Temporary Assistance for Needy Families (TANF) block grant funds for transfer to the commissioner of revenue.

Sec. 19. Minnesota Statutes 1998, section 290.0671, is amended by adding a subdivision to read:

Subd. 6a. [TANF APPROPRIATION FOR WORKING FAMILY CREDIT EXPANSION.] (a) On an annual basis the commissioner of revenue, with the assistance of the commissioner of human services, shall calculate the value of the refundable portion of the Minnesota Working Family Credit provided under this section that qualifies for payment with funds from the federal Temporary Assistance for Needy Families (TANF) block grant. Of this total amount, the commissioner of revenue shall estimate the portion entailed by the expansion of the credit rates for individuals with qualifying children over the rates provided in Laws 1999, chapter 243, article 2, section 12.

(b) An amount sufficient to pay the refunds entailed by the expansion of the credit rates for individuals with qualifying children over the rates provided in Laws 1999, chapter 243, article 2, section 12, as estimated in paragraph (a), is appropriated to the commissioner of human services from the federal Temporary Assistance for Needy Families (TANF) block grant funds, for transfer to the commissioner of revenue for deposit in the general fund.

Sec. 20. Minnesota Statutes 1998, section 290.0672, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given.

(b) "Long-term care insurance" means a policy that:

(1) qualifies for a deduction under section 213 of the Internal Revenue Code, disregarding the 7.5 percent income test; or meets the requirements given in section 62A.46; or provides similar coverage issued under the laws of another jurisdiction; and

(2) ~~does not have~~ has a lifetime long-term care benefit limit of not less than $100,000; and

(3) ~~includes inflation protection that meets or exceeds~~ has been offered in compliance with the inflation protection requirements of ~~the long-term care insurance model regulation cited under section 7702B(g)(2)(A)(i)(x) of the Internal Revenue Code~~ section 62S.23.

(c) "Qualified beneficiary" means the taxpayer or the taxpayer's spouse.

(d) "Premiums deducted in determining federal taxable income" means the lesser of (1) long-term care insurance premiums that qualify as deductions under section 213 of the Internal Revenue Code; and (2) the total amount deductible for medical care under section 213 of the Internal Revenue Code.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 21. Minnesota Statutes 1998, section 290.0672, subdivision 2, is amended to read:

Subd. 2. [CREDIT.] A taxpayer is allowed a credit against the tax imposed by this chapter for long-term care insurance policy premiums paid during the tax year. The credit for each policy equals ~~the lesser of (1)~~ 25 percent of premiums paid to the extent not deducted in determining federal taxable income~~; or (2) $100~~. A taxpayer may claim a credit for only one policy for each qualified beneficiary. ~~Only one credit may be claimed by any taxpayer for each policy.~~ A maximum of $100 applies to each qualified beneficiary. The maximum total credit allowed per year is $200 for married couples filing joint returns and $100 for all other filers. For a nonresident or part-year resident, the credit determined under this section must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 22. Minnesota Statutes 1999 Supplement, section 290.0675, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (a) For purposes of this section the following terms have the meanings given.

(b) "Earned income" means the sum of the following:

(1) earned income as defined in section 32(c)(2) of the Internal Revenue Code;

(2) to the extent included in the Minnesota taxable income, income received from a retirement pension, profit-sharing, stock bonus, or annuity plan; and

(3) to the extent included in Minnesota taxable income, social security benefits as defined in section 86(d)(1) of the Internal Revenue Code.

(c) "Taxable income" means net income as defined in section 290.01, subdivision 19.

(d) "Earned income of lesser-earning spouse" means the earned income of the spouse with the lesser amount of earned income as defined in paragraph (b) for the taxable year.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 23. Minnesota Statutes 1999 Supplement, section 290.0675, subdivision 2, is amended to read:

Subd. 2. [CREDIT ALLOWED.] A married couple filing a joint return is allowed a credit against the tax imposed under section 290.06.

The minimum taxable income for the married couple to be eligible for the credit is ~~$25,000~~ $25,680, and the minimum earned income in order for the couple to be eligible for the credit is ~~$14,000~~ $14,250 for each spouse.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 24. Minnesota Statutes 1999 Supplement, section 290.0675, subdivision 3, is amended to read:

Subd. 3. [CREDIT AMOUNT.] The credit amount is as shown in the table in this subdivision, based on the couple's taxable income for the tax year and on the earned income of the lesser-earning spouse.

~~Earned Income of Lesser Earning Spouse~~	~~Credit For Taxable Income $25,000-$99,999~~	~~Credit For Taxable Income $100,000-over~~
~~$14,000 - $14,999~~	~~$9~~	~~$0~~
~~$15,000 - $15,999~~	~~$27~~	~~$0~~
~~$16,000 - $16,999~~	~~$44~~	~~$0~~
~~$17,000 - $17,999~~	~~$62~~	~~$0~~
~~$18,000 - $18,999~~	~~$79~~	~~$0~~
~~$19,000 - $19,999~~	~~$97~~	~~$0~~
~~$20,000 - $20,999~~	~~$114~~	~~$0~~
~~$21,000 - $21,999~~	~~$132~~	~~$0~~
~~$22,000 - $22,999~~	~~$149~~	~~$0~~
~~$23,000 - $23,999~~	~~$162~~	~~$0~~
~~$24,000 - $24,999~~	~~$162~~	~~$0~~
~~$25,000 - $25,999~~	~~$162~~	~~$0~~
~~$26,000 - $26,999~~	~~$162~~	~~$0~~
~~$27,000 - $27,999~~	~~$162~~	~~$0~~
~~$28,000 - $28,999~~	~~$162~~	~~$9~~
~~$29,000 - $29,999~~	~~$162~~	~~$16~~
~~$30,000 - $30,999~~	~~$162~~	~~$24~~
~~$31,000 - $31,999~~	~~$162~~	~~$31~~
~~$32,000 - $32,999~~	~~$162~~	~~$39~~
~~$33,000 - $33,999~~	~~$162~~	~~$46~~
~~$34,000 - $34,999~~	~~$162~~	~~$54~~
~~$35,000 - $35,999~~	~~$162~~	~~$61~~
~~$36,000 - $36,999~~	~~$162~~	~~$69~~
~~$37,000 - $37,999~~	~~$162~~	~~$76~~
~~$38,000 - $38,999~~	~~$162~~	~~$84~~
~~$39,000 - $39,999~~	~~$162~~	~~$91~~
~~$40,000 - $40,999~~	~~$162~~	~~$99~~
~~$41,000 - $41,999~~	~~$162~~	~~$106~~
~~$42,000 - $42,999~~	~~$162~~	~~$114~~
~~$43,000 - $43,999~~	~~$162~~	~~$121~~
~~$44,000 - $44,999~~	~~$162~~	~~$129~~
~~$45,000 - $45,999~~	~~$162~~	~~$136~~
~~$46,000 - $46,999~~	~~$162~~	~~$144~~
~~$47,000 - $47,999~~	~~$162~~	~~$151~~
~~$48,000 - $48,999~~	~~$162~~	~~$159~~
~~$49,000 - $49,999~~	~~$162~~	~~$166~~

~~$50,000 - $50,999~~	~~$162~~	~~$174~~
~~$51,000 - $51,999~~	~~$162~~	~~$181~~
~~$52,000 - $52,999~~	~~$162~~	~~$189~~
~~$53,000 - $53,999~~	~~$162~~	~~$196~~
~~$54,000 - $54,999~~	~~$162~~	~~$204~~
~~$55,000 - $55,999~~	~~$162~~	~~$211~~
~~$56,000 - $56,999~~	~~$162~~	~~$219~~
~~$57,000 - $57,999~~	~~$162~~	~~$226~~
~~$58,000 - $58,999~~	~~$162~~	~~$234~~
~~$59,000 - $59,999~~	~~$162~~	~~$241~~
~~$60,000 - $60,999~~	~~$162~~	~~$249~~
~~$61,000 - $61,999~~	~~$162~~	~~$256~~
~~$62,000 and over~~	~~$162~~	~~$261~~

Earned Income of Lesser Earning Spouse	Credit For Taxable Income $25,680-$102,029	Credit For Taxable Income $102,030-over
$14,250 - $15,249	$7	$0
$15,250 - $16,249	$24	$0
$16,250 - $17,249	$41	$0
$17,250 - $18,249	$58	$0
$18,250 - $19,249	$75	$0
$19,250 - $20,249	$92	$0
$20,250 - $21,249	$109	$0
$21,250 - $22,249	$126	$0
$22,250 - $23,249	$143	$0
$23,250 - $24,249	$160	$0
$24,250 - $25,249	$161	$0
$25,250 - $26,249	$161	$0
$26,250 - $27,249	$161	$0
$27,250 - $28,249	$161	$0
$28,250 - $29,249	$161	$0
$29,250 - $30,249	$161	$0
$30,250 - $31,249	$161	$0
$31,250 - $32,249	$161	$6
$32,250 - $33,249	$161	$14
$33,250 - $34,249	$161	$22
$34,250 - $35,249	$161	$30
$35,250 - $36,249	$161	$38
$36,250 - $37,249	$161	$46
$37,250 - $38,249	$161	$54
$38,250 - $39,249	$161	$62
$39,250 - $40,249	$161	$70
$40,250 - $41,249	$161	$78
$41,250 - $42,249	$161	$86
$42,250 - $43,249	$161	$94
$43,250 - $44,249	$161	$102
$44,250 - $45,249	$161	$110
$45,250 - $46,249	$161	$118
$46,250 - $47,249	$161	$126
$47,250 - $48,249	$161	$134
$48,250 - $49,249	$161	$142
$49,250 - $50,249	$161	$150
$50,250 - $51,249	$161	$158

$51,250 - $52,249	$161	$166
$52,250 - $53,249	$161	$174
$53,250 - $54,249	$161	$182
$54,250 - $55,249	$161	$190
$55,250 - $56,249	$161	$198
$56,250 - $57,249	$161	$206
$57,250 - $58,249	$161	$214
$58,250 - $59,249	$161	$222
$59,250 - $60,249	$161	$230
$60,250 - $61,249	$161	$238
$61,250 - $62,249	$161	$246
$62,250 - $63,249	$161	$254
$63,250 - $64,249	$161	$262
$64,250 and over	$161	$268

For taxable years beginning after December 31, 2000, the commissioner shall update the table as necessary to provide a credit that reflects the relationship between the marginal tax rates imposed under section 290.06, subdivision 2c.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 25. Minnesota Statutes 1999 Supplement, section 290.091, subdivision 1, is amended to read:

Subdivision 1. [IMPOSITION OF TAX.] In addition to all other taxes imposed by this chapter a tax is imposed on individuals, estates, and trusts equal to the excess (if any) of

(a) an amount equal to ~~6.5~~ 6.4 percent of alternative minimum taxable income after subtracting the exemption amount, over

(b) the regular tax for the taxable year.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 26. Minnesota Statutes 1999 Supplement, section 290.091, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by this section, the following terms have the meanings given:

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

(i) the Minnesota charitable contribution deduction;

(ii) the medical expense deduction;

(iii) the casualty, theft, and disaster loss deduction;

(iv) the impairment-related work expenses of a disabled person; and

(v) holocaust victims' settlement payments to the extent allowed under section 290.01, subdivision 19b;

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

(4) to the extent not included in federal alternative minimum taxable income, the amount of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue Code determined without regard to subparagraph (E); and

(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.01, subdivision 19a, clause (1);

less the sum of the amounts determined under the following:

(1) interest income as defined in section 290.01, subdivision 19b, clause (1);

(2) an overpayment of state income tax as provided by section 290.01, subdivision 19b, clause (2), to the extent included in federal alternative minimum taxable income; and

(3) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income; and

(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clauses (4) and (6).

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code.

(b) "Investment interest" means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.

(c) "Tentative minimum tax" equals ~~6.5~~ 6.4 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.

(e) "Net minimum tax" means the minimum tax imposed by this section.

(f) "Minnesota charitable contribution deduction" means a charitable contribution deduction under section 170 of the Internal Revenue Code to or for the use of an entity described in section 290.21, subdivision 3, clauses (a) to (e). When the federal deduction for charitable contributions is limited under section 170(b) of the Internal Revenue Code, the allowable contributions in the year of contribution are deemed to be first contributions to entities described in section 290.21, subdivision 3, clauses (a) to (e).

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 27. Minnesota Statutes 1999 Supplement, section 290.091, subdivision 6, is amended to read:

Subd. 6. [CREDIT FOR PRIOR YEARS' LIABILITY.] (a) A credit is allowed against the tax imposed by this chapter on individuals, trusts, and estates equal to the minimum tax credit for the taxable year. The minimum tax credit equals the adjusted net minimum tax for taxable years beginning after December 31, 1988, reduced by the minimum tax credits allowed in a prior taxable year. The credit may not exceed the excess (if any) for the taxable year of

(1) the regular tax, over

(2) the greater of (i) the tentative alternative minimum tax, or (ii) zero.

(b) The adjusted net minimum tax for a taxable year equals the lesser of the net minimum tax or the excess (if any) of

(1) the tentative minimum tax, over

(2) ~~6.5~~ 6.4 percent of the sum of

(i) adjusted gross income as defined in section 62 of the Internal Revenue Code,

(ii) interest income as defined in section 290.01, subdivision 19a, clause (1),

(iii) interest on specified private activity bonds, as defined in section 57(a)(5) of the Internal Revenue Code, to the extent not included under clause (ii),

(iv) depletion as defined in section 57(a)(1), determined without regard to the last sentence of paragraph (1), of the Internal Revenue Code, less

(v) the deductions allowed in computing alternative minimum taxable income provided in subdivision 2, paragraph (a), clause (2) of the first series of clauses and clauses (1), (2), and (3) of the second series of clauses, and

(vi) the exemption amount determined under subdivision 3.

In the case of an individual who is not a Minnesota resident for the entire year, adjusted net minimum tax must be multiplied by the fraction defined in section 290.06, subdivision 2c, paragraph (e). In the case of a trust or estate, adjusted net minimum tax must be multiplied by the fraction defined under subdivision 4, paragraph (b).

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 1999.

Sec. 28. Minnesota Statutes 1998, section 290.17, subdivision 2, is amended to read:

Subd. 2. [INCOME NOT DERIVED FROM CONDUCT OF A TRADE OR BUSINESS.] The income of a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or business must be assigned in accordance with paragraphs (a) to (f):

(a)(1) Subject to paragraphs (a)(2) ~~and~~, (a)(3), and (a)(4), income from ~~labor or personal or professional services~~ wages as defined in section 3401(a) and (f) of the Internal Revenue Code is assigned to this state if, and to the extent that, the ~~labor or services are~~ work of the employee is performed within it; all other income from such sources is treated as income from sources without this state.

Severance pay shall be considered income from labor or personal or professional services.

(2) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner:

(i) The amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota. For purposes of this paragraph, off-season training activities, unless conducted at the team's facilities as part of a team imposed program, are not included in the total number of duty days. Bonuses earned as a result of play during the regular season or for participation in championship, play-off, or all-star games must be allocated under the formula. Signing bonuses are not subject to allocation under the formula if they are not conditional on playing any games for the team, are payable separately from any other compensation, and are nonrefundable; and

(ii) The amount of income to be assigned to Minnesota for an individual who is a nonresident, and who is an athlete or entertainer not listed in clause (i), for that person's athletic or entertainment performance in Minnesota shall be determined by assigning to this state all income from performances or athletic contests in this state.

(3) For purposes of this section, amounts received by a nonresident as "retirement income" as defined in section (b)(1) of the State Income Taxation of Pension Income Act, Public Law Number 104-95, are not considered income derived from carrying on a trade or business or from ~~performing personal or professional services~~ wages or other compensation for work an employee performed in Minnesota, and are not taxable under this chapter.

(4) Wages, otherwise assigned to this state under clause (1) and not qualifying under clause (3), are not taxable under this chapter if the following conditions are met:

(i) The recipient was not a resident of this state for any part of the taxable year in which the wages were received; and

(ii) The wages are for work performed while the recipient was a resident of this state.

(b) Income or gains from tangible property located in this state that is not employed in the business of the recipient of the income or gains must be assigned to this state.

(c) Income or gains from intangible personal property not employed in the business of the recipient of the income or gains must be assigned to this state if the recipient of the income or gains is a resident of this state or is a resident trust or estate.

Gain on the sale of a partnership interest is allocable to this state in the ratio of the original cost of partnership tangible property in this state to the original cost of partnership tangible property everywhere, determined at the time of the sale. If more than 50 percent of the value of the partnership's assets consists of intangibles, gain or loss from the sale of the partnership interest is allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding the tax period of the partnership during which the partnership interest was sold.

Gain on the sale of goodwill or income from a covenant not to compete that is connected with a business operating all or partially in Minnesota is allocated to this state to the extent that the income from the business in the year preceding the year of sale was assignable to Minnesota under subdivision 3.

When an employer pays an employee for a covenant not to compete, the income allocated to this state is in the ratio of the employee's service in Minnesota in the calendar year preceding leaving the employment of the employer over the total services performed by the employee for the employer in that year.

(d) Income from winnings on Minnesota pari-mutuel betting tickets, the Minnesota state lottery, and lawful gambling as defined in section 349.12, subdivision 24, conducted within the boundaries of the state of Minnesota shall be assigned to this state.

(e) All items of gross income not covered in paragraphs (a) to (d) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

(f) For the purposes of this section, working as an employee shall not be considered to be conducting a trade or business.

EFFECTIVE DATE: This section is effective for wages received after the day following final enactment, except that to the extent this section impacts an employer's requirement to withhold Minnesota tax under section 290.92, subdivision 41, the requirement to withhold is effective for wages paid after December 31, 2000.

Sec. 29. Minnesota Statutes 1998, section 290.92, subdivision 3, is amended to read:

Subd. 3. [WITHHOLDING, IRREGULAR PERIOD.] If payment of wages is made to an employee by an employer

(a) With respect to a payroll period or other period, any part of which is included in a payroll period or other period with respect to which wages are also paid to such employees by such employer, or

(b) Without regard to any payroll period or other period, but on or prior to the expiration of a payroll period or other period with respect to which wages are also paid to such employee by such employer, or

(c) With respect to a period beginning in one and ending in another calendar year, or

(d) Through an agent, fiduciary, or other person who also has the control, receipt, custody, or disposal of or pays, the wages payable by another employer to such employee.

The manner of withholding and the amount to be deducted and withheld under subdivision 2a shall be determined in accordance with rules prescribed by the commissioner under which the withholding exemption allowed to the employee in any calendar year shall approximate the withholding exemption allowable with respect to an annual payroll period, except that if supplemental wages are not paid concurrent with a payroll period the employer shall withhold tax on the supplemental payment at the rate of 6.25 percent as if no exemption had been claimed.

EFFECTIVE DATE: This section is effective for wages paid after December 31, 2000.

Sec. 30. Minnesota Statutes 1998, section 290.92, subdivision 19, is amended to read:

Subd. 19. [EMPLOYEES INCURRING NO INCOME TAX LIABILITY.] (a) Notwithstanding any other provision of this section, except the provisions of subdivision 5a, an employer ~~shall~~ is not ~~be~~ required to deduct and withhold any tax under this chapter ~~upon a payment of~~ from wages paid to an employee if ~~there is in effect with respect to such payment~~:

(1) the employee furnished the employer with a withholding exemption certificate~~, in such form and containing such other information as the commissioner may prescribe, furnished to the employer by the employee certifying~~ that:

(i) certifies the employee ~~(a)~~ incurred no liability for income tax imposed under this chapter for the employee's preceding taxable year~~, and~~;

~~(b)~~ (ii) certifies the employee anticipates incurring no liability for income tax imposed under this chapter for the current taxable year; and

(iii) is in a form and contains any other information prescribed by the commissioner; or

(2)(i) the employee is not a resident of Minnesota when the wages were paid; and

(ii) the employer reasonably expects that the employer will not pay the employee enough wages assignable to Minnesota under section 290.17, subdivision 2, clause (a)(1), to meet the nonresident requirement to file a Minnesota individual income tax return for the taxable year under section 289A.08, subdivision 1, paragraph (a).

(b) The commissioner shall by rule provide for the coordination of the provisions of this subdivision with the provisions of subdivision 7.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 31. Minnesota Statutes 1998, section 290.92, subdivision 28, is amended to read:

Subd. 28. [PAYMENTS TO HORSERACING LICENSE HOLDERS.] Effective with payments made after April 1, 1988, any holder of a license issued by the Minnesota racing commission who makes a payment for personal or professional services to a holder of a class C license issued by the commission, except an amount paid as a purse, shall deduct from the

payment and withhold ~~seven~~ 6.25 percent of the amount as Minnesota withholding tax when the amount paid to that individual by the same person during the calendar year exceeds $600. For purposes of the provisions of this section, a payment to any person which is subject to withholding under this subdivision must be treated as if the payment was a wage paid by an employer to an employee. Every individual who is to receive a payment which is subject to withholding under this subdivision shall furnish the license holder with a statement, made under the penalties of perjury, containing the name, address, and social security account number of the person receiving the payment. No withholding is required if the individual presents a signed certificate from the individual's employer which states that the individual is an employee of that employer. A nonresident individual who holds a class C license must be treated as an athlete for purposes of applying the provisions of sections 290.17, subdivision 2(1)(b)(ii) and 290.92, subdivision 4a.

EFFECTIVE DATE: This section applies to payments made after the date of final enactment.

Sec. 32. Minnesota Statutes 1998, section 290.92, subdivision 29, is amended to read:

Subd. 29. [LOTTERY PRIZES.] ~~Eight~~ 7.25 percent of the payment of Minnesota state lottery winnings which are subject to withholding must be withheld as Minnesota withholding tax. For purposes of this subdivision, the term "winnings which are subject to withholding" has the meaning given in section 3402(q)(3) of the Internal Revenue Code. For purposes of the provisions of this section, a payment to any person of winnings which are subject to withholding must be treated as if the payment was a wage paid by an employer to an employee. Every individual who is to receive a payment of winnings which are subject to withholding shall furnish the state lottery with a statement, made under the penalties of perjury, containing the name, address, and social security account number of the person receiving the payment. The Minnesota state lottery is liable for the payment of the tax required to be withheld under this subdivision but is not liable to any person for the amount of the payment.

EFFECTIVE DATE: This section applies to winnings paid after the date of final enactment.

Sec. 33. Minnesota Statutes 1998, section 469.1734, subdivision 4, is amended to read:

Subd. 4. [INCOME TAX.] (a) Upon application by the qualifying business to the city, and approval of the city, a qualifying business shall receive a credit against taxes imposed under chapter 290, other than the tax imposed under section 290.92, based on the taxable net income of the qualified business attributable to the border city, but outside the border city development zone, multiplied by 9.8 percent in the case of a taxpayer under section 290.02, and ~~8.5~~ 7.85 percent in the case of a taxpayer taxable under section 290.06, subdivision 2c. The attributable net income of a qualified business in the border city is determined by multiplying the taxable net income of the business entity, determined as if the business were a C corporation, by a fraction:

(1) the numerator of which is:

(i) the ratio of the taxpayer's property factor under section 290.191 located in the border city, but outside of the border city development zone, for the taxable year over the property factor numerator determined under section 290.191, plus

(ii) the ratio of the taxpayer's payroll factor under section 290.191 located in the border city, but outside of the border city development zone, for the taxable year over the payroll factor numerator determined under section 290.191; and

(2) the denominator of which is two.

(b) The credit under this subdivision applies after any credit allowed under subdivision 5.

(c) After any notice period required by subdivision 7, the city council must determine whether granting the credit is in the best interest of the city, and if it so determines, must approve the granting of the credit and determine its amount.

(d) The credit under this subdivision may not exceed the amount of the tax credit certificates received by the taxpayer from the city, less any tax credit certificates used under section 469.1732, subdivision 2, and subdivisions 5 and 6.

(e) No taxpayer may receive the credit under this subdivision for more than five taxable years.

EFFECTIVE DATE: This section is effective for taxable years beginning after December 31, 2000.

Sec. 34. [TAX INFORMATION SAMPLE DATA STUDY.]

(a) One of the goals of a reengineered income tax system is to reduce the administrative burden for both taxpayers and tax administrators. In order to reduce the cost of handling paper returns and to explore electronic options for taxpayer filing of tax data, the department of revenue will explore eliminating the requirement of Minnesota Statutes, section 289A.08, subdivision 11, that the federal return be attached in filing a Minnesota individual income tax return. This federal return information is used for the purposes of ensuring the accurate calculation of individuals' Minnesota income tax liabilities and for the purposes of preparing the microdata samples under Minnesota Statutes, section 270.0681.

(b) To ensure the continued reliability of income tax data samples and to evaluate ways in which the quality of samples may be improved, the commissioner shall study and evaluate alternatives to requiring taxpayers to attach a copy of their federal return when filing Minnesota state income tax. The study must be prepared in consultation with the coordinating committee established in Minnesota Statutes, section 270.0681, subdivision 2. The study must:

(1) evaluate the quality of federal electronic data compared to sample data prepared from returns filed with the department;

(2) evaluate alternative sampling methodology, including preselection of sampled returns, panel data, and other sampling methods; and

(3) evaluate and test whether alternative methods can

(i) provide a data sample that is as accurate and reliable as one prepared from federal returns that are filed with or attached to Minnesota individual income tax returns; and

(ii) result in a data sample that will continue to be available to staff of both the department of finance and the legislature on the same basis as one prepared from returns required to be attached to or filed with the Minnesota tax returns.

(c) The commissioner of revenue shall report the findings of the study to the house tax committee chair, the senate tax committee chair, and the commissioner of finance.

(d) The commissioner of revenue shall, with the approval of the commissioner of finance, prepare a bill for introduction in the 2001 legislative session that eliminates, for some or all taxpayers, the requirement that a copy of the federal return be filed with the individual income tax return, if the commissioner determines as a result of the study that:

(1) an alternative method would provide a data sample that is as accurate and reliable as one prepared from federal returns required to be filed with the Minnesota return; and

(2) the sample will continue to be available to the staff of both the department of finance and the legislature on the same basis as one prepared from returns required to be filed with Minnesota tax returns.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 35. [COMMISSIONER OF REVENUE; TEMPORARY POWERS.]

Subdivision 1. [APPLICABILITY.] This section gives the commissioner of revenue certain temporary powers. These powers apply only to taxes imposed under Minnesota Statutes, sections 290.032, 290.06, and 290.091 administered by the commissioner under Minnesota Statutes, chapters 289A and 290.

Subd. 2. [PAYMENT OF TAXES.] The commissioner may establish additional due dates,

applicable to certain groups of taxpayers, for the payment of taxes. Unless the commissioner has the written consent of the taxpayer, the additional payment dates must not require the taxpayer to pay the tax earlier than the payment dates provided by statute or rule. The commissioner may accept various forms of payment, including, but not limited to, financial transaction cards and electronic funds transfer.

Subd. 3. [FILING OF RETURN.] The commissioner may establish additional due dates, applicable to certain groups of taxpayers, for the filing of tax returns. Unless the commissioner has the written consent of the taxpayer, the return due date must not be earlier than the due date provided by statute or rule. In conducting pilot studies, the commissioner may use tax return forms with varying formats, accept electronic filed returns, and waive the taxpayer signature requirements.

Subd. 4. [AGREEMENTS.] The commissioner may enter written agreements with taxpayers that provide for the payment of taxes or the filing of returns at dates earlier than provided by statute or rule. The commissioner and the taxpayer may also agree in writing to other changes from the statutory or rule requirements related to the administration of these taxes. If the taxpayer agrees to pay taxes at a date earlier than that provided by statute, the commissioner may negotiate payments to the taxpayer to compensate in part or in full for the loss incurred as a result of the accelerated payment.

Subd. 5. [PROCEDURE; APPROVAL.] Pilot studies proposed under these authorities must be presented to the chairs of the house of representatives tax committee and the senate committee on taxes and to the chairs of the committees on state government finance of the house of representatives and the senate. No study may be undertaken without the approval of both tax committee chairs. If either chair fails to respond within 15 days after the proposal is presented, that chair is considered to have approved the study. If the study is approved, the commissioner shall initially seek participation on a voluntary basis from within the targeted taxpayer group.

Subd. 6. [EXPIRATION DATE.] This section expires June 30, 2002, and all pilot projects under this section must be completed by June 30, 2002.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 36. [STUDY OF TAXPAYER ASSISTANCE SERVICES.]

The commissioner of revenue shall study the availability of taxpayer assistance services throughout the state and provide a written report to the legislature, in compliance with Minnesota Statutes, sections 3.195 and 3.197, by January 15, 2001. "Taxpayer assistance services" means accounting and tax preparation services provided by volunteers to low-income and disadvantaged Minnesota residents to help them file federal and state income tax returns and Minnesota property tax refund claims and to provide personal representation before the department of revenue and the Internal Revenue Service. The study must evaluate:

(1) ways of establishing a measure to evaluate the effectiveness of volunteers in achieving the department's mission of achieving compliance with the tax laws;

(2) the geographic distribution and number of volunteer tax preparation sites throughout the state, in comparison to the distribution of low-income, elderly, and nonnative English speakers;

(3) the income, language skills, and age-related screening criteria used at volunteer tax preparations sites in determining Minnesota residents' eligibility for taxpayer assistance services;

(4) the level of training, support, and coordination that the department provides to volunteers and the optimal level of training for volunteers to have an adequate understanding of Minnesota's tax forms;

(5) the effectiveness of grants awarded under Laws 1999, chapter 243, article 2, section 31; and

(6) the availability of volunteers to assist taxpayers in preparing Minnesota property tax refund claims after April 15.

The commissioner must invite testimony from organizations and government entities concerned with taxpayer assistance, both paid and volunteer. Organizations receiving grants under Laws 1999, chapter 243, article 2, section 31, must provide information necessary to the completion of the study to the commissioner on request.

The study must consider the role of current economic conditions, including the state unemployment rate, in training and retaining qualified volunteers, the adequacy of current taxpayer assistance services, the role of the department of revenue in assisting low-income, elderly, and nonnative English speakers, and must recommend ways for improving the availability and the quality of taxpayer assistance services.

Sec. 37. [REPORT ON ELECTRONIC CHECKOFF.]

The commissioner of revenue must report by February 1, 2001, to the committees on taxes of the house of representatives and the senate on implementing an electronic income tax checkoff program. The program must be designed to allow an individual who files an income tax return electronically to designate that a portion of the individual's tax liability reported on the return be deposited in one or more accounts established by law and dedicated to particular programs or purposes.

EFFECTIVE DATE: This section is effective the day following final enactment.

ARTICLE 5

PROPERTY TAXES

Section 1. Minnesota Statutes 1998, section 270.072, subdivision 2, is amended to read:

Subd. 2. [ASSESSMENT OF FLIGHT PROPERTY.] The flight property of all airline companies operating in Minnesota shall be assessed and appraised annually by the commissioner with reference to its value on January 2 of the assessment year in the manner prescribed by sections 270.071 to 270.079. Aircraft with a gross weight of less than 30,000 pounds and used on intermittent or irregularly timed flights shall be excluded from the provisions of sections 270.071 to 270.079.

EFFECTIVE DATE: This section is effective for taxes payable in 2001 and thereafter.

Sec. 2. Minnesota Statutes 1998, section 270.072, is amended by adding a subdivision to read:

Subd. 6. [AIRFLIGHT PROPERTY TAX LIEN.] The tax imposed under sections 270.071 to 270.079 is a lien on all real and personal property within this state of the airline company in whose name the property is assessed. For purposes of sections 270.65 and 270.69, the date of assessment for the tax imposed under sections 270.071 to 270.079 is January 2 of each year for the taxes payable in the following year.

EFFECTIVE DATE: This section is effective for taxes payable in 2001 and thereafter.

Sec. 3. Minnesota Statutes 1999 Supplement, section 272.02, subdivision 39, is amended to read:

Subd. 39. [ECONOMIC DEVELOPMENT; PUBLIC PURPOSE.] The holding of property by a political subdivision of the state for later resale for economic development purposes shall be considered a public purpose in accordance with subdivision 8 for a period not to exceed eight years, except that for property located in a city of 5,000 population or under that is located outside of the metropolitan area as defined in section 473.121, subdivision 2, the period must not exceed 15 years.

The holding of property by a political subdivision of the state for later resale (1) which is purchased or held for housing purposes, or (2) which meets the conditions described in section 469.174, subdivision 10, shall be considered a public purpose in accordance with subdivision 8.

The governing body of the political subdivision which acquires property which is subject to this

subdivision shall after the purchase of the property certify to the city or county assessor whether the property is held for economic development purposes or housing purposes, or whether it meets the conditions of section 469.174, subdivision 10. If the property is acquired for economic development purposes and buildings or other improvements are constructed after acquisition of the property, and if more than one-half of the floor space of the buildings or improvements which is available for lease to or use by a private individual, corporation, or other entity is leased to or otherwise used by a private individual, corporation, or other entity the provisions of this subdivision shall not apply to the property. This subdivision shall not create an exemption from section 272.01, subdivision 2; 272.68; 273.19; or 469.040, subdivision 3; or other provision of law providing for the taxation of or for payments in lieu of taxes for publicly held property which is leased, loaned, or otherwise made available and used by a private person.

EFFECTIVE DATE: This section is effective for taxes levied in 2000, payable in 2001, and thereafter.

Sec. 4. Minnesota Statutes 1999 Supplement, section 272.02, is amended by adding a subdivision to read:

Subd. 44. [ELECTRIC GENERATION FACILITY PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a simple-cycle combustion-turbine electric generation facility that exceeds 250 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) utilize natural gas as a primary fuel;

(2) be located within 20 miles of parallel existing 16-inch and 12-inch (outside diameter) natural gas pipelines and a 345-kilovolt high-voltage electric transmission line; and

(3) be designed to provide peaking, emergency backup, or contingency services, and have received a certificate of need under section 216B.243 demonstrating demand for its capacity.

Construction of the facility must be commenced after January 1, 2000, and before January 1, 2004. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

EFFECTIVE DATE: This section is effective for assessment year 2001 and thereafter.

Sec. 5. Minnesota Statutes 1998, section 272.115, subdivision 1, is amended to read:

Subdivision 1. [REQUIREMENT.] Except as otherwise provided in subdivision 5, whenever any real estate is sold for a consideration in excess of $1,000, whether by warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor, grantee or the legal agent of either shall file a certificate of value with the county auditor in the county in which the property is located when the deed or other document is presented for recording. Contract for deeds are subject to recording under section 507.235, subdivision 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration thereof, paid or to be paid, including the amount of any lien or liens assumed. The items and value of personal property transferred with the real property must be listed and deducted from the sale price. The certificate of value shall include the classification to which the property belongs for the purpose of determining the fair market value of the property. The certificate shall include financing terms and conditions of the sale which are necessary to determine the actual, present value of the sale price for purposes of the sales ratio study. The commissioner of revenue shall promulgate administrative rules specifying the financing terms and conditions which must be included on the certificate. Pursuant to the authority of the commissioner of revenue in section 270.066, the certificate of value must include the social security number or the federal employer identification number of the grantors and grantees. The identification numbers of the grantors and grantees are private data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or nonpublic data may be disclosed to the commissioner of revenue for purposes of tax administration. The information required to be shown on the certificate of value is limited to the

information required as of the date of the acknowledgment on the deed or other document to be recorded.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 6. Minnesota Statutes 1998, section 273.111, subdivision 3, is amended to read:

Subd. 3. [REQUIREMENTS.] (a) Real estate consisting of ten acres or more or a nursery or greenhouse, and qualifying for classification as class 1b, 2a, or 2b under section 273.13, subdivision 23, paragraph (d), shall be entitled to valuation and tax deferment under this section only if it is primarily devoted to agricultural use, and meets the qualifications in subdivision 6, and either:

(1) is the homestead of the owner, or of a surviving spouse, child, or sibling of the owner or is real estate which is farmed with the real estate which contains the homestead property; or

(2) has been in possession of the applicant, the applicant's spouse, parent, or sibling, or any combination thereof, for a period of at least seven years prior to application for benefits under the provisions of this section, or is real estate which is farmed with the real estate which qualifies under this clause and is within ~~two~~ four townships or cities or combination thereof from the qualifying real estate; or

(3) is the homestead of a shareholder in a family farm corporation as defined in section 500.24, notwithstanding the fact that legal title to the real estate may be held in the name of the family farm corporation; or

(4) is in the possession of a nursery or greenhouse or an entity owned by a proprietor, partnership, or corporation which also owns the nursery or greenhouse operations on the parcel or parcels.

(b) Valuation of real estate under this section is limited to parcels the ownership of which is in noncorporate entities except for:

(1) family farm corporations organized pursuant to section 500.24; and

(2) corporations that derive 80 percent or more of their gross receipts from the wholesale or retail sale of horticultural or nursery stock.

Corporate entities who previously qualified for tax deferment pursuant to this section and who continue to otherwise qualify under subdivisions 3 and 6 for a period of at least three years following the effective date of Laws 1983, chapter 222, section 8, will not be required to make payment of the previously deferred taxes, notwithstanding the provisions of subdivision 9. Special assessments are payable at the end of the three-year period or at time of sale, whichever comes first.

(c) Land that previously qualified for tax deferment under this section and no longer qualifies because it is not primarily used for agricultural purposes but would otherwise qualify under subdivisions 3 and 6 for a period of at least three years will not be required to make payment of the previously deferred taxes, notwithstanding the provisions of subdivision 9. Sale of the land prior to the expiration of the three-year period requires payment of deferred taxes as follows: sale in the year the land no longer qualifies requires payment of the current year's deferred taxes plus payment of deferred taxes for the two prior years; sale during the second year the land no longer qualifies requires payment of the current year's deferred taxes plus payment of the deferred taxes for the prior year; and sale during the third year the land no longer qualifies requires payment of the current year's deferred taxes. Deferred taxes shall be paid even if the land qualifies pursuant to subdivision 11a. When such property is sold or no longer qualifies under this paragraph, or at the end of the three-year period, whichever comes first, all deferred special assessments plus interest are payable in equal installments spread over the time remaining until the last maturity date of the bonds issued to finance the improvement for which the assessments were levied. If the bonds have matured, the deferred special assessments plus interest are payable within 90 days. The provisions of section 429.061, subdivision 2, apply to the collection of these installments. Penalties are not imposed on any such special assessments if timely paid.

EFFECTIVE DATE: This section is effective for taxes payable in 2000 and thereafter.

Sec. 7. Minnesota Statutes 1999 Supplement, section 273.124, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RULE.] (a) Residential real estate that is occupied and used for the purposes of a homestead by its owner, who must be a Minnesota resident, is a residential homestead.

Agricultural land, as defined in section 273.13, subdivision 23, that is occupied and used as a homestead by its owner, who must be a Minnesota resident, is an agricultural homestead.

Dates for establishment of a homestead and homestead treatment provided to particular types of property are as provided in this section.

Property ~~of~~ held by a trustee~~, beneficiary, or grantor of~~ under a trust is ~~not disqualified from receiving~~ eligible for homestead ~~benefits~~ classification if the ~~homestead~~ requirements under this chapter are satisfied.

The assessor shall require proof, as provided in subdivision 13, of the facts upon which classification as a homestead may be determined. Notwithstanding any other law, the assessor may at any time require a homestead application to be filed in order to verify that any property classified as a homestead continues to be eligible for homestead status. Notwithstanding any other law to the contrary, the department of revenue may, upon request from an assessor, verify whether an individual who is requesting or receiving homestead classification has filed a Minnesota income tax return as a resident for the most recent taxable year for which the information is available.

When there is a name change or a transfer of homestead property, the assessor may reclassify the property in the next assessment unless a homestead application is filed to verify that the property continues to qualify for homestead classification.

(b) For purposes of this section, homestead property shall include property which is used for purposes of the homestead but is separated from the homestead by a road, street, lot, waterway, or other similar intervening property. The term "used for purposes of the homestead" shall include but not be limited to uses for gardens, garages, or other outbuildings commonly associated with a homestead, but shall not include vacant land held primarily for future development. In order to receive homestead treatment for the noncontiguous property, the owner must use the property for the purposes of the homestead, and must apply to the assessor, both by the deadlines given in subdivision 9. After initial qualification for the homestead treatment, additional applications for subsequent years are not required.

(c) Residential real estate that is occupied and used for purposes of a homestead by a relative of the owner is a homestead but only to the extent of the homestead treatment that would be provided if the related owner occupied the property. For purposes of this paragraph and paragraph (g), "relative" means a parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece. This relationship may be by blood or marriage. Property that has been classified as seasonal recreational residential property at any time during which it has been owned by the current owner or spouse of the current owner will not be reclassified as a homestead unless it is occupied as a homestead by the owner; this prohibition also applies to property that, in the absence of this paragraph, would have been classified as seasonal recreational residential property at the time when the residence was constructed. Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative. In the case of a residence located on agricultural land, only the house, garage, and immediately surrounding one acre of land shall be classified as a homestead under this paragraph, except as provided in paragraph (d).

(d) Agricultural property that is occupied and used for purposes of a homestead by a relative of the owner, is a homestead, only to the extent of the homestead treatment that would be provided if the related owner occupied the property, and only if all of the following criteria are met:

(1) the relative who is occupying the agricultural property is a son, daughter, grandson, granddaughter, father, or mother of the owner of the agricultural property or a son, ~~or~~ daughter, grandson, or granddaughter of the spouse of the owner of the agricultural property;

(2) the owner of the agricultural property must be a Minnesota resident;

(3) the owner of the agricultural property must not receive homestead treatment on any other agricultural property in Minnesota; and

(4) the owner of the agricultural property is limited to only one agricultural homestead per family under this paragraph.

Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative qualifying under this paragraph. For purposes of this paragraph, "agricultural property" means the house, garage, other farm buildings and structures, and agricultural land.

Application must be made to the assessor by the owner of the agricultural property to receive homestead benefits under this paragraph. The assessor may require the necessary proof that the requirements under this paragraph have been met.

(e) In the case of property owned by a property owner who is married, the assessor must not deny homestead treatment in whole or in part if only one of the spouses occupies the property and the other spouse is absent due to: (1) marriage dissolution proceedings, (2) legal separation, (3) employment or self-employment in another location, or (4) other personal circumstances causing the spouses to live separately, not including an intent to obtain two homestead classifications for property tax purposes. To qualify under clause (3), the spouse's place of employment or self-employment must be at least 50 miles distant from the other spouse's place of employment, and the homesteads must be at least 50 miles distant from each other. Homestead treatment, in whole or in part, shall not be denied to the owner's spouse who previously occupied the residence with the owner if the absence of the owner is due to one of the exceptions provided in this paragraph.

(f) The assessor must not deny homestead treatment in whole or in part if:

(1) in the case of a property owner who is not married, the owner is absent due to residence in a nursing home or boarding care facility and the property is not otherwise occupied; or

(2) in the case of a property owner who is married, the owner or the owner's spouse or both are absent due to residence in a nursing home or boarding care facility and the property is not occupied or is occupied only by the owner's spouse.

(g) If an individual is purchasing property with the intent of claiming it as a homestead and is required by the terms of the financing agreement to have a relative shown on the deed as a coowner, the assessor shall allow a full homestead classification. This provision only applies to first-time purchasers, whether married or single, or to a person who had previously been married and is purchasing as a single individual for the first time. The application for homestead benefits must be on a form prescribed by the commissioner and must contain the data necessary for the assessor to determine if full homestead benefits are warranted.

(h) If residential or agricultural real estate is occupied and used for purposes of a homestead by a child of a deceased owner and the property is subject to jurisdiction of probate court, the child shall receive relative homestead classification under paragraph (c) or (d) to the same extent they would be entitled to it if the owner was still living, until the probate is completed. For purposes of this paragraph, "child" includes a relationship by blood or by marriage.

EFFECTIVE DATE: This section is effective for taxes payable in 2001 and thereafter.

Sec. 8. Minnesota Statutes 1999 Supplement, section 273.124, subdivision 8, is amended to read:

Subd. 8. [HOMESTEAD OWNED BY OR LEASED TO FAMILY FARM CORPORATION, JOINT FARM VENTURE, LIMITED LIABILITY COMPANY, OR PARTNERSHIP ~~OR LEASED TO FAMILY FARM CORPORATION OR PARTNERSHIP~~.] (a) Each family farm corporation, each joint farm venture, each limited liability company, and each partnership operating a family farm is entitled to class 1b under section 273.13, subdivision 22, paragraph (b), or class 2a assessment for one homestead occupied by a shareholder, member, or partner thereof who is residing on the land except as provided in subdivision 14, paragraph (g), and actively engaged in farming of the land owned by the corporation, joint farm venture, limited liability company, or partnership. Homestead treatment applies even if legal title to the property is in the name of the corporation, joint farm venture, limited liability company, or partnership and not in the name of the person residing on it.

"Family farm corporation," ~~and~~ "family farm," and "farm partnership" have the meanings given in section 500.24, except that the number of allowable shareholders or partners under this subdivision shall not exceed 12. "Limited liability company" has the meaning contained in section 322B.03, subdivision 28. "Joint farm venture" means a cooperative agreement among two or more farm enterprises authorized to operate farm land under section 500.24.

(b) In addition to property specified in paragraph (a), any other residences owned by corporations, joint farm ventures, limited liability companies, or partnerships described in paragraph (a) which are located on agricultural land and occupied as homesteads by shareholders, members, or partners who are actively engaged in farming on behalf of the corporation, joint farm venture, limited liability company, or partnership must also be assessed as class 2a property or as class 1b property under section 273.13, subdivision 22, paragraph (b).

(c) Agricultural property owned by a shareholder of a family farm corporation or joint farm venture, as defined in paragraph (a), or by a member of a limited liability company, or by a partner in a partnership operating a family farm and leased to the family farm corporation by the shareholder, or to a member of a limited liability company, or to the partnership by the partner, is eligible for classification as class 1b under section 273.13, subdivision 22, paragraph (b), or class 2a under section 273.13, subdivision 23, paragraph (a), if the owner is actually residing on the property except as provided in subdivision 14, paragraph (g), and is actually engaged in farming the land on behalf of the corporation, joint farm venture, limited liability company, or partnership. This paragraph applies without regard to any legal possession rights of the family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm under the lease.

EFFECTIVE DATE: This section is effective for taxes payable in 2001 and thereafter except that the references to a limited liability company or a member of a limited liability company are effective only if H.F. No. 3312 is enacted during the 2000 session.

Sec. 9. Minnesota Statutes 1999 Supplement, section 273.124, subdivision 14, is amended to read:

Subd. 14. [AGRICULTURAL HOMESTEADS; SPECIAL PROVISIONS.] (a) Real estate of less than ten acres that is the homestead of its owner must be classified as class 2a under section 273.13, subdivision 23, paragraph (a), if:

(1) the parcel on which the house is located is contiguous on at least two sides to (i) agricultural land, (ii) land owned or administered by the United States Fish and Wildlife Service, or (iii) land administered by the department of natural resources on which in lieu taxes are paid under sections 477A.11 to 477A.14;

(2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20 acres;

(3) the noncontiguous land is located not farther than four townships or cities, or a combination of townships or cities from the homestead; and

(4) the agricultural use value of the noncontiguous land and farm buildings is equal to at least 50 percent of the market value of the house, garage, and one acre of land.

Homesteads initially classified as class 2a under the provisions of this paragraph shall remain classified as class 2a, irrespective of subsequent changes in the use of adjoining properties, as long as the homestead remains under the same ownership, the owner owns a noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use value qualifies under clause (4). Homestead classification under this paragraph is limited to property that qualified under this paragraph for the 1998 assessment.

(b)(i) Agricultural property consisting of at least 40 acres shall be classified as the owner's homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the owner, or the owner's son or daughter, is actively farming the agricultural property;

(2) the owner of the agricultural property is a Minnesota resident, and if the owner's son or daughter is actively farming the agricultural property under clause (1), that person must also be a Minnesota resident;

(3) neither the owner nor the spouse of the ~~agricultural property~~ owner claims another agricultural homestead in Minnesota; and

(4) the owner does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property, and if the owner's son or daughter is actively farming the agricultural property under clause (1), that person must also live within the four townships or cities, or combination of four townships or cities from the agricultural property.

The relationship under this paragraph may be either by blood or marriage.

(ii) Property containing the residence of an owner who owns qualified property under clause (i) shall be classified as part of the owner's agricultural homestead, if that property is also used for noncommercial storage or drying of agricultural crops.

(c) Except as provided in paragraph (e), noncontiguous land shall be included as part of a homestead under section 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached land is located in the same township or city, or not farther than four townships or cities or combination thereof from the homestead. Any taxpayer of these noncontiguous lands must notify the county assessor that the noncontiguous land is part of the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must also notify the assessor of the other county.

(d) Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified as a homestead under section 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a.

(e) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the April 1997 floods;

(2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or Wilkin;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1997 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 1997 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(f) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by a March 29, 1998, tornado;

(2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1998 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to a March 29, 1998, tornado, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the owner must notify the assessor by December 1, 1998. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(g) Agricultural property consisting of at least 40 acres of a family farm corporation, joint farm venture, limited liability company, or partnership as described under subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the shareholder, member, or partner is actively farming the agricultural property;

(2) the shareholder, member, or partner of the agricultural property is a Minnesota resident;

(3) neither the shareholder, member, or partner, nor the spouse of the shareholder, member, or partner claims another agricultural homestead in Minnesota; and

(4) the shareholder, member, or partner does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property.

EFFECTIVE DATE: This section is effective for taxes payable in 2001 and thereafter except that the references to a limited liability company or a member of a limited liability company are effective only if H.F. No. 3312 is enacted during the 2000 session.

Sec. 10. Minnesota Statutes 1998, section 273.124, is amended by adding a subdivision to read:

Subd. 21. [TRUST PROPERTY; HOMESTEAD.] Real property held by a trustee under a trust is eligible for classification as homestead property if:

(1) the grantor or surviving spouse of the grantor of the trust occupies and uses the property as a homestead;

(2) a relative or surviving relative of the grantor who meets the requirements of subdivision 1, paragraph (c), in the case of residential real estate; or subdivision 1, paragraph (d), in the case of agricultural property, occupies and uses the property as a homestead;

(3) a family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm rents the property held by a trustee under a trust, and a shareholder,

member, or partner of the corporation, joint farm venture, limited liability company, or partnership occupies and uses the property as a homestead, and is actively farming the property on behalf of the corporation, joint farm venture, limited liability company, or partnership; or

(4) a person who has received homestead classification for property taxes payable in 2000 on the basis of an unqualified legal right under the terms of the trust agreement to occupy the property as that person's homestead and who continues to use the property as a homestead.

For purposes of this subdivision, "grantor" is defined as the person creating or establishing a testamentary, inter Vivos, revocable or irrevocable trust by written instrument or through the exercise of a power of appointment.

EFFECTIVE DATE: This section is effective for taxes payable in 2001 and thereafter except that the references to a limited liability company or a member of a limited liability company are effective only if H.F. No. 3312 is enacted during the 2000 session.

Sec. 11. Minnesota Statutes 1998, section 273.125, subdivision 8, is amended to read:

Subd. 8. [MANUFACTURED HOMES; SECTIONAL STRUCTURES.] (a) In this section, "manufactured home" means a structure transportable in one or more sections, which is built on a permanent chassis, and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and contains the plumbing, heating, air conditioning, and electrical systems in it. Manufactured home includes any accessory structure that is an addition or supplement to the manufactured home and, when installed, becomes a part of the manufactured home.

(b) A manufactured home that meets each of the following criteria must be valued and assessed as an improvement to real property, the appropriate real property classification applies, and the valuation is subject to review and the taxes payable in the manner provided for real property:

(1) the owner of the unit holds title to the land on which it is situated;

(2) the unit is affixed to the land by a permanent foundation or is installed at its location in accordance with the Manufactured Home Building Code in sections 327.31 to 327.34, and rules adopted under those sections, or is affixed to the land like other real property in the taxing district; and

(3) the unit is connected to public utilities, has a well and septic tank system, or is serviced by water and sewer facilities comparable to other real property in the taxing district.

(c) A manufactured home that meets each of the following criteria must be assessed at the rate provided by the appropriate real property classification but must be treated as personal property, and the valuation is subject to review and the taxes payable in the manner provided in this section:

(1) the owner of the unit is a lessee of the land under the terms of a lease;

(2) the unit is affixed to the land by a permanent foundation or is installed at its location in accordance with the Manufactured Home Building Code contained in sections 327.31 to 327.34, and the rules adopted under those sections, or is affixed to the land like other real property in the taxing district; and

(3) the unit is connected to public utilities, has a well and septic tank system, or is serviced by water and sewer facilities comparable to other real property in the taxing district.

(d) Sectional structures must be valued and assessed as an improvement to real property if the owner of the structure holds title to the land on which it is located or is a qualifying lessee of the land under section 273.19. In this paragraph "sectional structure" means a building or structural unit that has been in whole or substantial part manufactured or constructed at an off-site location to be wholly or partially assembled on-site alone or with other units and attached to a permanent foundation.

(e) The commissioner of revenue may adopt rules under the Administrative Procedure Act to establish additional criteria for the classification of manufactured homes and sectional structures under this subdivision.

(f) A storage shed, deck, or similar improvement constructed on property that is leased or rented as a site for a manufactured home, sectional structure, park trailer, or travel trailer is taxable as provided in this section. In the case of property that is leased or rented as a site for a travel trailer, a storage shed, deck, or similar improvement on the site that is considered personal property under this paragraph is taxable only if its total estimated market value is over $500. The property is taxable as personal property to the lessee of the site if it is not owned by the owner of the site. The property is taxable as real estate if it is owned by the owner of the site. As a condition of permitting the owner of the manufactured home, sectional structure, park trailer, or travel trailer to construct improvements on the leased or rented site, the owner of the site must obtain the permanent home address of the lessee or user of the site. The site owner must provide the name and address to the assessor upon request.

EFFECTIVE DATE: This section is effective beginning with the 2000 assessment.

Sec. 12. Minnesota Statutes 1999 Supplement, section 273.13, subdivision 24, is amended to read:

Subd. 24. [CLASS 3.] (a) Commercial and industrial property and utility real and personal property is class 3a.

(1) Except as otherwise provided, each parcel of commercial, industrial, or utility real property has a class rate of 2.4 percent of the first tier of market value, and 3.4 percent of the remaining market value~~, except that~~. In the case of contiguous parcels of property owned by the same person or entity, only the value equal to the first-tier value of the contiguous parcels qualifies for the reduced class rate, except that contiguous parcels owned by the same person or entity shall be eligible for the first-tier value class rate on each separate business operated by the owner of the property, provided the business is housed in a separate structure. For the purposes of this subdivision, the first tier means the first $150,000 of market value. Real property owned in fee by a utility for transmission line right-of-way shall be classified at the class rate for the higher tier. ~~All personal property shall be classified at the class rate for the higher tier. For purposes of this subdivision "personal property" means tools, implements, and machinery of an electric generating, transmission, or distribution system, or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, which are fixtures.~~

For purposes of this ~~paragraph~~ subdivision, parcels are considered to be contiguous even if they are separated from each other by a road, street, ~~vacant lot,~~ waterway, or other similar intervening type of property. Connections between parcels that consist of power lines or pipelines do not cause the parcels to be contiguous. Property owners who have contiguous parcels of property that constitute separate businesses that may qualify for the first-tier class rate shall notify the assessor by July 1, for treatment beginning in the following taxes payable year.

(2) Personal property that is: (i) part of an electric generation, transmission, or distribution system; or (ii) part of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; and (iii) not described in clause (3), has a class rate as provided under clause (1) for the first tier of market value and the remaining market value. In the case of multiple parcels in one county that are owned by one person or entity, only one first tier amount is eligible for the reduced rate.

(3) The entire market value of personal property that is: (i) tools, implements, and machinery of an electric generation, transmission, or distribution system; (ii) tools, implements, and machinery of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; or (iii) the mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, has a class rate as provided under clause (1) for the remaining market value in excess of the first tier.

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b. The class rates for class 3b property are determined under paragraph (a).

(c)(1) Subject to the limitations of clause (2), structures which are (i) located on property classified as class 3a, (ii) constructed under an initial building permit issued after January 2, 1996, (iii) located in a transit zone as defined under section 473.3915, subdivision 3, (iv) located within the boundaries of a school district, and (v) not primarily used for retail or transient lodging purposes, shall have a class rate equal to the lesser of 2.975 percent or the class rate of the second tier of the commercial property rate under paragraph (a) on any portion of the market value that does not qualify for the first tier class rate under paragraph (a). As used in item (v), a structure is primarily used for retail or transient lodging purposes if over 50 percent of its square footage is used for those purposes. A class rate equal to the lesser of 2.975 percent or the class rate of the second tier of the commercial property class rate under paragraph (a) shall also apply to improvements to existing structures that meet the requirements of items (i) to (v) if the improvements are constructed under an initial building permit issued after January 2, 1996, even if the remainder of the structure was constructed prior to January 2, 1996. For the purposes of this paragraph, a structure shall be considered to be located in a transit zone if any portion of the structure lies within the zone. If any property once eligible for treatment under this paragraph ceases to remain eligible due to revisions in transit zone boundaries, the property shall continue to receive treatment under this paragraph for a period of three years.

(2) This clause applies to any structure qualifying for the transit zone reduced class rate under clause (1) on January 2, 1999, or any structure meeting any of the qualification criteria in item (i) and otherwise qualifying for the transit zone reduced class rate under clause (1). Such a structure continues to receive the transit zone reduced class rate until the occurrence of one of the events in item (ii). Property qualifying under item (i)(D), that is located outside of a city of the first class, qualifies for the transit zone reduced class rate as provided in that item. Property qualifying under item (i)(E) qualifies for the transit zone reduced class rate as provided in that item.

(i) A structure qualifies for the rate in this clause if it is:

(A) property for which a building permit was issued before December 31, 1998; or

(B) property for which a building permit was issued before June 30, 2001, if:

(I) at least 50 percent of the land on which the structure is to be built has been acquired or is the subject of signed purchase agreements or signed options as of March 15, 1998, by the entity that proposes construction of the project or an affiliate of the entity;

(II) signed agreements have been entered into with one entity or with affiliated entities to lease for the account of the entity or affiliated entities at least 50 percent of the square footage of the structure or the owner of the structure will occupy at least 50 percent of the square footage of the structure; and

(III) one of the following requirements is met:

the project proposer has submitted the completed data portions of an environmental assessment worksheet by December 31, 1998; or

a notice of determination of adequacy of an environmental impact statement has been published by April 1, 1999; or

an alternative urban areawide review has been completed by April 1, 1999; or

(C) property for which a building permit is issued before July 30, 1999, if:

(I) at least 50 percent of the land on which the structure is to be built has been acquired or is the subject of signed purchase agreements as of March 31, 1998, by the entity that proposes construction of the project or an affiliate of the entity;

(II) a signed agreement has been entered into between the building developer and a tenant to lease for its own account at least 200,000 square feet of space in the building;

(III) a signed letter of intent is entered into by July 1, 1998, between the building developer and the tenant to lease the space for its own account; and

(IV) the environmental review process required by state law was commenced by December 31, 1998;

(D) property for which an irrevocable letter of credit with a housing and redevelopment authority was signed before December 31, 1998. The structure shall receive the transit zone reduced class rate during construction and for the duration of time that the original tenants remain in the building. Any unoccupied net leasable square footage that is not leased within 36 months after the certificate of occupancy has been issued for the building shall not be eligible to receive the reduced class rate. This reduced class rate applies only if ~~the~~ a qualifying entity ~~that constructed the structure~~ continues to own the property;

(E) property, located in a city of the first class, and for which the building permits for the excavation, the parking ramp, and the office tower were issued prior to April 1, 1999, shall receive the reduced class rate during construction and for the first five assessment years immediately following its initial occupancy provided that, when completed, at least 25 percent of the net leasable square footage must be occupied by ~~the~~ a qualifying entity ~~or the parent entity constructing the structure~~ each year during this time period. In order to receive the reduced class rate on the structure in any subsequent assessment years, at least 50 percent of the rentable square footage must be occupied by ~~the~~ a qualifying entity ~~or the parent entity that constructed the structure~~. This reduced class rate applies only if ~~the~~ a qualifying entity ~~or the parent entity that constructed the structure~~ continues to own the property.

(ii) A structure specified by this clause, other than a structure qualifying under clause (i)(D) or (E), shall continue to receive the transit zone reduced class rate until the occurrence of one of the following events:

(A) if the structure upon initial occupancy will be owner occupied by the entity initially constructing the structure or an affiliated entity, the structure receives the reduced class rate until the structure ceases to be at least 50 percent occupied by the entity or an affiliated entity, provided, if the portion of the structure occupied by that entity or an affiliate of the entity is less than 85 percent, the transit zone class rate reduction for the portion of structure not so occupied terminates upon the leasing of such space to any nonaffiliated entity; or

(B) if the structure is leased by a single entity or affiliated entity at the time of initial occupancy, the structure shall receive the reduced class rate until the structure ceases to be at least 50 percent occupied by the entity or an affiliated entity, provided, if the portion of the structure occupied by that entity or an affiliate of the entity is less than 85 percent, the transit zone class rate reduction for the portion of structure not so occupied shall terminate upon the leasing of such space to any nonaffiliated entity; or

(C) if the structure meets the criteria in item (i)(C), the structure shall receive the reduced class rate until the expiration of the initial lease term of the applicable tenants.

Percentages occupied or leased shall be determined based upon net leasable square footage in the structure. The assessor shall allocate the value of the structure in the same fashion as provided in the general law for portions of any structure receiving and not receiving the transit tax class reduction as a result of this clause.

(3) For purposes of paragraph (c), "qualifying entity" means the entity owning the property on September 1, 2000, or an affiliate of an entity that owned the property on September 1, 2000.

EFFECTIVE DATE: That portion of this section relating to the definition of real and personal utility property is effective for taxes payable in 2000 and thereafter. All other changes in the section are effective for taxes payable in 2001 and thereafter.

Sec. 13. Minnesota Statutes 1999 Supplement, section 273.13, subdivision 25, is amended to read:

Subd. 25. [CLASS 4.] (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. Class 4a property in a city with a population of 5,000 or less, that is (1) located outside of the metropolitan area, as defined in section 473.121, subdivision 2, or outside any county contiguous to the metropolitan area, and (2) whose city boundary is at least 15 miles from the boundary of any city with a population greater than 5,000 has a class rate of 2.15 percent of market value. All other class 4a property has a class rate of 2.4 percent of market value. For purposes of this paragraph, population has the same meaning given in section 477A.011, subdivision 3.

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential, and recreational;

(2) manufactured homes not classified under any other provision;

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units;

(4) unimproved property that is classified residential as determined under subdivision 33.

Class 4b property has a class rate of 1.65 percent of market value.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential, and recreational; and

(2) a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4bb has a class rate of 1.2 percent on the first $76,000 of market value and a class rate of 1.65 percent of its market value that exceeds $76,000.

Property that has been classified as seasonal recreational residential property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), real property devoted to temporary and seasonal residential occupancy for recreation purposes, including real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. In order for a property to be classified as class 4c, seasonal recreational residential for commercial purposes, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (ii) at least 20 percent of the annual gross receipts must be from charges for rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina services, launch services, and guide services, or the sale of bait and fishing tackle. For purposes of this determination, a paid booking of five or more nights shall be counted as two bookings. Class 4c also includes commercial use real property used exclusively for

recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Class 4c property classified in this clause also includes the remainder of class 1c resorts provided that the entire property including that portion of the property classified as class 1c also meets the requirements for class 4c under this clause; otherwise the entire property is classified as class 3. Owners of real property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c or 4c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located will be designated class 1c or 4c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 1c or 4c property must provide guest registers or other records demonstrating that the units for which class 1c or 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;

(2) qualified property used as a golf course if:

(i) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property;

(3) real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this clause, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31, 1990. For purposes of this clause, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity;

(4) post-secondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus;

(5) manufactured home parks as defined in section 327.14, subdivision 3; ~~and~~

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2; and

(7) a leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land is on an airport owned or operated by a city, town, county, metropolitan airports commission, or group thereof, and

(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale.

Class 4c property has a class rate of 1.65 percent of market value, except that (i) each parcel of seasonal residential recreational property not used for commercial purposes has the same class rates as class 4bb property, (ii) manufactured home parks assessed under clause (5) have the same class rate as class 4b property, and (iii) property described in paragraph (d), clause (4), has the same class rate as the rate applicable to the first tier of class 4bb nonhomestead residential real estate under paragraph (c).

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the housing finance agency under sections 273.126 and 462A.071. Class 4d includes land in proportion to the total market value of the building that is qualifying low-income rental housing. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

Class 4d property has a class rate of one percent of market value.

EFFECTIVE DATE: This section is effective for taxes payable in 2001 and thereafter.

Sec. 14. Minnesota Statutes 1999 Supplement, section 273.1382, subdivision 1b, is amended to read:

Subd. 1b. [EDUCATION AGRICULTURAL CREDIT.] Property classified as class 2a agricultural homestead or class 2b agricultural nonhomestead or timberland is eligible for education agricultural credit. The credit is equal to ~~54~~ 70 percent, in the case of agricultural homestead property up to $600,000 in market value, or ~~50~~ 63 percent, in the case of all other agricultural ~~nonhomestead~~ property or timberland, of the property's net tax capacity times the education credit tax rate determined in subdivision 1. The ~~net tax capacity~~ portion of class 2a property ~~attributable to~~ consisting of the house, garage, and surrounding one acre of land is not eligible for the credit under this subdivision, nor does its market value count towards the valuation threshold contained in this subdivision.

EFFECTIVE DATE: This section is effective for taxes payable in 2001 and thereafter.

Sec. 15. Minnesota Statutes 1998, section 273.37, subdivision 3, is amended to read:

Subd. 3. Taxable wind energy conversion systems, as defined in section 216C.06, subdivision 12, which are not owned, operated, and exclusively controlled by the owner of the land upon which the system is situated, must be listed and assessed by the commissioner of revenue as personal property in the name of the owner of the system in the taxing district where it is situated.

EFFECTIVE DATE: This section is effective for the 2000 assessment and thereafter.

Sec. 16. [273.372] [PROCEEDINGS AND APPEALS; UTILITY VALUATIONS.]

An appeal by a utility company concerning the exemption, valuation, or classification on property for which the commissioner of revenue has provided the county with commissioner's

orders or recommended values must be brought against the commissioner in tax court or in district court of the county where the property is located, and not against the county or taxing district where the property is located. If the appeal to a court is of an order of the commissioner, it must be brought under chapter 271. If the appeal is brought under chapter 278, the procedures in that chapter apply. This provision applies to the property contained under sections 273.33, 273.35, 273.36, and 273.37, but only if the appealed values have remained unchanged from those provided to the county by the commissioner. If the exemption, valuation, or classification being appealed has been changed by the county, then the action must be brought under chapter 278 in the county where the property is located.

Upon filing of any appeal by a utility company against the commissioner, the commissioner shall give notice by first class mail to each county which would be affected by the appeal.

Companies that submit the reports under section 273.371 by the date specified in that section, or by the date specified by the commissioner in an extension, may appeal administratively to the commissioner under the procedures in section 270.11, subdivision 6, prior to bringing an action in tax court or in district court, however, instituting an administrative appeal with the commissioner does not change or modify the deadline in section 278.01 for bringing an action in tax court or district court.

EFFECTIVE DATE: This section is effective for appeals made on property for assessment year 1999 and thereafter.

Sec. 17. Minnesota Statutes 1998, section 275.066, is amended to read:

275.066 [SPECIAL TAXING DISTRICTS; DEFINITION.]

For the purposes of property taxation and property tax state aids, the term "special taxing districts" includes the following entities:

(1) watershed districts under chapter 103D;

(2) sanitary districts under sections 115.18 to 115.37;

(3) regional sanitary sewer districts under sections 115.61 to 115.67;

(4) regional public library districts under section 134.201;

(5) park districts under chapter 398;

(6) regional railroad authorities under chapter 398A;

(7) hospital districts under sections 447.31 to 447.38;

(8) St. Cloud metropolitan transit commission under sections 458A.01 to 458A.15;

(9) Duluth transit authority under sections 458A.21 to 458A.37;

(10) regional development commissions under sections 462.381 to 462.398;

(11) housing and redevelopment authorities under sections 469.001 to 469.047;

(12) port authorities under sections 469.048 to 469.068;

(13) economic development authorities under sections 469.090 to 469.1081;

(14) metropolitan council under sections 473.123 to 473.549;

(15) metropolitan airports commission under sections 473.601 to 473.680;

(16) metropolitan mosquito control commission under sections 473.701 to 473.716;

(17) Morrison county rural development financing authority under Laws 1982, chapter 437, section 1;

(18) Croft Historical Park District under Laws 1984, chapter 502, article 13, section 6;

(19) East Lake county medical clinic district under Laws 1989, chapter 211, sections 1 to 6;

(20) Floodwood area ambulance district under Laws 1993, chapter 375, article 5, section 39; ~~and~~

(21) Middle Mississippi river watershed management organization under sections 103B.211 and 103B.241; and

(22) any other political subdivision of the state of Minnesota, excluding counties, school districts, cities, and towns, that has the power to adopt and certify a property tax levy to the county auditor, as determined by the commissioner of revenue.

EFFECTIVE DATE: This section is effective for taxes levied in 2000, payable in 2001, and thereafter.

Sec. 18. Minnesota Statutes 1998, section 276.19, subdivision 1, is amended to read:

Subdivision 1. [NOTICE OF OVERPAYMENT.] If an overpayment of property tax arises on a parcel ~~for any reason~~ due to receipt of a payment that exceeds the total amount of the tax required to be paid on the property tax statement, the responsible county official shall promptly notify the payer by regular mail that the overpayment has occurred. The notice must state the amount of overpayment and identify the parcel on which the overpayment occurred. The notice must also instruct the payer how to claim the overpayment and advise that the overpayment is subject to forfeiture under this section. If the name or address of the payer is not known, the notice of unclaimed overpayment must be mailed to the taxpayer of record in the office of the county auditor.

EFFECTIVE DATE: This section is effective for overpayment of taxes made the day following final enactment and thereafter, and applies only to taxes levied in 1999, payable in 2000, and thereafter.

Sec. 19. [278.14] [REFUNDS OF MISTAKENLY BILLED TAXES.]

Subdivision 1. [APPLICABILITY.] A county must pay a refund of a mistakenly billed tax as provided in this section. As used in this section, "mistakenly billed tax" means an amount of property tax that was billed, to the extent the amount billed exceeds the accurate tax amount due to a misclassification of the owner's property under section 273.13 or a mathematical error in the calculation of the tax on the owner's property, together with any penalty or interest paid on that amount. This section applies only to taxes payable in the current year and the two prior years. As used in this section, "mathematical error" is limited to an error in:

(1) converting the market value of a property to tax capacity or to a referendum market value;

(2) application of the tax rate as computed by the auditor under sections 275.08, subdivisions 1b, 1c, and 1d; 276A.06, subdivisions 4 and 5; and 473F.07, subdivisions 4 and 5, to the property's tax capacity or referendum market value; or

(3) calculation of or eligibility for a credit.

The remedy provided under this section does not apply to a misclassification under section 273.13 that is due to the failure of the property owner to apply for the correct classification as required by law.

Subd. 2. [PROCEDURE.] A refund of mistakenly billed tax must be paid upon verification of a claim made in a written application by the owner of the property or upon discovery of the mistakenly billed tax by the county. Refunds of overpayments will be made as provided in section 278.12.

Subd. 3. [APPEALS.] If the county rejects a claim by a property owner under subdivision 2, it must notify the property owner of that decision within 90 days of receipt of the claim. The

property owner may appeal that decision to the tax court within 60 days after receipt of a notice from the county of the decision. Relief granted by the tax court is limited to current year taxes, and taxes in the two prior years.

EFFECTIVE DATE: This section is effective for overpayment of taxes made the day following final enactment and thereafter, and applies only to taxes levied in 1999, payable in 2000, and thereafter.

Sec. 20. Minnesota Statutes 1999 Supplement, section 290B.03, subdivision 1, is amended to read:

Subdivision 1. [PROGRAM QUALIFICATIONS.] The qualifications for the senior citizens' property tax deferral program are as follows:

(1) the property must be owned and occupied as a homestead by a person 65 years of age or older. In the case of a married couple, both of the spouses must be at least 65 years old at the time the first property tax deferral is granted, regardless of whether the property is titled in the name of one spouse or both spouses, or titled in another way that permits the property to have homestead status;

(2) the total household income of the qualifying homeowners, as defined in section 290A.03, subdivision 5, for the calendar year preceding the year of the initial application may not exceed $60,000;

(3) the homestead must have been owned and occupied as the homestead of at least one of the qualifying homeowners for at least 15 years prior to the year the initial application is filed;

(4) ~~there are no delinquent property taxes, penalties, or interest on the homesteaded property;~~

~~(5) there are no delinquent special assessments on the homesteaded property;~~

~~(6)~~ there are no state or federal tax liens or judgment liens on the homesteaded property;

~~(7)~~ (5) there are no mortgages or other liens on the property that secure future advances, except for those subject to credit limits that result in compliance with clause ~~(8)~~ (6); and

~~(8)~~ (6) the total unpaid balances of debts secured by mortgages and other liens on the property, including unpaid and delinquent special assessments and interest and any delinquent property taxes, penalties, and interest, but not including property taxes payable during the year, does not exceed ~~30~~ 75 percent of the assessor's estimated market value for the year.

Sec. 21. Minnesota Statutes 1998, section 290B.04, is amended by adding a subdivision to read:

Subd. 7. [PAYMENT OF DELINQUENT TAXES AND SPECIAL ASSESSMENTS.] Upon approval of a senior citizen's initial application, the commissioner of revenue shall pay to the treasurer of the county where the property is located the amount of any delinquent property taxes, penalties, interest, and delinquent special assessments and interest on the property which is the subject of the application.

Sec. 22. Minnesota Statutes 1999 Supplement, section 290B.05, subdivision 1, is amended to read:

Subdivision 1. [DETERMINATION BY COMMISSIONER.] The commissioner shall determine each qualifying homeowner's "annual maximum property tax amount" following approval of the homeowner's initial application and following the receipt of a resumption of eligibility certification. The "annual maximum property tax amount" equals three percent of the homeowner's total household income for the year preceding either the initial application or the resumption of eligibility certification, whichever is applicable. Following approval of the initial application, the commissioner shall determine the qualifying homeowner's "maximum allowable deferral." No tax may be deferred relative to the appropriate assessment year for any homeowner whose total household income for the previous year exceeds $60,000. No tax shall be deferred in

any year in which the homeowner does not meet the program qualifications in section 290B.03. The maximum allowable total deferral is equal to 75 percent of the assessor's estimated market value for the year, less the balance of any mortgage loans and other amounts secured by liens against the property at the time of application, including any unpaid and delinquent special assessments and interest and any delinquent property taxes, penalties, and interest, but not including property taxes payable during the year.

Sec. 23. Minnesota Statutes 1998, section 290B.05, subdivision 3, is amended to read:

Subd. 3. [CALCULATION OF DEFERRED PROPERTY TAX AMOUNT.] When final property tax amounts for the following year have been determined, the county auditor shall calculate the "deferred property tax amount." The deferred property tax amount is equal to the lesser of (1) the maximum allowable deferral for the year; or (2) the difference between the total amount of property taxes levied upon the qualifying homestead by all taxing jurisdictions and the maximum property tax amount. Any special assessments levied by any local unit of government must not be included in the total tax used to calculate the deferred tax amount. ~~No deferral of the current year's property taxes is allowed if there are any delinquent property taxes or delinquent special assessments for any previous year.~~ Any tax attributable to new improvements made to the property after the initial application has been approved under section 290B.04, subdivision 2, must be excluded when determining any subsequent deferred property tax amount. The county auditor shall annually, on or before April 15, certify to the commissioner of revenue the property tax deferral amounts determined under this subdivision by property and by owner.

Sec. 24. Minnesota Statutes 1998, section 290B.07, is amended to read:

290B.07 [LIEN; DEFERRED PORTION.]

(a) Payment by the state to the county treasurer of property taxes, penalties, interest, or special assessments and interest deferred under this ~~section~~ chapter is deemed a loan from the state to the program participant. The commissioner must compute the interest as provided in section 270.75, subdivision 5, but not to exceed five percent, and maintain records of the total deferred amount and interest for each participant. Interest shall accrue beginning September 1 of the payable year for which the taxes are deferred. Any deferral made under this chapter shall not be construed as delinquent property taxes.

The lien created under section 272.31 continues to secure payment by the taxpayer, or by the taxpayer's successors or assigns, of the amount deferred, including interest, with respect to all years for which amounts are deferred. The lien for deferred taxes and interest has the same priority as any other lien under section 272.31, except that liens, including mortgages, recorded or filed prior to the recording or filing of the notice under section 290B.04, subdivision 2, have priority over the lien for deferred taxes and interest. A seller's interest in a contract for deed, in which a qualifying homeowner is the purchaser or an assignee of the purchaser, has priority over deferred taxes and interest on deferred taxes, regardless of whether the contract for deed is recorded or filed. The lien for deferred taxes and interest for future years has the same priority as the lien for deferred taxes and interest for the first year, which is always higher in priority than any mortgages or other liens filed, recorded, or created after the notice recorded or filed under section 290B.04, subdivision 2. The county treasurer or auditor shall maintain records of the deferred portion and shall list the amount of deferred taxes for the year and the cumulative deferral and interest for all previous years as a lien against the property. In any certification of unpaid taxes for a tax parcel, the county auditor shall clearly distinguish between taxes payable in the current year, deferred taxes and interest, and delinquent taxes. Payment of the deferred portion becomes due and owing at the time specified in section 290B.08. Upon receipt of the payment, the commissioner shall issue a receipt for it to the person making the payment upon request and shall notify the auditor of the county in which the parcel is located, within ten days, identifying the parcel to which the payment applies. Upon receipt by the commissioner of revenue of collected funds in the amount of the deferral, the state's loan to the program participant is deemed paid in full.

(b) If property for which taxes have been deferred under this chapter forfeits under chapter 281 for nonpayment of a nondeferred property tax amount, or because of nonpayment of amounts previously deferred following a termination under section 290B.08, the lien for the taxes deferred

under this chapter, plus interest and costs, shall be canceled by the county auditor as provided in section 282.07. However, notwithstanding any other law to the contrary, any proceeds from a subsequent sale of the property under chapter 282 or another law, must be used to first reimburse the county's forfeited tax sale fund for any direct costs of selling the property or any costs directly related to preparing the property for sale, and then to reimburse the state for the amount of the canceled lien. Within 90 days of the receipt of any sale proceed to which the state is entitled under these provisions, the county auditor must pay those funds to the commissioner of revenue by warrant for deposit in the general fund. No other deposit, use, distribution, or release of gross sale proceeds or receipts may be made by the county until payments sufficient to fully reimburse the state for the canceled lien amount have been transmitted to the commissioner.

Sec. 25. Minnesota Statutes 1998, section 290B.08, subdivision 1, is amended to read:

Subdivision 1. [TERMINATION.] (a) The deferral of taxes granted under this chapter terminates when one of the following occurs:

(1) the property is sold or transferred;

(2) the death of ~~the~~ all qualifying ~~homeowner(s)~~ homeowners;

(3) the homeowner notifies the commissioner in writing that the homeowner desires to discontinue the deferral; or

(4) the property no longer qualifies as a homestead.

(b) A property is not terminated from the program because no deferred property tax amount is determined on the homestead for any given year after the homestead's initial enrollment into the program.

EFFECTIVE DATE: This section is effective for deferrals of property taxes payable in 2001 and thereafter.

Sec. 26. Minnesota Statutes 1998, section 290B.08, subdivision 2, is amended to read:

Subd. 2. [PAYMENT UPON TERMINATION.] Upon the termination of the deferral under subdivision 1, the amount of deferred taxes ~~and~~, penalties, interest, and special assessments and interest, plus the recording or filing fees under both section 290B.04, subdivision 2, and this subdivision becomes due and payable to the commissioner within 90 days of termination of the deferral for terminations under subdivision 1, paragraph (a), clauses (1) and (2), and within one year of termination of the deferral for terminations under subdivision 1, paragraph (a), clauses (3) and (4). No additional interest is due on the deferral if timely paid. On receipt of payment, the commissioner shall within ten days notify the auditor of the county in which the parcel is located, identifying the parcel to which the payment applies and shall remit the recording or filing fees under section 290B.04, subdivision 2, and this subdivision to the auditor. A notice of termination of deferral, containing the legal description and the recording or filing data for the notice of qualification for deferral under section 290B.04, subdivision 2, shall be prepared and recorded or filed by the county auditor in the same office in which the notice of qualification for deferral under section 290B.04, subdivision 2, was recorded or filed, and the county auditor shall mail a copy of the notice of termination to the property owner. The property owner shall pay the recording or filing fees. Upon recording or filing of the notice of termination of deferral, the notice of qualification for deferral under section 290B.04, subdivision 2, and the lien created by it are discharged. If the deferral is not timely paid, the penalty, interest, lien, forfeiture, and other rules for the collection of ad valorem property taxes apply.

Sec. 27. Minnesota Statutes 1998, section 290B.09, subdivision 2, is amended to read:

Subd. 2. [APPROPRIATION.] An amount sufficient to pay the total amount of property tax determined under subdivision 1, plus any amounts paid under section 290B.04, subdivision 7, is annually appropriated from the general fund to the commissioner of revenue.

Sec. 28. Minnesota Statutes 1999 Supplement, section 383D.74, subdivision 2, is amended to read:

Subd. 2. [EXPIRATION.] The authority to impose a penalty under this section expires on December 31, ~~2000~~ 2005.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 29. Minnesota Statutes 1998, section 429.011, subdivision 2a, is amended to read:

Subd. 2a. [MUNICIPALITY.] "Municipality" also includes a county in the case of construction, reconstruction, or improvement of a county state-aid highway or county highway as defined in section 160.02 including curbs and gutters and storm sewers ~~and includes~~; a county exercising its powers and duties under section 444.075, subdivision 1; and a county for expenses not paid for under section 403.113, subdivision 3, paragraph (b), clause (3).

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 30. Minnesota Statutes 1998, section 429.011, subdivision 5, is amended to read:

Subd. 5. [IMPROVEMENT.] "Improvement" means any type of improvement made under authority granted by section 429.021, and in the case of a county is limited to the construction, reconstruction, or improvement of a county state-aid highway or county highway including curbs and gutters and storm sewers, and to the purchase, installation, or maintenance of signs, posts, and markers for addressing related to the operation of enhanced 911 telephone service.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 31. Minnesota Statutes 1998, section 429.021, subdivision 1, is amended to read:

Subdivision 1. [IMPROVEMENTS AUTHORIZED.] The council of a municipality shall have power to make the following improvements:

(1) To acquire, open, and widen any street, and to improve the same by constructing, reconstructing, and maintaining sidewalks, pavement, gutters, curbs, and vehicle parking strips of any material, or by grading, graveling, oiling, or otherwise improving the same, including the beautification thereof and including storm sewers or other street drainage and connections from sewer, water, or similar mains to curb lines.

(2) To acquire, develop, construct, reconstruct, extend, and maintain storm and sanitary sewers and systems, including outlets, holding areas and ponds, treatment plants, pumps, lift stations, service connections, and other appurtenances of a sewer system, within and without the corporate limits.

(3) To construct, reconstruct, extend, and maintain steam heating mains.

(4) To install, replace, extend, and maintain street lights and street lighting systems and special lighting systems.

(5) To acquire, improve, construct, reconstruct, extend, and maintain water works systems, including mains, valves, hydrants, service connections, wells, pumps, reservoirs, tanks, treatment plants, and other appurtenances of a water works system, within and without the corporate limits.

(6) To acquire, improve and equip parks, open space areas, playgrounds, and recreational facilities within or without the corporate limits.

(7) To plant trees on streets and provide for their trimming, care, and removal.

(8) To abate nuisances and to drain swamps, marshes, and ponds on public or private property and to fill the same.

(9) To construct, reconstruct, extend, and maintain dikes and other flood control works.

(10) To construct, reconstruct, extend, and maintain retaining walls and area walls.

(11) To acquire, construct, reconstruct, improve, alter, extend, operate, maintain, and promote a

pedestrian skyway system. Such improvement may be made upon a petition pursuant to section 429.031, subdivision 3.

(12) To acquire, construct, reconstruct, extend, operate, maintain, and promote underground pedestrian concourses.

(13) To acquire, construct, improve, alter, extend, operate, maintain, and promote public malls, plazas or courtyards.

(14) To construct, reconstruct, extend, and maintain district heating systems.

(15) To construct, reconstruct, alter, extend, operate, maintain, and promote fire protection systems in existing buildings, but only upon a petition pursuant to section 429.031, subdivision 3.

(16) To acquire, construct, reconstruct, improve, alter, extend, and maintain highway sound barriers.

(17) To improve, construct, reconstruct, extend, and maintain gas and electric distribution facilities owned by a municipal gas or electric utility.

(18) To purchase, install, and maintain signs, posts, and other markers for addressing related to the operation of enhanced 911 telephone service.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 32. Minnesota Statutes 1998, section 429.031, subdivision 1, is amended to read:

Subdivision 1. [PREPARATION OF PLANS, NOTICE OF HEARING.] (a) Before the municipality awards a contract for an improvement or orders it made by day labor, or before the municipality may assess any portion of the cost of an improvement to be made under a cooperative agreement with the state or another political subdivision for sharing the cost of making the improvement, the council shall hold a public hearing on the proposed improvement following two publications in the newspaper of a notice stating the time and place of the hearing, the general nature of the improvement, the estimated cost, and the area proposed to be assessed. The two publications must be a week apart, and the hearing must be at least three days after the second publication. Not less than ten days before the hearing, notice of the hearing must also be mailed to the owner of each parcel within the area proposed to be assessed and must contain a statement that a reasonable estimate of the impact of the assessment will be available at the hearing, but failure to give mailed notice or any defects in the notice does not invalidate the proceedings. For the purpose of giving mailed notice, owners are those shown as owners on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer; but other appropriate records may be used for this purpose. For properties that are tax exempt or subject to taxation on a gross earnings basis and are not listed on the records of the county auditor or the county treasurer, the owners may be ascertained by any practicable means, and mailed notice must be given them as provided in this subdivision.

(b) Before the adoption of a resolution ordering the improvement, the council shall secure from the city engineer or some other competent person of its selection a report advising it in a preliminary way as to whether the proposed improvement is necessary, cost-effective, and feasible and as to whether it should best be made as proposed or in connection with some other improvement. The report must also include the estimated cost of the improvement as recommended. A reasonable estimate of the total amount to be assessed, and a description of the methodology used to calculate individual assessments for affected parcels, must be available at the hearing. No error or omission in the report invalidates the proceeding unless it materially prejudices the interests of an owner.

(c) If the report is not prepared by an employee of a municipality, the compensation for preparing the report under this subdivision must be based on the following factors:

(1) the time and labor required;

(2) the experience and knowledge of the preparer;

(3) the complexity and novelty of the problems involved; and

(4) the extent of the responsibilities assumed.

(d) The compensation must not be based primarily on a percentage of the estimated cost of the improvement.

(e) The council may also take other steps prior to the hearing, including, among other things, the preparation of plans and specifications and the advertisement for bids that will in its judgment provide helpful information in determining the desirability and feasibility of the improvement.

(f) The hearing may be adjourned from time to time, and a resolution ordering the improvement may be adopted at any time within six months after the date of the hearing by vote of a majority of all members of the council when the improvement has been petitioned for by the owners of not less than 35 percent in frontage of the real property abutting on the streets named in the petition as the location of the improvement. When there has been no such petition, the resolution may be adopted only by vote of four-fifths of all members of the council; provided that if the mayor of the municipality is a member of the council but has no vote or votes only in case of a tie, the mayor is not deemed to be a member for the purpose of determining a four-fifths majority vote.

(g) The resolution ordering the improvement may reduce, but not increase, the extent of the improvement as stated in the notice of hearing.

EFFECTIVE DATE: This section is effective for mailed notices and hearings held June 1, 2000, and thereafter.

Sec. 33. Minnesota Statutes 1998, section 469.040, is amended by adding a subdivision to read:

Subd. 5. [DESIGNATED HOUSING CORPORATION.] Property located within the exterior boundaries of the White Earth Indian Reservation that is owned by the tribe's designated housing entity as defined in United States Code, title 25, section 4103(21), and that is a housing project or a housing development project, as defined in section 469.002, subdivisions 13 and 15, is exempt from all real and personal property taxes of the city, the county, the state, or any political subdivision thereof, but the property is subject to subdivision 3. A copy of those portions of the annual reports submitted on behalf of the housing entity to the Secretary of the United States Department of Housing and Urban Development for the project that contain information sufficient to determine the amount due under subdivision 3 satisfies the reporting requirements of subdivision 3 for the project.

EFFECTIVE DATE: This section is effective for the 2000 assessment, taxes payable in 2001, and thereafter.

Sec. 34. Laws 1987, chapter 402, section 2, subdivision 1, is amended to read:

Subdivision 1. [AGREEMENT.] The city of Moose Lake and one or more of the towns of Moose Lake, Silver, and Windemere may by action of their city council and town boards establish the Moose Lake fire protection district. ~~The town of Silver may provide that only a described part of its territory be included within the district.~~ The district shall provide fire protection services throughout its territory and may exercise all the powers of the city and towns that relate to fire protection anywhere within its territory. Any other contiguous town or home rule charter or statutory city may join the district with the agreement of the cities and towns that comprise the district at the time of its application to join. Action to join the district may be taken by the city council or town board of the city or town.

EFFECTIVE DATE: Pursuant to Minnesota Statutes, section 645.023, subdivision 1, clause (a), this section is effective without local approval the day following final enactment.

Sec. 35. Laws 1987, chapter 402, section 2, subdivision 4, is amended to read:

Subd. 4. [TAX.] The district may impose a property tax on real property in the district in an amount sufficient to discharge its operating expenses and debt payable in each year. The tax shall be disregarded in the calculation of any levies or limits on levies provided by Minnesota Statutes, chapter 275, or other law. A city or town that joins the district may not incur expenses or debt for fire protection services for territory included in the district and may not impose taxes for that purpose. ~~The town of Silver may impose a property tax on territory not included in the district to discharge costs or debt incurred to provide fire protection services to that territory.~~

EFFECTIVE DATE: Pursuant to Minnesota Statutes, section 645.023, subdivision 1, clause (a), this section is effective without local approval the day following final enactment.

Sec. 36. Laws 1987, chapter 402, section 2, subdivision 5, is amended to read:

Subd. 5. [PUBLIC INDEBTEDNESS.] The district may incur debt in the manner provided for a municipality by Minnesota Statutes, chapter 475, when necessary to accomplish a duty charged to it. The district may also issue certificates of indebtedness subject to debt limits for the district to purchase capital equipment having an expected useful life at least as long as the terms of the certificates. The certificates must be payable in not more than five years and must be issued on the terms and in the manner as the board may determine. Before issuing certificates in an amount exceeding .25 percent of the taxable property of the district, the board shall publish a resolution indicating its intent to issue the certificates in a newspaper of general circulation in the district. The certificates may be issued without an election unless within ten days of the publication a petition signed by the sum of at least ten percent of the voters in the member towns voting in the last regular town election and ten percent of the voters of the city voting in the last city general election requesting an election on their issuance is filed with the board. If a petition is filed, the certificates may not be issued unless their issuance is approved by a majority of the voters at a general or special election in which all the residents of the city and member towns are eligible to vote. A tax levy shall be made against all property in the district to pay the principal and interest on the certificates, in accordance with Minnesota Statutes, section 475.61, as in the case of bonds.

EFFECTIVE DATE: Pursuant to Minnesota Statutes, section 645.023, subdivision 1, clause (a), this section is effective without local approval the day following final enactment.

Sec. 37. [EVELETH-GILBERT JOINT RECREATION BOARD TAX.]

The cities and towns who participate in the Eveleth-Gilbert joint recreation board may levy a tax on the taxable property within their taxing jurisdictions situated within the boundaries of independent school district No. 2154, Eveleth-Gilbert, as provided in this section. The maximum amount that may be levied by all participating cities and towns combined shall not exceed a total of $125,000 per year, for a maximum of eight years. Property within the school district may be made subject to the tax permitted by this section by the agreement of the governing body or town board of the city or town where the property is located. The agreement may be by resolution of a governing body or town board or by a joint powers agreement under Minnesota Statutes, section 471.59. If levied, this tax is in addition to all other taxes permitted to be levied for park and recreation purposes by the participating cities and towns. It shall be disregarded in the calculation of all tax levy limitations imposed by charter and any general overall levy limitations. A city or town may withdraw its agreement to future taxes by notice to the recreation board and the county auditor unless provided otherwise by a joint powers agreement. The tax shall be collected by the St. Louis county treasurer and paid directly to the Eveleth-Gilbert joint recreation board.

This section applies in the cities of Eveleth, Gilbert, Leonidas, McKinley, and Iron Junction, and in the towns of Biwabik, Clinton, and Fayal, all located in St. Louis county.

EFFECTIVE DATE: This section is effective for taxes payable in 2001 through taxes payable in 2008.

Sec. 38. [STUDY OF TAXATION OF FOREST LAND.]

Subdivision 1. [STUDY.] The commissioner of revenue, in cooperation with the Minnesota forest resources council, shall study the taxation of forest land in this state. The study shall include

a review of the current application of property taxes to these lands and a review and comparison with other forest land tax policies. It shall also include recommendations for changes in tax policy:

(1) to encourage forest productivity;

(2) to maintain land in forest cover;

(3) to encourage the application of sustainable site level forest management guidelines;

(4) to address impacts on local government revenues; and

(5) for changes in tax rates.

The study shall be completed and transmitted to the chairs of the house and senate tax committees by December 1, 2000.

Subd. 2. [APPROPRIATION.] $50,000 is appropriated from the general fund in fiscal year 2000 to the commissioner of revenue for completion of the study required in this section. This appropriation is available until December 31, 2000.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 39. [APPROPRIATION.]

Notwithstanding section 16A.1521, the balance of the property tax reform account as of July 1, 2000, is transferred to the general fund and any additional funds appropriated to the property tax reform account as a result of the November, 1999, forecast are canceled and the appropriation remains in the general fund.

Sec. 40. [REPEALER.]

(a) Minnesota Statutes 1998, sections 270.072, subdivision 5; and 270.075, subdivisions 3 and 4; are repealed.

(b) Minnesota Statutes 1998, section 273.127, is repealed.

(c) Minnesota Statutes 1998, section 273.1316, is repealed.

EFFECTIVE DATE: Paragraph (a) is effective for taxes payable in 2001 and thereafter. Paragraph (b) is effective for taxes payable in 2000 and thereafter. Paragraph (c) is effective the day following final enactment.

Sec. 41. [EFFECTIVE DATE.]

Sections 20 to 24, 26, and 27 apply to all homeowners and all property taxes deferred beginning in payable 2001, including those homeowners who initially qualified under this program for taxes payable in 1999 or 2000, except that if a homeowner did not qualify for any property tax deferral for payable 2000 because of the percentage threshold in Minnesota Statutes, section 290B.03, subdivision 1, paragraph (6), or the prohibition on qualification of owners of property with delinquent taxes or delinquent special assessments, and now qualifies for the program with the changes in those provisions, the homeowner may apply to the commissioner by July 1, 2000, and request a retroactive qualification into the program for taxes payable in 2000. The commissioner of revenue shall notify the county auditor of such eligible taxpayers. The commissioner shall make payment to the county for the appropriate amount due for taxes payable in 2000, and the county treasurer shall refund the taxpayer for any excess tax amount that the taxpayer has paid to the county.

ARTICLE 6

LEVY LIMITS AND AIDS TO LOCAL GOVERNMENT

Section 1. Minnesota Statutes 1998, section 97A.061, is amended by adding a subdivision to read:

Subd. 4. [OFFSET OF PAYMENTS.] Payments to a county or town under this section must be reduced by the amount of payment to that county or town under section 477A.12 for the same lands in the same year.

EFFECTIVE DATE: This section is effective for payments made in calendar year 2001 and thereafter.

Sec. 2. Minnesota Statutes 1998, section 97A.061, is amended by adding a subdivision to read:

Subd. 5. [ALLOCATION OF PAYMENTS.] Notwithstanding section 477A.14, the amounts paid to a county under section 477A.14 for lands that are also subject to payment under this section shall be allocated within the county in accordance with subdivision 2.

EFFECTIVE DATE: This section is effective for payments made in calendar year 2001 and thereafter.

Sec. 3. Minnesota Statutes 1999 Supplement, section 273.1398, subdivision 4a, is amended to read:

Subd. 4a. [AID OFFSET FOR COURT COSTS.] (a) By July 15, 1999, the supreme court shall determine and certify to the commissioner of revenue for each county, other than counties located in the eighth judicial district, the county's share of the costs assumed under Laws 1999, chapter 216, article 7, during the fiscal year beginning July 1, 2000, less an amount equal to the county's share of transferred fines collected by the district courts in the county during calendar year 1998.

(b) Payments to a county under subdivision 2 or section 273.166 for calendar year 2000 must be permanently reduced by an amount equal to 75 percent of the net cost to the state for assumption of district court costs as certified in paragraph (a).

(c) Payments to a county under subdivision 2 or section 273.166 for calendar year 2001 must be permanently reduced by an amount equal to 25 percent of the net cost to the state for assumption of district court costs as certified in paragraph (a).

(d) Payments to a county under subdivision 2 for calendar year 2001 are permanently increased by an amount equal to 7.5 percent of the county's share of transferred fines collected by the district courts in the county during calendar year 1998, as determined under paragraph (a). If the amount determined in paragraph (a) exceeds the amount of aid a county is scheduled to be paid under subdivision 2 in 2000, then the county shall not receive an aid increase under this paragraph.

EFFECTIVE DATE: This section is effective for aids payable in 2001 and thereafter.

Sec. 4. Minnesota Statutes 1999 Supplement, section 275.70, subdivision 5, is amended to read:

Subd. 5. [SPECIAL LEVIES.] "Special levies" means those portions of ad valorem taxes levied by a local governmental unit for the following purposes or in the following manner:

(1) to pay the costs of the principal and interest on bonded indebtedness or to reimburse for the amount of liquor store revenues used to pay the principal and interest due on municipal liquor store bonds in the year preceding the year for which the levy limit is calculated;

(2) to pay the costs of principal and interest on certificates of indebtedness issued for any corporate purpose except for the following:

(i) tax anticipation or aid anticipation certificates of indebtedness;

(ii) certificates of indebtedness issued under sections 298.28 and 298.282;

(iii) certificates of indebtedness used to fund current expenses or to pay the costs of extraordinary expenditures that result from a public emergency; or

(iv) certificates of indebtedness used to fund an insufficiency in tax receipts or an insufficiency in other revenue sources;

(3) to provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

(4) to fund payments made to the Minnesota state armory building commission under section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

(5) for unreimbursed expenses related to flooding that occurred during the first half of calendar year 1997, as allowed by the commissioner of revenue under section 275.74, paragraph (b);

(6) for local units of government located in an area designated by the Federal Emergency Management Agency pursuant to a major disaster declaration issued for Minnesota by President Clinton after April 1, 1997, and before June 11, 1997, for the amount of tax dollars lost due to abatements authorized under section 273.123, subdivision 7, and Laws 1997, chapter 231, article 2, section 64, to the extent that they are related to the major disaster and to the extent that neither the state or federal government reimburses the local government for the amount lost;

(7) property taxes approved by voters which are levied against the referendum market value as provided under section 275.61;

(8) to fund matching requirements needed to qualify for federal or state grants or programs to the extent that either (i) the matching requirement exceeds the matching requirement in calendar year 1997, or (ii) it is a new matching requirement that didn't exist prior to 1998;

(9) to pay the expenses reasonably and necessarily incurred in preparing for or repairing the effects of natural disaster including the occurrence or threat of widespread or severe damage, injury, or loss of life or property resulting from natural causes, in accordance with standards formulated by the emergency services division of the state department of public safety, as allowed by the commissioner of revenue under section 275.74, paragraph (b);

(10) for the amount of tax revenue lost due to abatements authorized under section 273.123, subdivision 7, for damage related to the tornadoes of March 29, 1998, to the extent that neither the state or federal government provides reimbursement for the amount lost;

(11) pay amounts required to correct an error in the levy certified to the county auditor by a city or county in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.70 to 275.74 in the preceding levy year;

(12) to pay an abatement under section 469.1815;

(13) to pay the employer contribution to the local government correctional service retirement plan under section 353E.03, subdivision 2, to the extent that the employer contribution exceeds 5.49 percent of total salary; ~~and~~

(14) to pay the operating or maintenance costs of a county jail as authorized in section 641.01 or 641.262, or of a correctional facility as defined in section 241.021, subdivision 1, paragraph (5), to the extent that the county can demonstrate to the commissioner of revenue that the amount has been included in the county budget as a direct result of a rule, minimum requirement, minimum standard, or directive of the department of corrections, or to pay the operating or maintenance costs of a regional jail as authorized in section 641.262. For purposes of this clause, a district court order is not a rule, minimum requirement, minimum standard, or directive of the department of corrections. If the county utilizes this special levy, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation computed under section 275.71, shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination; and

(15) to repay a state or federal loan used to fund the direct or indirect required spending by the local government due to a state or federal transportation project or other state or federal capital project. This authority may only be used if the project is not a local government initiative.

EFFECTIVE DATE: Minnesota Statutes, section 275.70, subdivision 5, as amended by this section, is effective beginning with taxes levied in 2000, payable in 2001 and thereafter, for any year in which general levy limits are imposed, notwithstanding Laws 1997, chapter 231, article 3, section 9, as amended by Laws 1999, chapter 243, article 6, section 10.

Sec. 5. Minnesota Statutes 1999 Supplement, section 275.71, subdivision 4, is amended to read:

Subd. 4. [PROPERTY TAX LEVY LIMIT.] For taxes levied in ~~1998 and~~ 1999, the property tax levy limit for a local governmental unit is equal to its adjusted levy limit base determined under subdivision 3 plus any additional levy authorized under section 275.73, which is levied against net tax capacity, reduced by the sum of (1) the total amount of aids that the local governmental unit is certified to receive under sections 477A.011 to 477A.014, (2) homestead and agricultural aids it is certified to receive under section 273.1398, (3) local performance aid it is certified to receive under section 477A.05, (4) taconite aids under sections 298.28 and 298.282 including any aid which was required to be placed in a special fund for expenditure in the next succeeding year but excluding amounts allocated under section 298.28, subdivision 2, paragraph (b), (5) flood loss aid under section 273.1383, and (6) low-income housing aid under sections 477A.06 and 477A.065.

EFFECTIVE DATE: This section is effective for taxes levied in 1999, payable in 2000.

Sec. 6. Minnesota Statutes 1999 Supplement, section 477A.011, subdivision 36, is amended to read:

Subd. 36. [CITY AID BASE.] (a) Except as provided in paragraphs (b) to ~~(k)~~ (n), "city aid base" means, for each city, the sum of the local government aid and equalization aid it was originally certified to receive in calendar year 1993 under Minnesota Statutes 1992, section 477A.013, subdivisions 3 and 5, and the amount of disparity reduction aid it received in calendar year 1993 under Minnesota Statutes 1992, section 273.1398, subdivision 3.

(b) For aids payable in 1996 and thereafter, a city that in 1992 or 1993 transferred an amount from governmental funds to its sewer and water fund, which amount exceeded its net levy for taxes payable in the year in which the transfer occurred, has a "city aid base" equal to the sum of (i) its city aid base, as calculated under paragraph (a), and (ii) one-half of the difference between its city aid distribution under section 477A.013, subdivision 9, for aids payable in 1995 and its city aid base for aids payable in 1995.

(c) The city aid base for any city with a population less than 500 is increased by $40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $40,000 for aids payable in calendar year 1995 only, provided that:

(i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;

(ii) the city portion of the tax capacity rate exceeds 100 percent; and

(iii) its city aid base is less than $60 per capita.

(d) The city aid base for a city is increased by $20,000 in 1998 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $20,000 in calendar year 1998 only, provided that:

(i) the city has a population in 1994 of 2,500 or more;

(ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;

(iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than $400 per capita; and

(iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

(e) The city aid base for a city is increased by $200,000 in 1999 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $200,000 in calendar year 1999 only, provided that:

(i) the city was incorporated as a statutory city after December 1, 1993;

(ii) its city aid base does not exceed $5,600; and

(iii) the city had a population in 1996 of 5,000 or more.

(f) The city aid base for a city is increased by $450,000 in 1999 to 2008 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $450,000 in calendar year 1999 only, provided that:

(i) the city had a population in 1996 of at least 50,000;

(ii) its population had increased by at least 40 percent in the ten-year period ending in 1996; and

(iii) its city's net tax capacity for aids payable in 1998 is less than $700 per capita.

(g) Beginning in 2002, the city aid base for a city is equal to the sum of its city aid base in 2001 and the amount of additional aid it was certified to receive under section 477A.06 in 2001. For 2002 only, the maximum amount of total aid a city may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by the amount it was certified to receive under section 477A.06 in 2001.

(h) The city aid base for a city is increased by $150,000 for aids payable in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $150,000 in calendar year 2000 only, provided that:

(1) the city has a population that is greater than 1,000 and less than 2,500;

(2) its commercial and industrial percentage for aids payable in 1999 is greater than 45 percent; and

(3) the total market value of all commercial and industrial property in the city for assessment year 1999 is at least 15 percent less than the total market value of all commercial and industrial property in the city for assessment year 1998.

(i) The city aid base for a city is increased by $200,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $200,000 in calendar year 2000 only, provided that:

(1) the city had a population in 1997 of 2,500 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than $650 per capita;

(3) the pre-1940 housing percentage of the city used in calculating 1999 aid under section 477A.013 is greater than 12 percent;

(4) the 1999 local government aid of the city under section 477A.013 is less than 20 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent; and

(5) the city aid base of the city used in calculating aid under section 477A.013 is less than $7 per capita.

(j) The city aid base for a city is increased by $225,000 in calendar years 2000 to 2002 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $225,000 in calendar year 2000 only, provided that:

(1) the city had a population of at least 5,000;

(2) its population had increased by at least 50 percent in the ten-year period ending in 1997;

(3) the city is located outside of the Minneapolis-St. Paul metropolitan statistical area as defined by the United States Bureau of the Census; and

(4) the city received less than $30 per capita in aid under section 477A.013, subdivision 9, for aids payable in 1999.

(k) The city aid base for a city is increased by $102,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $102,000 in calendar year 2000 only, provided that:

(1) the city has a population in 1997 of 2,000 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than $455 per capita;

(3) the net levy of the city used in calculating 1999 aid under section 477A.013 is greater than $195 per capita; and

(4) the 1999 local government aid of the city under section 477A.013 is less than 38 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent.

(l) The city aid base for a city is increased by $32,000 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $32,000 in calendar year 2001 only, provided that:

(1) the city has a population in 1998 that is greater than 200 but less than 500;

(2) the city's revenue need used in calculating aids payable in 2000 was greater than $200 per capita;

(3) the city net tax capacity for the city used in calculating aids available in 2000 was equal to or less than $200 per capita;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than $65 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

(m) The city aid base for a city is increased by $7,200 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $7,200 in calendar year 2001 only, provided that:

(1) the city had a population in 1998 that is greater than 200 but less than 500;

(2) the city's commercial industrial percentage used in calculating aids payable in 2000 was less than ten percent;

(3) more than 25 percent of the city's population was 60 years old or older according to the 1990 census;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than $15 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

(n) The city aid base for a city is increased by $45,000 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $45,000 in calendar year 2001 only, provided that:

(1) the net tax capacity of the city used in calculating its 2000 aid under section 477A.013 is less than $810 per capita;

(2) the population of the city declined more than two percent between 1988 and 1998;

(3) the net levy of the city used in calculating 2000 aid under section 477A.013 is greater than $240 per capita; and

(4) the city received less than $36 per capita in aid under section 477A.013, subdivision 9, for aids payable in 2000.

EFFECTIVE DATE: This section is effective beginning with aids payable in 2001 and thereafter.

Sec. 7. Minnesota Statutes 1999 Supplement, section 477A.03, subdivision 2, is amended to read:

Subd. 2. [ANNUAL APPROPRIATION.] (a) A sum sufficient to discharge the duties imposed by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the commissioner of revenue.

(b) Aid payments to counties under section 477A.0121 are limited to $20,265,000 in 1996. Aid payments to counties under section 477A.0121 are limited to $27,571,625 in 1997. For aid payable in 1998 and thereafter, the total aids paid under section 477A.0121 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(c)(i) For aids payable in 1998 and thereafter, the total aids paid to counties under section 477A.0122 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(ii) Aid payments to counties under section 477A.0122 in 2000 are further increased by an additional $20,000,000 in 2000.

(d) Aid payments to cities in 1999 under section 477A.013, subdivision 9, are limited to $380,565,489. For aids payable in 2000 ~~and 2001~~, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided in subdivision 3, and increased by the amount necessary to effectuate Laws 1999, chapter 243, article 5, section 48, paragraph (b). For aids payable in 2001 through 2003, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. For aids payable in ~~2002~~ 2004, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3, and increased by the amount certified to be paid in ~~2001~~ 2003 under section 477A.06. For aids payable in ~~2003~~ 2005 and thereafter, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. The additional amount authorized under subdivision 4 is not included when calculating the appropriation limits under this paragraph.

EFFECTIVE DATE: This section is effective for aids payable in 2000 and thereafter.

Sec. 8. Minnesota Statutes 1999 Supplement, section 477A.06, subdivision 1, is amended to read:

Subdivision 1. [ELIGIBILITY.] (a) For assessment years ~~1998, 1999, and~~ 2000, 2001, and 2002, for all class 4d property on which construction was begun before January 1, 1999, the assessor shall determine the difference between the actual net tax capacity and the net tax capacity that would be determined for the property if the class rates for assessment year 1997 were in effect.

(b) In calendar years ~~1999, 2000, and~~ 2001, 2002, and 2003, each city shall be eligible for aid equal to (i) the amount by which the sum of the differences determined in clause (a) for the

corresponding assessment year exceeds two percent of the city's total taxable net tax capacity for taxes payable in 1998, multiplied by (ii) the city government's average local tax rate for taxes payable in 1998.

Sec. 9. Minnesota Statutes 1998, section 477A.06, subdivision 3, is amended to read:

Subd. 3. [APPROPRIATION; PAYMENT.] (a) The commissioner shall pay each city its qualifying aid amount on or before July 20 of each year. An amount sufficient to pay the aid authorized under this section is appropriated to the commissioner of revenue from the property tax reform account in fiscal years 2000 and 2001, and from the general fund in fiscal ~~year~~ years 2002, 2003, and 2004.

(b) For fiscal years 2001 ~~and 2002~~ through 2004, the amount of aid appropriated under this section may not exceed $1,500,000 each year.

(c) If the total amount of aid that would otherwise be payable under the formula in this section exceeds the maximum allowed under paragraph (b), the amount of aid for each city is reduced proportionately to equal the limit.

Sec. 10. Minnesota Statutes 1998, section 477A.11, subdivision 1, is amended to read:

Subdivision 1. [TERMS.] For the purpose of ~~Laws 1979, Chapter 303, Article 8, Sections 1 to 5~~ sections 477A.11 to 477A.145, the terms defined in this section have the meanings given them.

EFFECTIVE DATE: This section applies to payments made in calendar year 2001 and thereafter.

Sec. 11. Minnesota Statutes 1998, section 477A.12, is amended to read:

477A.12 [ANNUAL APPROPRIATIONS; LANDS ELIGIBLE; CERTIFICATION OF ACREAGE.]

(a) ~~There is~~ As an offset for expenses incurred by counties and towns in support of natural resources lands, the following amounts are annually appropriated to the commissioner of natural resources from the general fund for ~~payment to counties within the state an amount equal to~~ transfer to the commissioner of revenue. The commissioner of revenue shall pay the transferred funds to counties as required by sections 477A.11 to 477A.145. The amounts are:

(1) for acquired natural resources land, $3, as adjusted for inflation under section 477A.145, multiplied by the total number of acres of acquired natural resources land or, ~~beginning July 1, 1996,~~ at the county's option three-fourths of one percent of the appraised value of all acquired natural resources land in the county, whichever is greater;

(2) 75 cents, as adjusted for inflation under section 477A.145, multiplied by the number of acres of county-administered other natural resources land; and

(3) 37.5 cents, as adjusted for inflation under section 477A.145, multiplied by the number of acres of commissioner-administered other natural resources land located in each county as of July 1 of each year prior to the payment year.

(b) Lands for which payments in lieu are made pursuant to section 97A.061, subdivision 3, and Laws 1973, chapter 567, shall not be eligible for payments under this section. Each county auditor shall certify to the department of natural resources during July of each year prior to the payment year the number of acres of county-administered other natural resources land within the county. The department of natural resources may, in addition to the certification of acreage, require descriptive lists of land so certified. The commissioner of natural resources shall determine and certify to the commissioner of revenue by March 1 of the payment year:

(1) the number of acres and most recent appraised value of acquired natural resources land ~~and~~ within each county;

(2) the number of acres of commissioner-administered natural resources land within each county; and

(3) the number of acres of county-administered other natural resources land within each county, based on the reports filed by each county auditor with the commissioner of natural resources.

The commissioner of revenue shall determine the distributions provided for in this section using the number of acres and appraised values certified by the commissioner of natural resources by March 1 of the payment year.

(c) For the purposes of this section, the appraised value of acquired natural resources land is the purchase price for the first five years after acquisition. The appraised value of acquired natural resources land received as a donation is the value determined for the commissioner of natural resources by a licensed appraiser, or the county assessor's estimated market value if no appraisal is done. The appraised value must be determined by the county assessor every five years after the land is acquired.

EFFECTIVE DATE: This section applies to payments made in calendar year 2001 and thereafter.

Sec. 12. Minnesota Statutes 1998, section 477A.13, is amended to read:

477A.13 [TIME OF PAYMENT, DEDUCTIONS.]

Payments to the counties ~~shall~~ of the amounts determined under section 477A.12 must be made by the commissioner of revenue from the general fund ~~during the month of July of the year next following certification. There shall be deducted from amounts paid any amounts paid to a county or township during the preceding year pursuant to sections 97A.061, subdivisions 1 and 2, and 272.68, subdivision 3, with respect to the lands certified pursuant to section 477A.12~~ at the time provided in section 477A.015 for the first installment of local government aid.

EFFECTIVE DATE: This section applies to payments made in calendar year 2001 and thereafter.

Sec. 13. Minnesota Statutes 1998, section 477A.14, is amended to read:

477A.14 [USE OF FUNDS.]

~~Forty~~ Except as provided in section 97A.061, subdivision 5, 40 percent of the total payment to the county shall be deposited in the county general revenue fund to be used to provide property tax levy reduction. The remainder shall be distributed by the county in the following priority:

(a) 37.5 cents, as adjusted for inflation under section 477A.145, for each acre of county-administered other natural resources land shall be deposited in a resource development fund to be created within the county treasury for use in resource development, forest management, game and fish habitat improvement, and recreational development and maintenance of county-administered other natural resources land. Any county receiving less than $5,000 annually for the resource development fund may elect to deposit that amount in the county general revenue fund;

(b) From the funds remaining, within 30 days of receipt of the payment to the county, the county treasurer shall pay each organized township 30 cents ~~per~~, as adjusted for inflation under section 477A.145, for each acre of acquired natural resources land and 7.5 cents ~~per~~, as adjusted for inflation under section 477A.145, for each acre of other natural resources land located within its boundaries. Payments for natural resources lands not located in an organized township shall be deposited in the county general revenue fund. Payments to counties and townships pursuant to this paragraph shall be used to provide property tax levy reduction, except that of the payments for natural resources lands not located in an organized township, the county may allocate the amount determined to be necessary for maintenance of roads in unorganized townships. Provided that, if the total payment to the county pursuant to section 477A.12 is not sufficient to fully fund the distribution provided for in this clause, the amount available shall be distributed to each township and the county general revenue fund on a pro rata basis; and

(c) Any remaining funds shall be deposited in the county general revenue fund. Provided that, if

the distribution to the county general revenue fund exceeds $35,000, the excess shall be used to provide property tax levy reduction.

EFFECTIVE DATE: This section applies to payments made in calendar year 2001 and thereafter.

Sec. 14. [477A.145] [INFLATION ADJUSTMENT.]

In 2001 and each year thereafter, the amounts required to be adjusted for inflation in sections 477A.12 and 477A.14 shall be increased to an amount equal to: (1) the amount before the inflation adjustment multiplied by (2) one plus the percentage increase in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the period indicated below:

(i) the period starting with the first quarter of 1994 and ending with the third quarter of the calendar year prior to the year in which aid is paid, provided that lands acquired by the state under chapter 84A that are designated as state parks, state recreation areas, scientific and natural areas, or wildlife management areas are included in the definition of acquired natural resource land under section 477A.11 for calculating payments in calendar year 2001 and thereafter;

(ii) otherwise the period starting with the first quarter of 1987 and ending with the third quarter of the calendar year prior to the year in which the aid is paid.

These adjusted amounts must be rounded to the nearest one-tenth of a cent.

EFFECTIVE DATE: This section applies to payments made in calendar year 2001 and thereafter.

Sec. 15. Laws 1988, chapter 645, section 3, as amended by Laws 1999, chapter 243, article 6, section 9, is amended to read:

Sec. 3. [TAX; PAYMENT OF EXPENSES.]

(a) The tax levied by the hospital district under Minnesota Statutes, section 447.34, must not be levied at a rate that exceeds ~~.0063~~ 0.063 percent of taxable market value.

(b) ~~.0048~~ 0.048 percent of taxable market value of tax in paragraph (a) may be used only for acquisition, betterment, and maintenance of the district's hospital and nursing home facilities and equipment, and not for administrative or salary expenses.

(c) ~~.0015~~ 0.015 percent of taxable market value of the tax in paragraph (a) may be used solely for the purpose of capital expenditures as it relates to ambulance acquisitions for the Cook ambulance service and the Orr ambulance service and not for administrative or salary expenses.

The part of the levy referred to in paragraph (c) must be administered by the Cook Hospital and passed on directly to the Cook area ambulance service board and the city of Orr to be held in trust until funding for a new ambulance is needed by either the Cook ambulance service or the Orr ambulance service.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 16. Laws 1999, chapter 243, article 6, section 18, is amended to read:

Sec. 18. [EFFECTIVE DATE.]

Sections 3 to 6 and 10 are effective for taxes levied in 1999, and payable in 2000. Section 7 is effective the day following final enactment for taxes levied in 1999 and thereafter. Sections 8 and 17 are effective for taxes levied in 1999, payable in 2000, and thereafter.

The ~~.0015~~ 0.063 percent of market value levy described in section 9, paragraph (a), and the 0.015 percent of taxable market value levy described in section 9, paragraph (c), ~~is~~ are effective

for the cities of Cook and Orr and the counties of St. Louis and Koochiching for affected parts of those counties on January 1, 2000~~, to be requested~~ for levies certified in the year 2000~~, with the first payment to be received~~ and taxes payable in 2001 and thereafter. The 0.048 percent market value levy described in section 9, paragraph (b), is effective for the cities of Cook and Orr and the counties of St. Louis and Koochiching for the affected parts of those counties on January 1, 1999, for levies certified in 1999 and taxes payable in 2000 and thereafter.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 17. [CAPITOL REGION WATERSHED DISTRICT LEVY LIMIT.]

The capitol region watershed district managers may levy an annual ad valorem tax of 0.02418 percent of taxable market value or $200,000, whichever is less, under Minnesota Statutes, section 103D.905, subdivision 3, notwithstanding the maximum dollar limit for the administrative fund in that subdivision.

EFFECTIVE DATE: This section is effective for taxes levied in 2000, payable in 2001 and thereafter.

Sec. 18. [ADDITIONAL AID; LINCOLN COUNTY.]

Subdivision 1. [AID INCREASE.] For aids payable in 2000, Lincoln county shall receive an aid payment of up to $150,000 under this section. The entire amount of this additional aid shall be paid from the appropriation for reimbursement for court-ordered counsel under section 477A.0121, subdivision 4, with the December 26 payment of other aids paid under Minnesota Statutes, section 477A.015, and shall be equal to the estimated amount of the appropriation under Minnesota Statutes, section 477A.0121, subdivision 4, up to $150,000, that will not be spent for public defender costs under Minnesota Statutes, section 611.27, in fiscal year 2000.

For aids payable in 2001, Lincoln county shall receive an additional payment under this section of up to the difference between $150,000 and what the county received under this provision in the previous year. The entire amount of this additional aid shall be paid from the appropriation for reimbursement for court-ordered counsel under section 477A.0121, subdivision 4, with the December 26 payment of other aids paid under Minnesota Statutes, section 477A.015, and shall be equal to the estimated amount of the appropriation under Minnesota Statutes, section 477A.0121, subdivision 4, up to the limit determined in this paragraph, that will not be spent for public defender costs under Minnesota Statutes, section 611.27, in fiscal year 2001.

The county is not limited to the purposes listed in Minnesota Statutes, section 477A.015, for spending this aid and may pay a portion of this aid to Lake Benton township to reimburse the township for losses due to the Wind Tower lawsuit settlement. The aid under this section must not be included in calculating any aids or any limitations on levies or expenditures under law.

EFFECTIVE DATE: This section is effective the day after timely compliance by the governing body of Lincoln county and its chief clerical officer with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 19. [LOCAL GOVERNMENT AID TO CITIES; THE CITY OF ST. CLOUD AND ST. AUGUSTA TOWNSHIP (THE CITY OF VENTURA).]

Subdivision 1. [ADDITIONAL LOCAL GOVERNMENT AID.] For aids payable in 2001 only, an additional payment of $32,000 shall be paid to the city of St. Cloud and an additional aid payment of $75,000 shall be paid to St. Augusta township or its succeeding municipal government (the city of Ventura). This aid shall be paid out of the city aid appropriation under Minnesota Statutes, section 477A.03, subdivision 2, paragraph (d). The aid under this section must not be included in calculating aid paid under Minnesota Statutes, section 477A.013, subdivision 9, or any other law, or of any limitations on levies or expenditures.

EFFECTIVE DATE: This section is effective for aids payable in calendar year 2001 only for the city of St. Cloud, upon timely compliance by its governing body and its chief clerical officer with Minnesota Statutes, section 645.021, subdivisions 2 and 3. This section is effective for aids

payable in calendar year 2001 only for St. Augusta township (city of Ventura), upon timely compliance by its governing body and its chief clerical officer with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 20. [LAKE OF THE WOODS AND KOOCHICHING COUNTIES; EXPENDITURES FOR ROAD AND BRIDGE PURPOSES.]

(a) Notwithstanding Minnesota Statutes, section 163.06, subdivisions 4 and 5, the county board of Lake of the Woods county, by resolution, may expend the proceeds of the levy under Minnesota Statutes, section 163.06, in any organized or unorganized township or portion thereof in the county.

(b) Notwithstanding Minnesota Statutes, section 163.06, subdivisions 4 and 5, the county board of Koochiching county, by resolution, may expend the proceeds of the levy under Minnesota Statutes, section 163.06, in any organized or unorganized township or portion thereof in the county.

EFFECTIVE DATES: This section is effective for Lake of the Woods county upon approval by and compliance with Minnesota Statutes, section 645.021, subdivision 3. This section is effective for Koochiching county upon approval by and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 21. [ST. LOUIS COUNTY; CAPITAL IMPROVEMENT PLAN DEFINITION.]

For St. Louis county, the St. Louis county heritage and arts center is included in the definition of "capital improvement" in Minnesota Statutes, section 373.40, subdivision 1, but only with respect to bonds issued before July 1, 2002.

EFFECTIVE DATE: This section is effective upon approval by the governing body of St. Louis county, and compliance with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 7

MOTOR VEHICLE REGISTRATION TAX

Section 1. Minnesota Statutes 1998, section 168.013, subdivision 1a, is amended to read:

Subd. 1a. [PASSENGER AUTOMOBILE; HEARSE.] (a) On passenger automobiles as defined in section 168.011, subdivision 7, and hearses, except as otherwise provided, the tax shall be $10 plus an additional tax equal to 1.25 percent of the base value.

(b) Subject to the classification provisions herein, "base value" means the manufacturer's suggested retail price of the vehicle including destination charge using list price information published by the manufacturer or determined by the registrar if no suggested retail price exists, and shall not include the cost of each accessory or item of optional equipment separately added to the vehicle and the suggested retail price.

(c) If the manufacturer's list price information contains a single vehicle identification number followed by various descriptions and suggested retail prices, the registrar shall select from those listings only the lowest price for determining base value.

(d) If unable to determine the base value because the vehicle is specially constructed, or for any other reason, the registrar may establish such value upon the cost price to the purchaser or owner as evidenced by a certificate of cost but not including Minnesota sales or use tax or any local sales or other local tax.

(e) The registrar shall classify every vehicle in its proper base value class as follows:

FROM	TO
$ 0	$199.99
200	399.99

and thereafter a series of classes successively set in brackets having a spread of $200 consisting of such number of classes as will permit classification of all vehicles.

(f) The base value for purposes of this section shall be the middle point between the extremes of its class.

(g) The registrar shall establish the base value, when new, of every passenger automobile and hearse registered prior to the effective date of Extra Session Laws 1971, chapter 31, using list price information published by the manufacturer or any nationally recognized firm or association compiling such data for the automotive industry. If unable to ascertain the base value of any registered vehicle in the foregoing manner, the registrar may use any other available source or method. The tax on all previously registered vehicles shall be computed upon the base value thus determined taking into account the depreciation provisions of paragraph (h).

(h) Except as provided in paragraph (i), the annual additional tax computed upon the base value as provided herein, during the first and second years of vehicle life shall be computed upon 100 percent of the base value; for the third and fourth years, 90 percent of such value; for the fifth and sixth years, 75 percent of such value; for the seventh year, 60 percent of such value; for the eighth year, 40 percent of such value; for the ninth year, 30 percent of such value; for the tenth year, ten percent of such value; for the 11th and each succeeding year, the sum of $25.

In no event shall the annual additional tax be less than $25. The total tax under this subdivision shall not exceed $189 for the first renewal period and shall not exceed $99 for subsequent renewal periods. The total tax under this subdivision on any vehicle filing its initial registration in Minnesota in the second year of vehicle life shall not exceed $189 and shall not exceed $99 for subsequent renewal periods. The total tax under this subdivision on any vehicle filing its initial registration in Minnesota in the third or subsequent year of vehicle life shall not exceed $99 and shall not exceed $99 in any subsequent renewal period.

(i) The annual additional tax under paragraph (h) on a motor vehicle on which the first annual tax was paid before January 1, 1990, must not exceed the tax that was paid on that vehicle the year before.

EFFECTIVE DATE: This section is effective for taxes first due after June 30, 2000.

Sec. 2. Minnesota Statutes 1998, section 297B.09, subdivision 1, is amended to read:

Subdivision 1. [GENERAL FUND SHARE.] ~~(a)~~ Money collected and received under this chapter must be deposited ~~in the state treasury and credited to the general fund. The amounts collected and received shall be credited~~ as provided in this subdivision~~,~~. ~~and transferred from the general fund on July 15 and February 15 of each fiscal year. The commissioner of finance must make each transfer based upon the actual receipts of the preceding six calendar months and include the interest earned during that six-month period. The commissioner of finance may establish a quarterly or other schedule providing for more frequent payments to the transit assistance fund if the commissioner determines it is necessary or desirable to provide for the cash flow needs of the recipients of money from the transit assistance fund.~~

~~(b)~~ ~~Twenty-five~~ Thirty-two percent of the money collected and received ~~under this chapter after June 30, 1990, and before July 1, 1991, must be transferred to the highway user tax distribution fund and the transit assistance fund for apportionment as follows: 75 percent~~ must be ~~transferred to~~ deposited in the highway user tax distribution fund ~~for apportionment in the same manner and for the same purposes as other money in that fund~~, and the remaining ~~25~~ 68 percent of the money must be ~~transferred to the transit assistance fund to be appropriated to the commissioner of transportation for transit assistance within the state and to the metropolitan council~~ deposited in the general fund.

~~(c) The distributions under this subdivision to the highway user tax distribution fund until June 30, 1991, and to the trunk highway fund thereafter, must be reduced by the amount necessary to fund the appropriation under section 41A.09, subdivision 1. For the fiscal years ending June 30, 1988, and June 30, 1989, the commissioner of finance, before making the transfers required on July 15 and January 15 of each year, shall estimate the amount required to fund the appropriation under section 41A.09, subdivision 1, for the six-month period for which the transfer is being made. The commissioner shall then reduce the amount transferred to the highway user tax~~

~~distribution fund by the amount of that estimate. The commissioner shall reduce the estimate for any six-month period by the amount by which the estimate for the previous six-month period exceeded the amount needed to fund the appropriation under section 41A.09, subdivision 1, for that previous six-month period. If at any time during a six-month period in those fiscal years the amount of reduction in the transfer to the highway user tax distribution fund is insufficient to fund the appropriation under section 41A.09, subdivision 1, for that period, the commissioner shall transfer to the general fund from the highway user tax distribution fund an additional amount sufficient to fund the appropriation for that period, but the additional amount so transferred to the general fund in a six-month period may not exceed the amount transferred to the highway user tax distribution fund for that six-month period.~~

EFFECTIVE DATE: This section is effective for money collected and received after June 30, 2002.

Sec. 3. [APPROPRIATION.]

For fiscal year 2001, $149,804,000 is appropriated from the general fund to the highway user tax distribution fund. For fiscal year 2002, $161,723,000 is appropriated from the general fund to the highway user tax distribution fund.

ARTICLE 8

SALES AND USE TAXES

Section 1. Minnesota Statutes 1999 Supplement, section 289A.20, subdivision 4, is amended to read:

Subd. 4. [SALES AND USE TAX.] (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f), except that use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

(b) A vendor having a liability of $120,000 or more during a fiscal year ending June 30 must remit the June liability for the next year in the following manner:

(1) Two business days before June 30 of the year, the vendor must remit ~~75~~ 62 percent of the estimated June liability to the commissioner.

(2) On or before August 14 of the year, the vendor must pay any additional amount of tax not remitted in June.

(c) A vendor having a liability of $120,000 or more during a fiscal year ending June 30 must remit all liabilities on returns due for periods beginning in the subsequent calendar year by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the 14th day of the month following the month in which the taxable event occurred, or on or before the 14th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4, except for ~~75~~ 62 percent of the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 14. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the tax is due.

(d) If the vendor required to remit by electronic funds transfer as provided in paragraph (c) is unable due to reasonable cause to determine the actual sales and use tax due on or before the due date for payment, the vendor may remit an estimate of the tax owed using one of the following options:

(1) 100 percent of the tax reported on the previous month's sales and use tax return;

(2) 100 percent of the tax reported on the sales and use tax return for the same month in the previous calendar year; or

(3) 95 percent of the actual tax due.

Any additional amount of tax that is not remitted on or before the due date for payment, must be remitted with the return. If a vendor fails to remit the actual liability or does not remit using one of the estimate options by the due date for payment, the vendor must remit actual liability as provided in paragraph (c) in all subsequent periods. This paragraph does not apply to the June sales and use tax liability.

EFFECTIVE DATE: The portion of this section related to the percent of the June liability that must be filed by two business days before the end of June is effective beginning with the June 2002 liability. The remainder of this section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 1998, section 289A.60, subdivision 14, is amended to read:

Subd. 14. [PENALTY FOR USE OF SALES TAX EXEMPTION CERTIFICATES TO EVADE TAX.] A person who uses an exemption certificate to buy property or purchase services that will be used for purposes other than the exemption claimed, with the intent to evade payment of sales tax to the seller, is subject to a penalty of $100 for each transaction where that use of an exemption certificate has occurred.

EFFECTIVE DATE: This section is effective for exemption certificates used on or after July 1, 2000.

Sec. 3. Minnesota Statutes 1998, section 289A.60, subdivision 15, is amended to read:

Subd. 15. [ACCELERATED PAYMENT OF JUNE SALES TAX LIABILITY; PENALTY FOR UNDERPAYMENT.] If a vendor is required by law to submit an estimation of June sales tax liabilities and ~~75~~ 62 percent payment by a certain date, the vendor shall pay a penalty equal to ten percent of the amount of actual June liability required to be paid in June less the amount remitted in June. The penalty must not be imposed, however, if the amount remitted in June equals the lesser of ~~75~~ 62 percent of the preceding May's liability or ~~75~~ 62 percent of the average monthly liability for the previous calendar year.

EFFECTIVE DATE: This section is effective beginning with the June 2002 liability.

Sec. 4. Minnesota Statutes 1998, section 297A.01, subdivision 13, is amended to read:

Subd. 13. "Agricultural production," as used in section 297A.25, subdivision 9, includes, but is not limited to, horticulture; floriculture; maple syrup harvesting; raising of pets, fur bearing animals, research animals, farmed cervidae, as defined in section 17.451, subdivision 2, llamas, as defined in section 17.455, subdivision 2, ratitae, as defined in section 17.453, subdivision 3, and horses.

EFFECTIVE DATE: This section is effective for sales and purchases made after June 30, 2000.

Sec. 5. Minnesota Statutes 1998, section 297A.01, subdivision 15, is amended to read:

Subd. 15. "Farm machinery" means new or used machinery, equipment, implements, accessories, and contrivances used directly and principally in the production for sale, but not including the processing, of livestock, dairy animals, dairy products, poultry and poultry products, fruits, vegetables, trees and shrubs, forage, grains and bees and apiary products. "Farm machinery" includes:

(1) machinery for the preparation, seeding or cultivation of soil for growing agricultural crops and sod, harvesting and threshing of agricultural products, harvesting or mowing of sod, and certain machinery for dairy, livestock and poultry farms;

(2) barn cleaners, milking systems, grain dryers, automatic feeding systems and similar installations, whether or not the equipment is installed by the seller and becomes part of the real property;

(3) irrigation equipment sold for exclusively agricultural use, including pumps, pipe fittings, valves, sprinklers and other equipment necessary to the operation of an irrigation system when sold as part of an irrigation system, whether or not the equipment is installed by the seller and becomes part of the real property;

(4) logging equipment, including chain saws used for commercial logging;

(5) fencing used for the containment of farmed cervidae, as defined in section 17.451, subdivision 2;

(6) primary and backup generator units used to generate electricity for the purpose of operating farm machinery, as defined in this subdivision, or providing light or space heating necessary for the production of livestock, dairy animals, dairy products, or poultry and poultry products; ~~and~~

(7) aquaculture production equipment as defined in subdivision 19; and

(8) equipment used for maple syrup harvesting.

Repair or replacement parts for farm machinery shall not be included in the definition of farm machinery.

Tools, shop equipment, grain bins, feed bunks, fencing material except fencing material covered by clause (5), communication equipment and other farm supplies shall not be considered to be farm machinery. "Farm machinery" does not include motor vehicles taxed under chapter 297B, snowmobiles, snow blowers, lawn mowers except those used in the production of sod for sale, garden-type tractors or garden tillers and the repair and replacement parts for those vehicles and machines.

EFFECTIVE DATE: This section is effective for sales and purchases made after June 30, 2000.

Sec. 6. Minnesota Statutes 1998, section 297A.15, is amended by adding a subdivision to read:

Subd. 8. [REFUND; APPROPRIATION; AGRICULTURAL PROCESSING FACILITIES.] The tax on the gross receipts from the sale of items exempt under section 297A.25, subdivision 90 or 91, must be imposed and collected as if the sale were taxable and the rate under section 297A.02, subdivision 1, applied.

Upon application by the owner of the property on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the building materials and equipment must be paid to the owner. In the case of materials and equipment in which the tax was paid by a contractor, application must be made by the owner for the sales tax paid by the contractor. The application must include sufficient information to permit the commissioner to verify the sales tax paid for the project. The contractor must furnish to the owner a statement of the cost of building materials and equipment and the sales taxes paid on these items. The amount required to make the refunds is annually appropriated to the commissioner. Interest must be paid on the refund at the rate in section 270.76 from 60 days after the date the refund claim is filed with the commissioner.

EFFECTIVE DATE: This section is effective for applications for refund made after June 30, 2000.

Sec. 7. Minnesota Statutes 1998, section 297A.25, subdivision 5, is amended to read:

Subd. 5. [OUTSTATE TRANSPORT OR DELIVERY.] The gross receipts from the following sales of, and storage, use, or consumption of, tangible personal property are exempt:

(1) property which, without intermediate use, is shipped or transported outside Minnesota by the purchaser and thereafter used in a trade or business or is stored, processed, fabricated or manufactured into, attached to or incorporated into other tangible personal property transported or shipped outside Minnesota and thereafter used in a trade or business outside Minnesota, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce

(storage shall not constitute intermediate use); provided that the property is not subject to tax in that state or country to which it is transported for storage or use and provided further that sales of tangible personal property to be used in other states or countries as part of a maintenance contract shall be specifically exempt; ~~or~~

(2) property which the seller delivers to a common carrier for delivery outside Minnesota, places in the United States mail or parcel post directed to the purchaser outside Minnesota, or delivers to the purchaser outside Minnesota by means of the seller's own delivery vehicles, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce; or

(3) aircraft, as defined in section 360.511 and approved by the Federal Aviation Administration, and which the seller delivers to a purchaser outside Minnesota or which, without intermediate use, is shipped or transported outside Minnesota by the purchaser, but only if the purchaser is not a resident of Minnesota and provided that the aircraft is not thereafter returned to a point within Minnesota, except in the course of interstate commerce or isolated and occasional use and will be registered in another state or country upon its removal from Minnesota; this exemption applies even if the purchaser takes possession of the aircraft in Minnesota and uses the aircraft in the state exclusively for training purposes for a period not to exceed ten days prior to removing the aircraft from this state.

EFFECTIVE DATE: This section is effective for purchases made after the date of final enactment.

Sec. 8. Minnesota Statutes 1999 Supplement, section 297A.25, subdivision 9, is amended to read:

Subd. 9. [MATERIALS CONSUMED IN PRODUCTION.] The gross receipts from the sale of and the storage, use, or consumption of all materials, including chemicals, fuels, petroleum products, lubricants, packaging materials, including returnable containers used in packaging food and beverage products, feeds, seeds, fertilizers, electricity, gas and steam, used or consumed in agricultural or industrial production of personal property intended to be sold ultimately at retail, whether or not the item so used becomes an ingredient or constituent part of the property produced are exempt. Seeds, trees, fertilizers, and herbicides purchased for use by farmers in the Conservation Reserve Program under United States Code, title 16, section 590h, as amended through December 31, 1991, the Integrated Farm Management Program under section 1627 of Public Law Number 101-624, the Wheat and Feed Grain Programs under sections 301 to 305 and 401 to 405 of Public Law Number 101-624, and the conservation reserve program under sections 103F.505 to 103F.531, are included in this exemption. Sales to a veterinarian of materials used or consumed in the care, medication, and treatment of horses and agricultural production animals are exempt under this subdivision. Chemicals used for cleaning food processing machinery and equipment are included in this exemption. Materials, including chemicals, fuels, and electricity purchased by persons engaged in agricultural or industrial production to treat waste generated as a result of the production process are included in this exemption. Such production shall include, but is not limited to, research, development, design or production of any tangible personal property, manufacturing, processing (other than by restaurants and consumers) of agricultural products whether vegetable or animal, commercial fishing, refining, smelting, reducing, brewing, distilling, printing, mining, quarrying, lumbering, generating electricity and the production of road building materials. Such production shall not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process. Machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture and fixtures, used in such production and fuel, electricity, gas or steam used for space heating or lighting, are not included within this exemption; however, accessory tools, equipment and other short lived items, which are separate detachable units used in producing a direct effect upon the product, where such items have an ordinary useful life of less than 12 months, are included within the exemption provided herein. The following materials, tools, and equipment used in metalcasting are exempt under this subdivision: crucibles, thermocouple protection sheaths and tubes, stalk tubes, refractory materials, molten metal filters and filter boxes, ~~and~~ degassing lances, and base blocks. Electricity used to make snow for outdoor use for ski hills, ski slopes, or ski trails is included in this

exemption. Petroleum and special fuels used in producing or generating power for propelling ready-mixed concrete trucks on the public highways of this state are not included in this exemption.

EFFECTIVE DATE: This section is effective for sales and purchases made after June 30, 2000.

Sec. 9. Minnesota Statutes 1999 Supplement, section 297A.25, subdivision 11, is amended to read:

Subd. 11. [SALES TO GOVERNMENT.] The gross receipts from all sales, including sales in which title is retained by a seller or a vendor or is assigned to a third party under an installment sale or lease purchase agreement under section 465.71, of tangible personal property to, and all storage, use or consumption of such property by, the United States and its agencies and instrumentalities, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the Perpich center for arts education, an instrumentality of a political subdivision that is accredited as an optional/special function school by the North Central Association of Colleges and Schools, school districts, public libraries, public library systems, multicounty, multitype library systems as defined in section 134.001, county law libraries under chapter 134A, state agency libraries, the state library under section 480.09, and the legislative reference library are exempt.

As used in this subdivision, "school districts" means public school entities and districts of every kind and nature organized under the laws of the state of Minnesota, including, without limitation, school districts, intermediate school districts, education districts, service cooperatives, secondary vocational cooperative centers, special education cooperatives, joint purchasing cooperatives, telecommunication cooperatives, regional management information centers, and any instrumentality of a school district, as defined in section 471.59.

Sales exempted by this subdivision include sales under section 297A.01, subdivision 3, paragraph (f).

Sales to hospitals and nursing homes owned and operated by political subdivisions of the state are exempt under this subdivision.

Sales of supplies and equipment used in the operation of an ambulance service owned and operated by a political subdivision of the state are exempt under this subdivision provided that the supplies and equipment are used in the course of providing medical care. Sales to a political subdivision of repair and replacement parts for emergency rescue vehicles and fire trucks and apparatus are exempt under this subdivision.

Sales to a political subdivision of machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10, are exempt under this subdivision.

Sales to political subdivisions of chore and homemaking services to be provided to elderly or disabled individuals are exempt.

Sales to a town of gravel and of machinery, equipment, and accessories, except motor vehicles, used exclusively for road and bridge maintenance, and leases of motor vehicles exempt from tax under section 297B.03, clause (10), are exempt.

Sales of telephone services to the department of administration that are used to provide telecommunications services through the intertechnologies revolving fund are exempt under this subdivision.

This exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities.

This exemption does not apply to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except for leases entered into by the United States or its agencies or instrumentalities.

The tax imposed on sales to political subdivisions of the state under this section applies to all political subdivisions other than those explicitly exempted under this subdivision, notwithstanding section 115A.69, subdivision 6, 116A.25, 360.035, 458A.09, 458A.30, 458D.23, 469.101, subdivision 2, 469.127, 473.448, 473.545, or 473.608 or any other law to the contrary enacted before 1992.

Sales exempted by this subdivision include sales made to other states or political subdivisions of other states, if the sale would be exempt from taxation if it occurred in that state, but do not include sales under section 297A.01, subdivision 3, paragraphs (c) and (e).

EFFECTIVE DATE: This section is effective for sales and purchases occurring after June 30, 2000.

Sec. 10. Minnesota Statutes 1998, section 297A.25, subdivision 16, is amended to read:

Subd. 16. [SALES TO NONPROFIT GROUPS.] The gross receipts from the sale of tangible personal property to, and the storage, use or other consumption of such property by, any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes if the property purchased is to be used in the performance of charitable, religious, or educational functions, or any senior citizen group or association of groups that in general limits membership to persons who are either (1) age 55 or older, or (2) physically disabled, and is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, no part of the net earnings of which inures to the benefit of any private shareholders, are exempt. For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery owned by a religious organization. Sales exempted by this subdivision include sales pursuant to section 297A.01, subdivision 3, paragraphs (d) and (f). This exemption shall not apply to building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities. This exemption ~~does not apply~~ applies to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5, only if the vehicle is:

(1) a truck, as defined in section 168.011, a bus, as defined in section 168.011, or a passenger automobile, as defined in section 168.011, if the automobile is designed and used for carrying more than nine persons including the driver; and

(2) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose.

EFFECTIVE DATE: This section is effective for sales and purchases occurring after June 30, 2000.

Sec. 11. Minnesota Statutes 1998, section 297A.25, subdivision 34, is amended to read:

Subd. 34. [MOTOR VEHICLES.] The gross receipts from the sale or use of any motor vehicle taxable under the provisions of the sales tax on motor vehicles laws of Minnesota shall be exempt from taxation under this chapter. Notwithstanding subdivision 11, the exemption provided under this subdivision remains in effect for motor vehicles purchased or leased by political subdivisions of the state if the vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b), or exempt from taxation under section 473.448.

EFFECTIVE DATE: This section is retroactively effective July 1, 1997.

Sec. 12. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 84. [MATERIALS USED TO MAKE RESIDENTIAL PROPERTY HANDICAPPED ACCESSIBLE.] The gross receipts from the sale to, and the storage, use, or consumption of building materials and equipment to a nonprofit organization is exempt if:

(1) the materials and equipment are used or incorporated into modifying an existing residential structure to make it handicapped accessible; and

(2) the materials and equipment used in the modification would qualify for an exemption under either subdivision 20 or 43 if made by the current owner of the residence.

For purposes of this subdivision, "nonprofit organization" means any nonprofit corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, educational, or civic purposes; or a veterans' group exempt from federal taxation under section 501(c), clause (19), of the Internal Revenue Code.

EFFECTIVE DATE: This section is effective for sales and purchases occurring after June 30, 2000.

Sec. 13. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 85. [MAINTENANCE OF CEMETERY GROUNDS.] Lawn care and related services used in the maintenance of cemetery grounds are exempt. For purposes of this subdivision, "lawn care and related services" means the services listed in section 297A.01, subdivision 3, paragraph (i), clause (vi), and "cemetery" means a cemetery for human burial.

EFFECTIVE DATE: This section is effective for sales and purchases occurring after June 30, 2000.

Sec. 14. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 86. [PATENT, TRADEMARK, AND COPYRIGHT DRAWINGS AND DOCUMENTS.] The gross receipts from the sale of, and use, storage, distribution, or consumption of a drawing, diagram, or similar or related document or a copy of such a document are exempt if the document:

(1) is produced and sold by a patent drafter; and

(2) is for use in:

(i) a patent, trademark, or copyright application to be filed with government agencies;

(ii) an application to the federal Food and Drug Administration for approval of a medical device; or

(iii) a judicial or quasi-judicial proceeding, including mediation and arbitration, relating to the validity of or legal rights under a patent, trademark, or copyright.

For purposes of this subdivision, a "patent drafter" is a person who prepares illustrative documents required in the preparation of intellectual property applications.

EFFECTIVE DATE: This section is effective for sales, use, storage, distribution, or consumption occurring after June 30, 2000.

Sec. 15. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 88. [MACHINERY AND EQUIPMENT FOR SKI AREAS.] The gross receipts from the

sale, storage, use, or consumption of tangible personal property used or consumed primarily and directly for tramways at ski areas or in snowmaking and snow-grooming operations at ski hills, ski slopes, or ski trails, including machinery, equipment, fuel, electricity, and water additives used in the production and maintenance of machine-made snow, are exempt.

EFFECTIVE DATE: This section is effective for sales and purchases made after June 30, 2000.

Sec. 16. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 89. [FEED FOR POULTRY RAISED FOR HUMAN CONSUMPTION.] The gross receipts from the sale of, and storage, use, or consumption of poultry feed is exempt if the poultry is raised for human consumption.

EFFECTIVE DATE: This section is effective for sales and purchases made after June 30, 2000.

Sec. 17. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 90. [CONSTRUCTION MATERIALS AND EQUIPMENT; AGRICULTURAL PROCESSING FACILITY.] Materials, supplies, and equipment used or consumed in the construction and initial equipping of an agricultural pork processing facility are exempt from the tax imposed under this chapter provided that the following conditions are met:

(1) the construction and equipping of the facility will be at least $4,000,000;

(2) the facility is owned and operated by a cooperative organized under chapter 308A; and

(3) the facility will have a maximum daily processing capacity of at least 400 hogs.

The exemption applies regardless of whether the materials, supplies, and equipment are purchased by the owner or by a contractor, subcontractor, or builder. The tax must be calculated and paid at the time of purchase and a refund applied for in the manner prescribed in section 297A.15, subdivision 8.

EFFECTIVE DATE: This section is effective for sales and purchases made after January 1, 2000, and before December 31, 2000.

Sec. 18. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 91. [CONSTRUCTION MATERIALS AND EQUIPMENT; PORK AND BEEF AGRICULTURAL PROCESSING FACILITY.] Materials, supplies, and equipment used or consumed in the construction and initial equipping of an agricultural processing facility are exempt from the tax imposed under this chapter provided that the following conditions are met:

(1) the construction and equipping of the facility will be at least $1,500,000;

(2) the facility is owned and operated by a C corporation, as defined in section 1361(a)(2) of the Internal Revenue Code of 1986, with fewer than 20 shareholders of which at least one-half of them are full-time or part-time farmers;

(3) the facility will have a weekly processing capacity of at least 50 hogs and 30 beef animals. The exemption applies regardless of whether the materials, supplies, and equipment are purchased by the owner or by a contractor, subcontractor, or builder. The tax must be calculated and paid at the time of purchase and a refund applied for in the manner prescribed in section 297A.15, subdivision 8.

EFFECTIVE DATE: This section is effective for sales and purchases made after December 1, 1999, and before December 31, 2000.

Sec. 19. Minnesota Statutes 1998, section 297B.01, subdivision 7, is amended to read:

Subd. 7. [SALE, SELLS, SELLING, PURCHASE, PURCHASED, OR ACQUIRED.] "Sale," "sells," "selling," "purchase," "purchased," or "acquired" means any transfer of title of any motor vehicle, whether absolutely or conditionally, for a consideration in money or by exchange or barter for any purpose other than resale in the regular course of business. Any motor vehicle utilized by the owner only by leasing such vehicle to others or by holding it in an effort to so lease it, and which is put to no other use by the owner other than resale after such lease or effort to lease, shall be considered property purchased for resale. The terms also shall include any transfer of title or ownership of a motor vehicle by ~~way of gift or by any other manner or by any~~ other means ~~whatsoever~~, for or without consideration, except that these terms shall not include:

(a) the acquisition of a motor vehicle by inheritance from or by bequest of, a decedent who owned it;

(b) the transfer of a motor vehicle which was previously licensed in the names of two or more joint tenants and subsequently transferred without monetary consideration to one or more of the joint tenants;

(c) the transfer of a motor vehicle by way of gift between ~~a husband and wife or parent and child~~ individuals, when the transfer is with no monetary or other consideration or expectation of consideration and the parties to the transfer submit an affidavit to that effect at the time the title transfer is recorded;

(d) the voluntary or involuntary transfer of a motor vehicle between a husband and wife in a divorce proceeding; or

(e) the transfer of a motor vehicle by way of a gift to an organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code, as amended through December 31, 1996, when the motor vehicle will be used exclusively for religious, charitable, or educational purposes.

EFFECTIVE DATE: This section is effective for registrations after June 30, 2000.

Sec. 20. Minnesota Statutes 1998, section 297B.03, is amended to read:

297B.03 [EXEMPTIONS.]

There is specifically exempted from the provisions of this chapter and from computation of the amount of tax imposed by it the following:

(1) Purchase or use, including use under a lease purchase agreement or installment sales contract made pursuant to section 465.71, of any motor vehicle by the United States and its agencies and instrumentalities and by any person described in and subject to the conditions provided in section 297A.25, subdivision 18.

(2) Purchase or use of any motor vehicle by any person who was a resident of another state at the time of the purchase and who subsequently becomes a resident of Minnesota, provided the purchase occurred more than 60 days prior to the date such person began residing in the state of Minnesota.

(3) Purchase or use of any motor vehicle by any person making a valid election to be taxed under the provisions of section 297A.211.

(4) Purchase or use of any motor vehicle previously registered in the state of Minnesota when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336, 337, 338, 351 ~~or~~, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code of 1986, as amended through December 31, ~~1988~~ 1999.

(5) Purchase or use of any vehicle owned by a resident of another state and leased to a Minnesota based private or for hire carrier for regular use in the transportation of persons or

property in interstate commerce provided the vehicle is titled in the state of the owner or secured party, and that state does not impose a sales tax or sales tax on motor vehicles used in interstate commerce.

(6) Purchase or use of a motor vehicle by a private nonprofit or public educational institution for use as an instructional aid in automotive training programs operated by the institution. "Automotive training programs" includes motor vehicle body and mechanical repair courses but does not include driver education programs.

(7) Purchase of a motor vehicle for use as an ambulance by an ambulance service licensed under section 144E.10.

(8) Purchase of a motor vehicle by or for a public library, as defined in section 134.001, subdivision 2, as a bookmobile or library delivery vehicle.

(9) Purchase of a ready-mixed concrete truck.

(10) Purchase or use of a motor vehicle by a town for use exclusively for road maintenance, including snowplows and dump trucks, but not including automobiles, vans, or pickup trucks.

(11) Purchase or use of a motor vehicle by a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes, but only if the vehicle is:

(i) a truck, as defined in section 168.011, a bus, as defined in section 168.011, or a passenger automobile, as defined in section 168.011, if the automobile is designed and used for carrying more than nine persons including the driver; and

(ii) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose.

EFFECTIVE DATE: This section is effective for sales and purchases occurring after June 30, 2000, except that the new language in clause (4) is effective the day following final enactment.

Sec. 21. [LOCAL TAXES ON MOTOR VEHICLES.]

Subdivision 1. [SALES TAX PROHIBITED; PHASE-OUT.] (a) Except as provided in paragraph (b), after June 30, 2000, no home rule charter or statutory city, county, or other political subdivision may impose a tax on the sale, transfer, or use of a motor vehicle that exceeds the tax authorized under subdivision 2.

(b) If, on March 8, 2000, a tax was in effect in a home rule charter or statutory city, county, or other political subdivision that exceeded the limit imposed under subdivision 2, the rate of that tax is reduced as follows:

(1) for sales or transfers after December 31, 2000, and before January 1, 2002, the tax rate in effect on March 8, 2000, is reduced by 25 percent;

(2) for sales or transfers after December 31, 2001, and before January 1, 2003, the tax rate in effect on March 8, 2000, is reduced by 50 percent; and

(3) for sales or transfers after December 31, 2002, and before January 1, 2004, the tax rate in effect on March 8, 2000, is reduced by 75 percent.

For sales or transfers after December 31, 2003, the political subdivision may impose no tax except as authorized under subdivision 2.

Subd. 2. [EXCISE TAX ON MOTOR VEHICLES AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if a sales and use tax on motor vehicles that was imposed by a political subdivision is terminated under subdivision 1, the political subdivision may impose by ordinance an excise tax of up to $20

per motor vehicle, as defined by ordinance, that was purchased or acquired from any person engaged within the territory of the political subdivision in the business of selling motor vehicles at retail. The proceeds of the tax must be used for the purposes for which the tax terminated under subdivision 1 was used.

EFFECTIVE DATE: This section is effective July 1, 2000.

Sec. 22. [DEVELOPMENT OF SALES AND USE TAX COLLECTION SYSTEM.]

Subdivision 1. [AUTHORIZATION TO ENTER INTO MULTISTATE DISCUSSIONS.] The commissioner of revenue may enter into discussions with states regarding development of a multistate, voluntary, streamlined system for sales and use tax collection and administration. These discussions will focus on development of a system that is capable of determining whether a transaction is taxable or exempt, the appropriate tax rate applied to the transaction, and the total tax due on the transaction, and shall provide a method for collecting and remitting sales and use taxes to the state. The system may provide compensation for the costs of collecting and remitting sales and use taxes. Discussions between the department and other states may result in developing and issuing a joint request for information from public and private potential parties. The commissioner must publish the notices in the State Register.

Subd. 2. [LIMITED TEST AUTHORIZATION.] (a) The commissioner may participate in a sales tax pilot project with other states and selected businesses to test a means for simplifying sales and use tax administration, and may enter into joint agreements for that purpose.

(b) Agreements to participate in the test will establish provisions for the administration, imposition, and collection of sales and use taxes resulting in revenues paid by the taxpayer that are the same as would be paid under existing law.

(c) Parties to the agreements are excused from complying with the provisions of Minnesota Statutes, chapters 289A and 297A, except for provisions setting tax rates and providing for tax exemptions, to the extent a different procedure is required by the agreements.

(d) Agreements authorized under this section terminate no later than December 31, 2001.

Subd. 3. [DISCLOSURE.] Any agreements entered into under subdivision 1 or 2 are subject to the provisions of Minnesota Statutes, chapter 270B.

Subd. 4. [REPORT ON PROJECT.] By March 1, 2002, the commissioner shall report to the chairs of the house of representatives tax committee and the senate committee on taxes. The report must describe the status of multistate discussions conducted under subdivision 1 and, if a proposed system has been agreed upon by participating states, must also recommend whether the state should participate in the system.

EFFECTIVE DATE: This section is effective the day following final enactment.

ARTICLE 9
HEALTH CARE TAXES

Section 1. Minnesota Statutes 1998, section 60A.15, subdivision 1, is amended to read:

Subdivision 1. [DOMESTIC AND FOREIGN COMPANIES.] (a) On or before April 1, June 1, and December 1 of each year, every domestic and foreign company, including town and farmers' mutual insurance companies, domestic mutual insurance companies, marine insurance companies, health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations, shall pay to the commissioner of revenue installments equal to one-third of the insurer's total estimated tax for the current year. Except as provided in paragraphs (d), (e), (h), and (i), installments must be based on a sum equal to two percent of the premiums described in paragraph (b).

(b) Installments under paragraph (a), (d), or (e) are percentages of gross premiums less return premiums on all direct business received by the insurer in this state, or by its agents for it, in cash or otherwise, during such year.

(c) Failure of a company to make payments of at least one-third of either (1) the total tax paid during the previous calendar year or (2) 80 percent of the actual tax for the current calendar year shall subject the company to the penalty and interest provided in this section, unless the total tax for the current tax year is $500 or less.

(d) For health maintenance organizations, nonprofit health service plan corporations, and community integrated service networks, the installments must be based on an amount determined under paragraph (h) or (i).

(e) For purposes of computing installments for town and farmers' mutual insurance companies and for mutual property casualty companies with total assets on December 31, 1989, of $1,600,000,000 or less, the following rates apply:

(1) for all life insurance, two percent;

(2) for town and farmers' mutual insurance companies and for mutual property and casualty companies with total assets of $5,000,000 or less, on all other coverages, one percent; and

(3) for mutual property and casualty companies with total assets on December 31, 1989, of $1,600,000,000 or less, on all other coverages, 1.26 percent.

(f) If the aggregate amount of premium tax payments under this section and the fire marshal tax payments under section 299F.21 made during a calendar year is equal to or exceeds $120,000, all tax payments in the subsequent calendar year must be paid by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the payment is due. If the date the payment is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the payment is due.

(g) Premiums under medical assistance, general assistance medical care, the MinnesotaCare program, and the Minnesota comprehensive health insurance plan and all payments, revenues, and reimbursements received from the federal government for Medicare-related coverage as defined in section 62A.31, subdivision 3, paragraph (e), are not subject to tax under this section.

(h) ~~For calendar years 1997, 1998, and 1999, the installments for health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations must be based on an amount equal to one percent of premiums described under paragraph (b). Health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations that have met the cost containment goals established under section 62J.04 in the individual and small employer market for calendar year 1996 are exempt from payment of the tax imposed under this section for premiums paid after March 30, 1997, and before April 1, 1998. Health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations that have met the cost containment goals established under section 62J.04 in the individual and small employer market for calendar year 1997 are exempt from payment of the tax imposed under this section for premiums paid after March 30, 1998, and before April 1, 1999. Health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations that have met the cost containment goals established under section 62J.04 in the individual and small employer market for calendar year 1998 are exempt from payment of the tax imposed under this section for premiums paid after March 30, 1999, and before January 1, 2000~~ Health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations are exempt from the tax imposed under this section on premiums received in calendar years 2001 and 2002.

(i) For calendar years after ~~1999~~ 2002, ~~the commissioner of finance shall determine the balance of the health care access fund on September 1 of each year beginning September 1, 1999. If the commissioner determines that there is no structural deficit for the next fiscal year, no tax shall be imposed under paragraph (d) for the following calendar year. If the commissioner determines that there will be a structural deficit in the fund for the following fiscal year, then the commissioner, in~~

~~consultation with the commissioner of revenue, shall determine the amount needed to eliminate the structural deficit and a tax shall be imposed under paragraph (d) for the following calendar year. The commissioner shall determine the rate of the tax as either one-quarter of one percent, one-half of one percent, three-quarters of one percent, or one percent of premiums described in paragraph (b), whichever is the lowest of those rates that the commissioner determines will produce sufficient revenue to eliminate the projected structural deficit. The commissioner of finance shall publish in the State Register by October 1 of each year the amount of tax to be imposed for the following calendar year. In determining the structural balance of the health care access fund for fiscal years 2000 and 2001, the commissioner shall disregard the transfer amount from the health care access fund to the general fund for expenditures associated with the services provided to pregnant women and children under the age of two enrolled in the MinnesotaCare program~~ a rate of one percent applies to premiums of health maintenance organizations, community-integrated service networks, and nonprofit health service plan corporations.

(j) In approving the premium rates as required in sections 62L.08, subdivision 8, and 62A.65, subdivision 3, the commissioners of health and commerce shall ensure that any exemption from the tax as described in paragraphs (h) and (i) is reflected in the premium rate.

EFFECTIVE DATE: This section is effective for taxes on premiums received after December 31, 2000.

Sec. 2. Minnesota Statutes 1998, section 295.50, subdivision 9b, is amended to read:

Subd. 9b. [PATIENT SERVICES.] (a) "Patient services" means inpatient and outpatient services and other goods and services provided by hospitals, surgical centers, or health care providers. They include the following health care goods and services provided to a patient or consumer:

(1) bed and board;

(2) nursing services and other related services;

(3) use of hospitals, surgical centers, or health care provider facilities;

(4) medical social services;

(5) drugs, biologicals, supplies, appliances, and equipment;

(6) other diagnostic or therapeutic items or services;

(7) medical or surgical services;

(8) items and services furnished to ambulatory patients not requiring emergency care;

(9) emergency services; and

(10) covered services listed in section 256B.0625 and in Minnesota Rules, parts 9505.0170 to 9505.0475.

(b) "Patient services" does not include:

(1) services provided to nursing homes licensed under chapter 144A; and

(2) examinations for purposes of utilization reviews, insurance claims or eligibility, litigation, and employment, including reviews of medical records for those purposes.

EFFECTIVE DATE: This section is effective for payments received on or after January 1, 2000.

Sec. 3. Minnesota Statutes 1999 Supplement, section 295.53, subdivision 1, is amended to read:

Subdivision 1. [EXEMPTIONS.] (a) The following payments are excluded from the gross revenues subject to the hospital, surgical center, or health care provider taxes under sections 295.50 to 295.57:

(1) payments received for services provided under the Medicare program, including payments received from the government, and organizations governed by sections 1833 and 1876 of title XVIII of the federal Social Security Act, United States Code, title 42, section 1395, and enrollee deductibles, coinsurance, and copayments, whether paid by the Medicare enrollee or by a Medicare supplemental coverage as defined in section 62A.011, subdivision 3, clause (10). Payments for services not covered by Medicare are taxable;

(2) medical assistance payments including payments received directly from the government or from a prepaid plan;

(3) payments received for home health care services;

(4) payments received from hospitals or surgical centers for goods and services on which liability for tax is imposed under section 295.52 or the source of funds for the payment is exempt under clause (1), (2), (7), (8), (10), ~~or~~ (13), or (20);

(5) payments received from health care providers for goods and services on which liability for tax is imposed under this chapter or the source of funds for the payment is exempt under clause (1), (2), (7), (8), (10), ~~or~~ (13), or (20);

(6) amounts paid for legend drugs, other than nutritional products, to a wholesale drug distributor who is subject to tax under section 295.52, subdivision 3, reduced by reimbursements received for legend drugs under clauses (1), (2), (7), and (8);

(7) payments received under the general assistance medical care program including payments received directly from the government or from a prepaid plan;

(8) payments received for providing services under the MinnesotaCare program including payments received directly from the government or from a prepaid plan and enrollee deductibles, coinsurance, and copayments. For purposes of this clause, coinsurance means the portion of payment that the enrollee is required to pay for the covered service;

(9) payments received by a health care provider or the wholly owned subsidiary of a health care provider for care provided outside Minnesota;

(10) payments received from the chemical dependency fund under chapter 254B;

(11) payments received in the nature of charitable donations that are not designated for providing patient services to a specific individual or group;

(12) payments received for providing patient services incurred through a formal program of health care research conducted in conformity with federal regulations governing research on human subjects. Payments received from patients or from other persons paying on behalf of the patients are subject to tax;

(13) payments received from any governmental agency for services benefiting the public, not including payments made by the government in its capacity as an employer or insurer;

(14) payments received for services provided by community residential mental health facilities licensed under Minnesota Rules, parts 9520.0500 to 9520.0690, community support programs and family community support programs approved under Minnesota Rules, parts 9535.1700 to 9535.1760, and community mental health centers as defined in section 245.62, subdivision 2;

(15) government payments received by a regional treatment center;

(16) payments received for hospice care services;

(17) payments received by a health care provider for hearing aids and related equipment or prescription eyewear delivered outside of Minnesota;

(18) payments received by an educational institution from student tuition, student activity fees, health care service fees, government appropriations, donations, or grants. Fee for service payments and payments for extended coverage are taxable;

(19) payments received for services provided by: assisted living programs and congregate housing programs; and

~~(20) payments received from nursing homes licensed under chapter 144A for services provided to a nursing home; and~~

~~(21) payments received for examinations for purposes of utilization reviews, insurance claims or eligibility, litigation, and employment, including reviews of medical records for those purposes.~~

(20) payments received under the federal Employees Health Benefits Act, United States Code, title 5, section 8909(f), as amended by the Omnibus Reconciliation Act of 1990.

(b) Payments received by wholesale drug distributors for legend drugs sold directly to veterinarians or veterinary bulk purchasing organizations are excluded from the gross revenues subject to the wholesale drug distributor tax under sections 295.50 to 295.59.

EFFECTIVE DATE: This section is effective for payments received on or after January 1, 2000.

Sec. 4. Minnesota Statutes 1998, section 295.58, is amended to read:

295.58 [DEPOSIT OF REVENUES AND PAYMENT OF REFUNDS.]

The commissioner shall deposit all revenues, including penalties and interest, derived from the taxes imposed by sections 295.50 to 295.57 and from the insurance premiums tax on health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations in the health care access fund in the state treasury. ~~Refunds of overpayments must be paid from the health care access fund in the state treasury.~~ There is annually appropriated from the health care access fund to the commissioner of revenue the amount necessary to make any refunds required under ~~section 295.54~~ this chapter.

EFFECTIVE DATE: This section is effective for refunds made on or after January 1, 1999.

ARTICLE 10

SPECIAL TAXES

Section 1. Minnesota Statutes 1998, section 115A.557, subdivision 3, is amended to read:

Subd. 3. [ELIGIBILITY TO RECEIVE MONEY.] (a) To be eligible to receive money distributed by the director under this section, a county shall within one year of October 4, 1989:

(1) create a separate account in its general fund to credit the money; and

(2) set up accounting procedures to ensure that money in the separate account is spent only for the purposes in subdivision 2.

(b) In each following year, each county shall also:

(1) have in place an approved solid waste management plan or master plan including a recycling implementation strategy under section 115A.551, subdivision 7, and a household hazardous waste management plan under section 115A.96, subdivision 6, by the dates specified in those provisions;

(2) submit a report by April 1 of each year to the director detailing for the previous calendar year:

(i) how the money was spent including, but not limited to, specific information on the number of employees performing SCORE planning, oversight, and administration; the percentage of those employees' total work time allocated to SCORE planning, oversight, and administration; the specific duties and responsibilities of those employees; and the amount of staff salary for these SCORE duties and responsibilities of the employees; and (ii) the resulting gains achieved in solid waste management practices ~~during the previous calendar year~~; and

(3) provide evidence to the director that local revenue equal to 25 percent of the money sought for distribution under this section will be spent for the purposes in subdivision 2.

(c) The director shall withhold all or part of the funds to be distributed to a county under this section if the county fails to comply with this subdivision and subdivision 2.

Sec. 2. Minnesota Statutes 1999 Supplement, section 287.01, subdivision 2, is amended to read:

Subd. 2. [AMENDMENT.] "Amendment" means generally a document that alters an existing mortgage without securing a new debt, or increasing the amount of an existing debt; and, that does not, in the case of a multistate mortgage described in section 287.05, subdivision 1, paragraph (b), result in an increased percentage of the real property encumbered by the mortgage being located in this state. ~~Specifically,~~ A document is ~~considered~~ an amendment ~~to the extent it merely does~~ if it meets the definition in this subdivision, including documents that do any one or ~~any combination~~ more of the following:

(i) extends the time for payment of the unpaid portion of the original debt;

(ii) changes the rate of interest applicable to the unpaid portion of the original debt;

(iii) adds additional real property as security for the unpaid portion of the original debt;

(iv) releases some but not all of the real property serving as security for the unpaid portion of the debt;

(v) replaces all the real property serving as security for the unpaid portion of the debt with other real property regardless of value;

(vi) replaces a party previously bound by the mortgage with a new party who becomes bound by the same amended mortgage; or

(vii) reduces the amount of the debt secured by real property located in this state, or in the case of a multistate mortgage described in section 287.05, subdivision 1, paragraph (b), reduces the percentage of real property encumbered by the mortgage that is located in this state.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 1999 Supplement, section 297E.02, subdivision 1, is amended to read:

Subdivision 1. [IMPOSITION.] A tax is imposed on all lawful gambling other than (1) pull-tab deals or games; (2) tipboard deals or games; and (3) items listed in section 297E.01, subdivision 8, clauses (4) and (5), at the rate of ~~9~~ 8.5 percent on the gross receipts as defined in section 297E.01, subdivision 8, less prizes actually paid. The tax imposed by this subdivision is in lieu of the tax imposed by section 297A.02 and all local taxes and license fees except a fee authorized under section 349.16, subdivision 8, or a tax authorized under subdivision 5.

The tax imposed under this subdivision is payable by the organization or party conducting, directly or indirectly, the gambling.

EFFECTIVE DATE: This section is effective July 1, 2000.

Sec. 4. Minnesota Statutes 1998, section 297E.02, is amended by adding a subdivision to read:

Subd. 2a. [TAX CREDIT FOR CERTAIN RAFFLES.] An organization may claim a credit equal to the tax reported under subdivision 1 resulting from a raffle the net proceeds of which have been used exclusively for the purposes of section 349.12, subdivision 25, paragraph (a), clause (2). The organization claiming the credit must do so on the monthly gambling tax return on which the raffle activity is reported under subdivision 1.

EFFECTIVE DATE: This section is effective August 1, 2000.

Sec. 5. Minnesota Statutes 1999 Supplement, section 297E.02, subdivision 4, is amended to read:

Subd. 4. [PULL-TAB AND TIPBOARD TAX.] (a) A tax is imposed on the sale of each deal of pull-tabs and tipboards sold by a distributor. The rate of the tax is ~~1.8~~ 1.7 percent of the ideal gross of the pull-tab or tipboard deal. The sales tax imposed by chapter 297A on the sale of the pull-tabs and tipboards by the distributor is imposed on the retail sales price less the tax imposed by this subdivision. The retail sale of pull-tabs or tipboards by the organization is exempt from taxes imposed by chapter 297A and is exempt from all local taxes and license fees except a fee authorized under section 349.16, subdivision 8.

(b) The liability for the tax imposed by this section is incurred when the pull-tabs and tipboards are delivered by the distributor to the customer or to a common or contract carrier for delivery to the customer, or when received by the customer's authorized representative at the distributor's place of business, regardless of the distributor's method of accounting or the terms of the sale.

The tax imposed by this subdivision is imposed on all sales of pull-tabs and tipboards, except the following:

(1) sales to the governing body of an Indian tribal organization for use on an Indian reservation;

(2) sales to distributors licensed under the laws of another state or of a province of Canada, as long as all statutory and regulatory requirements are met in the other state or province;

(3) sales of promotional tickets as defined in section 349.12; and

(4) pull-tabs and tipboards sold to an organization that sells pull-tabs and tipboards under the exemption from licensing in section 349.166, subdivision 2. A distributor shall require an organization conducting exempt gambling to show proof of its exempt status before making a tax-exempt sale of pull-tabs or tipboards to the organization. A distributor shall identify, on all reports submitted to the commissioner, all sales of pull-tabs and tipboards that are exempt from tax under this subdivision.

(c) A distributor having a liability of $120,000 or more during a fiscal year ending June 30 must remit all liabilities in the subsequent calendar year by a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the tax is due. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the tax is due.

(d) Any customer who purchases deals of pull-tabs or tipboards from a distributor may file an annual claim for a refund or credit of taxes paid pursuant to this subdivision for unsold pull-tab and tipboard tickets. The claim must be filed with the commissioner on a form prescribed by the commissioner by March 20 of the year following the calendar year for which the refund is claimed. The refund must be filed as part of the customer's February monthly return. The refund or credit is equal to ~~1.8~~ 1.7 percent of the face value of the unsold pull-tab or tipboard tickets, provided that the refund or credit will be ~~1.85~~ 1.75 percent of the face value of the unsold pull-tab or tipboard tickets for claims for a refund or credit of taxes filed on the February ~~2000~~ 2001 monthly return. The refund claimed will be applied as a credit against tax owing under this chapter on the February monthly return. If the refund claimed exceeds the tax owing on the February monthly return, that amount will be refunded. The amount refunded will bear interest pursuant to section 270.76 from 90 days after the claim is filed.

EFFECTIVE DATE: This section is effective July 1, 2000.

Sec. 6. Minnesota Statutes 1999 Supplement, section 297E.02, subdivision 6, is amended to read:

Subd. 6. [COMBINED RECEIPTS TAX.] In addition to the taxes imposed under subdivisions 1 and 4, a tax is imposed on the combined receipts of the organization. As used in this section, "combined receipts" is the sum of the organization's gross receipts from lawful gambling less

gross receipts directly derived from the conduct of bingo, raffles, and paddlewheels, as defined in section 297E.01, subdivision 8, for the fiscal year. The combined receipts of an organization are subject to a tax computed according to the following schedule:

If the combined receipts for the fiscal year are:	The tax is:
Not over $500,000	zero
Over $500,000, but not over $700,000	~~1.8~~ 1.7 percent of the amount over $500,000, but not over $700,000
Over $700,000, but not over $900,000	~~$3,600~~ $3,400 plus ~~3.6~~ 3.4 percent of the amount over $700,000, but not over $900,000
Over $900,000	~~$10,800~~ $10,200 plus ~~5.4~~ 5.1 percent of the amount over $900,000

EFFECTIVE DATE: This section is effective July 1, 2000.

Sec. 7. Minnesota Statutes 1998, section 297F.01, subdivision 7, is amended to read:

Subd. 7. [CONSUMER.] "Consumer" means ~~any person~~ an individual who has title to or possession of cigarettes or tobacco products ~~in storage,~~ for ~~use or other~~ personal consumption ~~in this state~~ rather than for sale.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 8. Minnesota Statutes 1998, section 297F.01, is amended by adding a subdivision to read:

Subd. 9a. [INVOICE.] "Invoice" means a detailed list of cigarettes and tobacco products purchased or sold in this state that contains the following information:

(1) name of seller;

(2) name of purchaser;

(3) date of sale;

(4) invoice number;

(5) itemized list of goods sold including brands of cigarettes and number of cartons of each brand, unit price, and identification of tobacco products by name, quantity, and unit price; and

(6) any rebates, discounts, or other reductions.

EFFECTIVE DATE: This section is effective July 1, 2000.

Sec. 9. Minnesota Statutes 1998, section 297F.01, subdivision 14, is amended to read:

Subd. 14. [RETAILER.] "Retailer" means a person required to be licensed under chapter 461 engaged in this state in the business of selling, or offering to sell, cigarettes or tobacco products to consumers.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 10. Minnesota Statutes 1998, section 297F.01, subdivision 17, is amended to read:

Subd. 17. [STAMP.] "Stamp" means the adhesive stamp supplied by the commissioner of revenue for use on cigarette packages or any other indicia adopted by the commissioner to indicate that the tax has been paid.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 11. Minnesota Statutes 1998, section 297F.01, is amended by adding a subdivision to read:

Subd. 21a. [UNLICENSED SELLER.] "Unlicensed seller" means anyone who is not licensed under section 297F.03 or 461.12 to sell the particular product to the purchaser or possessor of the product.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 12. Minnesota Statutes 1998, section 297F.08, subdivision 2, is amended to read:

Subd. 2. [TAX DUE; CIGARETTES.] Notwithstanding any other provisions of this chapter, the tax due on the return is based upon actual ~~heat-applied~~ stamps purchased during the reporting period.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 13. Minnesota Statutes 1998, section 297F.08, subdivision 5, is amended to read:

Subd. 5. [DEPOSIT OF PROCEEDS.] The commissioner shall use the amounts appropriated by law to purchase ~~heat-applied~~ stamps for resale. The commissioner shall charge the purchasers for the costs of the stamps along with the tax value plus shipping costs. The costs recovered along with shipping costs must be deposited into the general fund.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 14. Minnesota Statutes 1998, section 297F.08, subdivision 8, is amended to read:

Subd. 8. [SALE OF STAMPS.] The commissioner may sell ~~heat-applied~~ stamps on a credit basis under conditions prescribed by the commissioner. The commissioner shall sell the stamps at a price which includes the tax after giving effect to the discount provided in subdivision 7. The commissioner shall recover the actual costs of the stamps from the distributor. The commissioner shall annually establish the maximum amount of ~~heat-applied~~ stamps that may be purchased each month.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 15. Minnesota Statutes 1999 Supplement, section 297F.08, subdivision 8a, is amended to read:

Subd. 8a. [REVOLVING ACCOUNT.] A ~~heat-applied~~ cigarette tax stamp revolving account is created. The commissioner shall use the amounts in this fund to purchase ~~heat-applied~~ stamps for resale. The commissioner shall charge distributors for the tax value of the stamps they receive along with the commissioner's cost to purchase the stamps and ship them to the distributor. The stamp purchase and shipping costs recovered must be credited to the revolving account and are appropriated to the commissioner for the further purchases and shipping costs. The revolving account is initially funded by a $40,000 transfer from the department of revenue.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 16. Minnesota Statutes 1998, section 297F.08, subdivision 9, is amended to read:

Subd. 9. [TAX STAMPING MACHINES.] The commissioner shall require any person licensed as a distributor to stamp packages with a ~~heat-applied~~ tax stamping machine, approved by the commissioner, which shall be provided by the distributor. The commissioner shall also supervise and check the operation of the machines and shall provide for the payment of the tax on any package so stamped, subject to the discount provided in subdivision 7. If the commissioner finds that a stamping machine is not affixing a legible stamp on the package, the commissioner may order the distributor to immediately cease the stamping process until the machine is functioning properly.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 17. Minnesota Statutes 1998, section 297F.09, subdivision 1, is amended to read:

Subdivision 1. [MONTHLY RETURN; CIGARETTE DISTRIBUTOR.] On or before the 18th day of each calendar month, a distributor with a place of business in this state shall file a return with the commissioner showing the quantity of cigarettes manufactured or brought in from outside the state or purchased during the preceding calendar month and the quantity of cigarettes sold or otherwise disposed of in this state and outside this state during that month. A licensed distributor outside this state shall in like manner file a return showing the quantity of cigarettes shipped or transported into this state during the preceding calendar month. Returns must be made in the form and manner prescribed by the commissioner and must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full unpaid tax liability shown by it. ~~The return for the May liability and 75 percent of the estimated June liability is due on the date payment of the tax is due.~~

EFFECTIVE DATE: This section is effective beginning with the June 2002 liability.

Sec. 18. Minnesota Statutes 1998, section 297F.09, subdivision 2, is amended to read:

Subd. 2. [MONTHLY RETURN; TOBACCO PRODUCTS DISTRIBUTOR.] On or before the 18th day of each calendar month, a distributor with a place of business in this state shall file a return with the commissioner showing the quantity and wholesale sales price of each tobacco product:

(1) brought, or caused to be brought, into this state for sale; and

(2) made, manufactured, or fabricated in this state for sale in this state, during the preceding calendar month.

Every licensed distributor outside this state shall in like manner file a return showing the quantity and wholesale sales price of each tobacco product shipped or transported to retailers in this state to be sold by those retailers, during the preceding calendar month. Returns must be made in the form and manner prescribed by the commissioner and must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full tax liability shown, less 1.5 percent of the liability as compensation to reimburse the distributor for expenses incurred in the administration of this chapter. ~~The return for the May liability and 75 percent of the estimated June liability is due on the date payment of the tax is due.~~

EFFECTIVE DATE: This section is effective beginning with the June 2002 liability.

Sec. 19. Minnesota Statutes 1998, section 297F.13, subdivision 4, is amended to read:

Subd. 4. [RETAILER AND SUBJOBBER TO PRESERVE PURCHASE INVOICES.] Every retailer and subjobber shall procure itemized invoices of all cigarettes or tobacco products purchased. ~~The invoices shall show the name and address of the seller and the date of purchase.~~

The retailer and subjobber shall preserve a legible copy of each invoice for one year from the date of ~~purchase~~ the invoice. The retailer and subjobber shall preserve copies of the invoices at each retail location or at a central location provided that the invoice must be produced and made available at a retail location within one hour when requested by the commissioner or duly authorized agents and employees. Copies should be numbered and kept in chronological order.

To determine whether the business is in compliance with the provisions of this chapter and sections 325D.30 to 325D.42, at any time during usual business hours, the commissioner, or duly authorized agents and employees, may enter any place of business of a retailer or subjobber without a search warrant and inspect the premises, the records required to be kept under this chapter, and the packages of cigarettes, tobacco products, and vending devices contained on the premises.

EFFECTIVE DATE: This section is effective July 1, 2000.

Sec. 20. Minnesota Statutes 1998, section 297F.21, subdivision 1, is amended to read:

Subdivision 1. [CONTRABAND DEFINED.] The following are declared to be contraband and therefore subject to civil and criminal penalties under this chapter:

(a) Cigarette packages which do not have stamps affixed to them as provided in this chapter, including but not limited to (i) packages with illegible stamps and packages with stamps that are not complete or whole even if the stamps are legible, and (ii) all devices for the vending of cigarettes in which packages as defined in item (i) are found, including all contents contained within the devices.

(b) A device for the vending of cigarettes and all packages of cigarettes, where the device does not afford at least partial visibility of contents. Where any package exposed to view does not carry the stamp required by this chapter, it shall be presumed that all packages contained in the device are unstamped and contraband.

(c) A device for the vending of cigarettes to which the commissioner or authorized agents have been denied access for the inspection of contents. In lieu of seizure, the commissioner or an agent may seal the device to prevent its use until inspection of contents is permitted.

(d) A device for the vending of cigarettes which does not carry the name and address of the owner, plainly marked and visible from the front of the machine.

(e) A device including, but not limited to, motor vehicles, trailers, snowmobiles, airplanes, and boats used with the knowledge of the owner or of a person operating with the consent of the owner for the storage or transportation of more than 5,000 cigarettes which are contraband under this subdivision. When cigarettes are being transported in the course of interstate commerce, or are in movement from either a public warehouse to a distributor upon orders from a manufacturer or distributor, or from one distributor to another, the cigarettes are not contraband, notwithstanding the provisions of clause (a).

(f) Cigarette packages or tobacco products obtained from an unlicensed seller.

(g) Cigarette packages offered for sale or held as inventory in violation of section 297F.20, subdivision 7.

(h) Tobacco products on which the tax has not been paid by a licensed distributor.

(i) Any cigarette packages or tobacco products offered for sale or held as inventory for which there is not an invoice from a licensed seller as required under section 297F.13, subdivision 4.

EFFECTIVE DATE: This section is effective July 1, 2000.

Sec. 21. Minnesota Statutes 1998, section 297F.21, subdivision 3, is amended to read:

Subd. 3. [INVENTORY; JUDICIAL DETERMINATION; APPEAL; DISPOSITION OF SEIZED PROPERTY.] (a) Within ten days after the seizure of any alleged contraband, the person making the seizure shall make available an inventory of the property seized to the person from whom the seizure was made, if known, and file a copy with the commissioner. Within ten days after the date of service of the inventory, the person from whom the property was seized or any person claiming an interest in the property may file with the commissioner a demand for a judicial determination of the question as to whether the property was lawfully subject to seizure and forfeiture. The commissioner, within 60 days, shall institute an action in the district court of the county where the seizure was made to determine the issue of forfeiture. The court shall decide whether the alleged contraband is contraband, as defined in subdivision 1.

(b) The action must be brought in the name of the state and must be prosecuted by the county attorney or by the attorney general. The court shall hear the action without a jury and shall try and determine the issues of fact and law involved.

(c) When a judgment of forfeiture is entered, the commissioner may, unless the judgment is stayed pending an appeal, either:

(1) deliver the forfeited property to the commissioner of human services for use by patients in state institutions;

(2) cause it to be destroyed; or

(3) cause it to be sold at public auction as provided by law.

(d) If a demand for judicial determination is made and no action commenced as provided in this subdivision, the property must be released by the commissioner and returned to the person entitled to it. If no demand is made, the property seized is considered forfeited to the state by operation of law and may be disposed of by the commissioner as provided in the case of a judgment of forfeiture. ~~When the commissioner is satisfied that a person from whom property is seized was acting in good faith and without intent to evade the tax imposed by this chapter, the commissioner shall release the property seized without further legal proceedings.~~

EFFECTIVE DATE: This section is effective for alleged contraband seized on or after the day following final enactment.

Sec. 22. [REPEALER.]

(a) Minnesota Statutes 1998, section 270.083, is repealed.

(b) Minnesota Statutes 1998, sections 297F.09, subdivision 6; and 297G.09, subdivision 5, are repealed.

EFFECTIVE DATE: This section, paragraph (a), is effective the day following final enactment. This section, paragraph (b) is effective beginning with the June 2002 liability.

ARTICLE 11

LOCAL DEVELOPMENT

Section 1. Minnesota Statutes 1998, section 273.1399, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] For purposes of this section, the following terms have the meanings given.

(a) "Qualifying captured net tax capacity" means the following amounts:

(1) The captured net tax capacity of a new or the expanded part of an existing economic development tax increment financing district, for which certification was requested after April 30, 1990.

(2) The captured net tax capacity of a new or the expanded part of an existing tax increment financing district, other than an economic development district, for which certification was requested after April 30, 1990, multiplied by the following percentage based on the number of years that have elapsed since the assessment year of the original net tax capacity. In no case may the final amounts be less than zero or greater than the total captured net tax capacity of the district.

Number of years	Renewal and Renovation Districts	All other Districts
0 to 5	0	0
6	12.5	6.25
7	25	12.5
8	37.5	18.75
9	50	25
10	62.5	31.25
11	75	37.5
12	87.5	43.75
13	100	50
14	100	56.25

15		100	62.5
16		100	68.75
17		100	75
18		100	81.25
19		100	87.5
20		100	93.75
21	or more	100	100

(3) The following rules apply to a hazardous substance subdistrict. The applicable percentage under clause (2) must be determined under the "all other districts" category. The number of years must be measured from the date of certification of the subdistrict for purposes of the additional captured net tax capacity resulting from the reduction in the subdistrict's or site's original net tax capacity. After termination of the overlying district, captured net tax capacity includes the full amount that is captured by the subdistrict.

(4) Qualified captured tax capacity does not include the captured tax capacity of exempt districts under subdivisions 6 and 7.

(b) The terms defined in section 469.174 have the meanings given in that section.

(c) "Qualified housing district" means:

(1) a housing district for a residential rental project or projects in which the only properties receiving assistance from revenues derived from tax increments from the district meet all of the requirements for a low-income housing credit under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1992, regardless of whether the project actually receives a low-income housing credit; or

(2) a housing district for a single-family homeownership project or projects, if 95 percent or more of the homes receiving assistance from tax increments from the district are purchased by qualified purchasers. A qualified purchaser means the first purchaser of a home after the tax increment assistance is provided whose income is at or below 70 percent of the median gross income for a family of the same size as the purchaser. Median gross income is the greater of (i) area median gross income, or (ii) the statewide median gross income, as determined by the secretary of Housing and Urban Development.

EFFECTIVE DATE: This section is effective the day following final enactment, and applies to all districts that are subject to the underlying law.

Sec. 2. Minnesota Statutes 1998, section 428A.11, is amended by adding a subdivision to read:

Subd. 7. [AUTHORITY.] "Authority" means an economic development authority or housing and redevelopment authority created pursuant to section 469.003, 469.004, or 469.091 or another entity authorized by law to exercise the powers of an authority created pursuant to one of those sections.

Sec. 3. Minnesota Statutes 1998, section 428A.11, is amended by adding a subdivision to read:

Subd. 8. [IMPLEMENTING ENTITY.] "Implementing entity" means the city or authority designated in the enabling ordinance as responsible for implementing and administering the housing improvement area.

Sec. 4. Minnesota Statutes 1998, section 428A.13, subdivision 1, is amended to read:

Subdivision 1. [ORDINANCE.] The governing body of the city may adopt an ordinance establishing ~~a~~ one or more housing improvement ~~area~~ areas. The ordinance must specifically describe the portion of the city to be included in the area, the basis for the imposition of the fees, and the number of years the fee will be in effect. In addition, the ordinance must include findings that without the housing improvement area, the proposed improvements could not be made by the condominium associations or housing unit owners, and the designation is needed to maintain and

preserve the housing units within the housing improvement area. The ordinance shall designate the implementing entity. The ordinance may not be adopted until a public hearing has been held regarding the ordinance. The ordinance may be amended by the governing body of the city, provided the governing body complies with the public hearing notice provisions of subdivision 2. Within 30 days after adoption of the ordinance under this subdivision, the governing body shall send a copy of the ordinance to the commissioner of revenue.

Sec. 5. Minnesota Statutes 1998, section 428A.13, subdivision 3, is amended to read:

Subd. 3. [PROPOSED HOUSING IMPROVEMENTS.] At the public hearing held under subdivision 2, the ~~city~~ proposed implementing entity shall provide a preliminary listing of the housing improvements to be made in the area. The listing shall identify those improvements, if any, that are proposed to be made to all or a portion of the common elements of a condominium. The listing shall also identify those housing units that have completed the proposed housing improvements and are proposed to be exempted from a portion of the fee. In preparing the list the ~~city~~ proposed implementing entity shall consult with the residents of the area and the condominium associations.

Sec. 6. Minnesota Statutes 1998, section 428A.14, subdivision 1, is amended to read:

Subdivision 1. [AUTHORITY.] Fees may be imposed by the ~~city~~ implementing entity on the housing units within the housing improvement area at a rate, term, or amount sufficient to produce revenue required to provide housing improvements in the area to reimburse the implementing entity for advances made to pay for the housing improvements or to pay principal of, interest on, and premiums, if any, on bonds issued by the implementing entity under section 428A.16. The fee can be imposed on the basis of the tax capacity of the housing unit, or the total amount of square footage of the housing unit, or a method determined by the council and specified in the resolution. Before the imposition of the fees, a hearing must be held and notice must be published in the official newspaper at least seven days before the hearing and shall be mailed at least seven days before the hearing to any housing unit owner subject to a fee. For purposes of this section, the notice must also include:

(1) a statement that all interested persons will be given an opportunity to be heard at the hearing regarding a proposed housing improvement fee;

(2) the estimated cost of improvements including administrative costs to be paid for in whole or in part by the fee imposed under the ordinance;

(3) the amount to be charged against the particular property;

(4) the right of the property owner to prepay the entire fee;

(5) the number of years the fee will be in effect; and

(6) a statement that the petition requirements of section 428A.12 have either been met or do not apply to the proposed fee.

Within six months of the public hearing, the ~~city~~ implementing entity may adopt a resolution imposing a fee within the area not exceeding the amount expressed in the notice issued under this section.

Prior to adoption of the resolution approving the fee, the condominium associations located in the housing improvement area shall submit to the ~~city~~ implementing entity a financial plan prepared by an independent third party, acceptable to the ~~city~~ implementing entity and associations, that provides for the associations to finance maintenance and operation of the common elements in the condominium and a long-range plan to conduct and finance capital improvements.

Sec. 7. Minnesota Statutes 1998, section 428A.15, is amended to read:

428A.15 [COLLECTION OF FEES.]

The ~~city~~ implementing entity may provide for the collection of the housing improvement fees according to the terms of section 428A.05.

Sec. 8. Minnesota Statutes 1998, section 428A.16, is amended to read:

428A.16 [BONDS.]

At any time after a contract for the construction of all or part of an improvement authorized under sections 428A.11 to 428A.20 has been entered into or the work has been ordered, the ~~governing body of the city~~ implementing entity may issue obligations in the amount it deems necessary to defray in whole or in part the expense incurred and estimated to be incurred in making the improvement, including every item of cost from inception to completion and all fees and expenses incurred in connection with the improvement or the financing.

The obligations are payable primarily out of the proceeds of the fees imposed under section 428A.14, or from any other special assessments or revenues available to be pledged for their payment under charter or statutory authority, or from two or more of those sources. The governing body of the city, or if the governing bodies are the same or consist of identical membership, the authority may, by resolution adopted prior to the sale of obligations, pledge the full faith, credit, and taxing power of the city to ~~assure~~ bonds issued by it to ensure payment of the principal and interest if the proceeds of the fees in the area are insufficient to pay the principal and interest. The obligations must be issued in accordance with chapter 475, except that an election is not required, and the amount of the obligations are not included in determination of the net debt of the city under the provisions of any law or charter limiting debt.

Sec. 9. Minnesota Statutes 1998, section 428A.17, is amended to read:

428A.17 [ADVISORY BOARD.]

The ~~governing body of the city~~ implementing entity may create and appoint an advisory board for the housing improvement area in the city to advise the ~~governing body~~ implementing entity in connection with the planning and construction of housing improvements. In appointing the board, the ~~council~~ implementing entity shall consider for membership members of condominium associations located in the housing improvement area. The advisory board shall make recommendations to the ~~governing body~~ implementing entity to provide improvements or impose fees within the housing improvement area. Before the adoption of a proposal by the ~~governing body~~ implementing entity to provide improvements within the housing improvement area, the advisory board of the housing improvement area shall have an opportunity to review and comment upon the proposal.

Sec. 10. Minnesota Statutes 1998, section 428A.19, is amended to read:

428A.19 [ANNUAL REPORTS.]

Each condominium association located within the housing improvement area must, by August 15 annually, submit a copy of its audited financial statements to the ~~city~~ implementing entity. The city may also, as part of the enabling ordinance, require the submission of other relevant information from the associations.

Sec. 11. Minnesota Statutes 1998, section 428A.21, is amended to read:

428A.21 [SUNSET.]

No new housing improvement areas may be established under sections 428A.11 to 428A.20 after June 30, ~~2001~~ 2005. After June 30, ~~2001~~ 2005, a city may establish a housing improvement area, provided that it receives enabling legislation authorizing the establishment of the area.

Sec. 12. Minnesota Statutes 1998, section 469.115, is amended to read:

469.115 [POWERS OF AGENCIES.]

A local agency shall have all the powers necessary or convenient to carry out the purposes of

sections 469.109 to 469.123; except that the agencies shall not levy and collect taxes or special assessments, nor exercise the power of eminent domain unless the governing body of the municipality or municipalities, in the case of a joint exercise of power, shall by resolution have expressly conferred that power on the agency. A local agency shall also have the following powers in addition to others granted in sections 469.109 to 469.123:

(1) to sue and be sued, to have a seal, which shall be judicially noticed, and to alter the same at pleasure; to have perpetual succession; and to make, amend, and repeal rules and regulations not inconsistent with these sections;

(2) to employ an executive director, technical experts, and officers, agents and employees, permanent and temporary, that it requires, and determine their qualifications, duties, and compensation; for legal service it may require, to call upon the chief law officer of the municipality or to employ its own counsel and legal staff; so far as practical, to use the services of local public bodies, in its area of operation. Those local bodies, if requested, shall make the services available;

(3) to delegate to one or more of its agents or employees the powers or duties it deems proper;

(4) upon proper application by a public body or private applicant, and after determining that the purpose of sections 469.109 to 469.123 will be accomplished by the establishment of the project in the redevelopment area to approve a redevelopment project;

(5) to sell, transfer, convey, or otherwise dispose of real or personal property or any interest therein, and to execute leases, deeds, conveyances, negotiable instruments, purchase agreements, and other contracts or instruments, and take action that is necessary or convenient to carry out the purposes of these sections;

(6) within its area of operation to acquire real or personal property or any interest therein by gift, grant, purchase, exchange, lease, transfer, bequest, devise, or otherwise. An agency may acquire real property which it deems necessary for its purposes by exercise of the power of eminent domain in the manner provided in chapter 117, after adoption of a resolution declaring that the acquisition of the real property is necessary to eliminate one or more of the conditions found to exist in the resolution adopted pursuant to section 469.111, subdivision 1;

(7) to designate redevelopment areas;

(8) to cooperate with industrial development corporations, state and federal agencies, and private persons or corporations in efforts to promote the expansion of recreational, commercial, industrial, and manufacturing activity in a redevelopment area;

(9) upon proper application by any public body or private applicant, to determine whether the declared public purpose of these sections has been accomplished or will be accomplished by the establishment of a redevelopment project in a redevelopment area;

(10) to obtain information necessary to the designation of a redevelopment area and the establishment of a redevelopment project therein;

(11) to cooperate with or act as agent for the federal government, the state, or any state public body or any agency or instrumentality thereof in carrying out the provisions of these sections or of any other related federal, state, or local legislation;

(12) to borrow money or other property and accept contributions, grants, gifts, services, or other assistance from the federal or state government to accomplish the purposes of sections 469.109 to 469.123;

(13) ~~to conduct mined underground space development pursuant to sections 469.135 to 469.141;~~

~~(14)~~ to include in any contract for financial assistance with the federal government any conditions which the federal government may attach to its financial aid of a redevelopment project;

~~(15)~~ (14) to issue bonds, notes, or other evidences of indebtedness as hereinafter provided, for any of its purposes and to secure them by mortgages upon property held or to be held by it, or by pledge of its revenues, including grants or contributions; and

~~(16)~~ (15) to invest any funds held in reserve or sinking funds, or any funds not required for immediate disbursement, in property or securities in which savings banks may legally invest funds subject to their control.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 13. Minnesota Statutes 1998, section 469.174, subdivision 9, is amended to read:

Subd. 9. [TAX INCREMENT FINANCING DISTRICT.] "Tax increment financing district" or "district" means a contiguous or noncontiguous geographic area within a project delineated in the tax increment financing plan, as provided by section 469.175, subdivision 1, for the purpose of financing redevelopment, ~~mined underground space development,~~ housing or economic development in municipalities through the use of tax increment generated from the captured net tax capacity in the tax increment financing district.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 14. Minnesota Statutes 1998, section 469.174, subdivision 10, is amended to read:

Subd. 10. [REDEVELOPMENT DISTRICT.] (a) "Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one or more of the following conditions, reasonably distributed throughout the district, exists:

(1) parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, or other improvements and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance; or

(2) the property consists of vacant, unused, underused, inappropriately used, or infrequently used railyards, rail storage facilities, or excessive or vacated railroad rights-of-way; or

(3) tank facilities, or property whose immediately previous use was for tank facilities, as defined in section 115C.02, subdivision 15, if the tank facilities:

(i) have or had a capacity of more than 1,000,000 gallons;

(ii) are located adjacent to rail facilities; and

(iii) have been removed or are unused, underused, inappropriately used, or infrequently used.

(b) For purposes of this subdivision, "structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

(c) A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the site. The municipality may find that a building is not disqualified as structurally substandard under the preceding sentence on the basis of reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs, or other similar reliable evidence. The municipality may not make such a determination without an interior inspection of the property, but need not have an independent, expert appraisal prepared of the cost of repair and rehabilitation of the building. An interior inspection of the property is not required, if the municipality finds that (1) the municipality or authority is unable to gain access to the property

after using its best efforts to obtain permission from the party that owns or controls the property; and (2) the evidence otherwise supports a reasonable conclusion that the building is structurally substandard. Items of evidence that support such a conclusion include recent fire or police inspections, on-site property tax appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence. Written documentation of the findings and reasons why an interior inspection was not conducted must be made and retained under section 469.175, subdivision 3, clause (1).

(d) A parcel is deemed to be occupied by a structurally substandard building for purposes of the finding under paragraph (a) if all of the following conditions are met:

(1) the parcel was occupied by a substandard building within three years of the filing of the request for certification of the parcel as part of the district with the county auditor;

(2) the substandard building was demolished or removed by the authority or the demolition or removal was financed by the authority or was done by a developer under a development agreement with the authority;

(3) the authority found by resolution before the demolition or removal that the parcel was occupied by a structurally substandard building and that after demolition and clearance the authority intended to include the parcel within a district; and

(4) upon filing the request for certification of the tax capacity of the parcel as part of a district, the authority notifies the county auditor that the original tax capacity of the parcel must be adjusted as provided by section 469.177, subdivision 1, paragraph (h).

(e) For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, or other improvements unless 15 percent of the area of the parcel contains improvements.

(f) For districts consisting of two or more noncontiguous areas, each area must qualify as a redevelopment district under paragraph (a) to be included in the district, and the entire area of the district must satisfy paragraph (a).

EFFECTIVE DATE: This section is effective for districts or additions to the geographic area of an existing district for which the request for certification was received by the county auditor after June 30, 2000.

Sec. 15. Minnesota Statutes 1998, section 469.174, subdivision 11, is amended to read:

Subd. 11. [HOUSING DISTRICT.] "Housing district" means a type of tax increment financing district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts. A ~~project~~ district does not qualify as a housing district under this subdivision if the fair market value of the improvements which are constructed in the district for commercial uses or for uses other than low and moderate income housing consists of more than 20 percent of the total fair market value of the planned improvements in the development plan or agreement. The fair market value of the improvements may be determined using the cost of construction, capitalized income, or other appropriate method of estimating market value. Housing project means a project, or a portion of a project, that meets all of qualifications of a housing district under this subdivision, whether or not actually established as a housing district.

EFFECTIVE DATE: This section is effective for districts and amendments adding geographic area to an existing district for which the request for certification was filed with the county after May 1, 1988.

Sec. 16. Minnesota Statutes 1998, section 469.174, subdivision 12, is amended to read:

Subd. 12. [ECONOMIC DEVELOPMENT DISTRICT.] "Economic development district"

means a type of tax increment financing district which consists of any project, or portions of a project, not meeting the requirements found in the definition of redevelopment district, renewal and renovation district, soils condition district, ~~mined underground space development district,~~ or housing district, but which the authority finds to be in the public interest because:

(1) it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality; or

(2) it will result in increased employment in the state; or

(3) it will result in preservation and enhancement of the tax base of the state.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 17. Minnesota Statutes 1998, section 469.174, subdivision 14, is amended to read:

Subd. 14. [ADMINISTRATIVE EXPENSES.] "Administrative expenses" means all expenditures of an authority other than:

(1) amounts paid for the purchase of land ~~or~~;

(2) amounts paid to contractors or others providing materials and services, including architectural and engineering services, directly connected with the physical development of the real property in the ~~district,~~ project;

(3) relocation benefits paid to or services provided for persons residing or businesses located in the ~~district, or~~ project;

(4) amounts used to pay principal or interest on, fund a reserve for, or sell at a discount bonds issued pursuant to section 469.178; or

(5) amounts used to pay other financial obligations to the extent those obligations were used to finance costs described in clauses (1) to (3).

For districts for which the requests for certifications were made before August 1, 1979, or after June 30, 1982, "administrative expenses" includes amounts paid for services provided by bond counsel, fiscal consultants, and planning or economic development consultants.

EFFECTIVE DATE: This section is effective for all tax increment financing districts, regardless of when the request for certification was made.

Sec. 18. Minnesota Statutes 1998, section 469.174, subdivision 22, is amended to read:

Subd. 22. [TOURISM FACILITY.] "Tourism facility" means property that:

(1) is located in a county where the median income is no more than 85 percent of the state median income;

(2) is located in a county in ~~which, excluding the cities of the first class in that county, the earnings on tourism-related activities are 15 percent or more of the total earnings in the county~~ development region 2, 3, 4, or 5, as defined in section 462.385;

(3) ~~is located outside the metropolitan area defined in section 473.121, subdivision 2;~~

~~(4)~~ is not located in a city with a population in excess of 20,000; and

~~(5)~~ (4) is acquired, constructed, or rehabilitated for use as a convention and meeting facility that is privately owned, ~~amusement park, recreation facility, cultural facility,~~ marina, ~~park,~~ hotel, motel, lodging facility, or nonhomestead dwelling unit that in each case is intended to serve primarily individuals from outside the county.

EFFECTIVE DATE: This section is effective for districts for which the request for certification was received by the county auditor after June 30, 2000, but the new clause (4) does

not apply to (1) expenditures made under a binding contract entered before January 1, 2000; or (2) expenditures made under a binding contract entered pursuant to a letter of intent with the developer or contractor if the letter of intent was entered before January 1, 2000.

Sec. 19. Minnesota Statutes 1998, section 469.175, subdivision 1a, is amended to read:

Subd. 1a. [INCLUSION OF COUNTY ROAD COSTS.] (a) The county board may require the authority to pay all or a portion of the cost of county road improvements out of increment revenues, if the following conditions occur:

(1) the proposed tax increment financing plan or an amendment to the plan contemplates construction of a development that will, in the judgment of the county, substantially increase the use of county roads requiring construction of road improvements or other road costs; and

(2) the road improvements or other road costs are not scheduled for construction within five years under the county capital improvement plan or ~~other~~ within five years under another formally adopted county plan, and in the opinion of the county, would not reasonably be expected to be needed within the reasonably foreseeable future if the tax increment financing plan were not implemented.

(b) If the county elects to use increments to finance the road improvements, the county must notify the authority and municipality within ~~30~~ 45 days after receipt of the ~~information on the~~ proposed tax increment ~~district~~ financing plan under subdivision 2. The notice must include the estimated cost of the road improvements and schedule for construction and payment of the cost. The authority must include the improvements in the tax increment financing plan. The improvements may be financed with the proceeds of tax increment bonds or the authority and the county may agree that the county will finance the improvements with county funds to be repaid in installments, with or without interest, out of increment revenues. If the cost of the road improvements and other project costs exceed the projected amount of the increment revenues, the county and authority shall negotiate an agreement, modifying the development plan or proposed road improvements that will permit financing of the costs before the tax increment financing plan may be approved.

EFFECTIVE DATE: This section, paragraph (a), is effective for districts or expansions of the geographic area of districts, for which certification is requested after the day following final enactment of this act.

This section, paragraph (b), is effective for tax increment financing plans or amendments to plans approved after July 1, 2000.

Sec. 20. Minnesota Statutes 1998, section 469.175, subdivision 2, is amended to read:

Subd. 2. [CONSULTATIONS; COMMENT AND FILING.] Before formation of a tax increment financing district, the authority shall provide ~~an opportunity to the members of the county boards of commissioners of any county in which any portion of the proposed district is located and the members of the school board of any school district in which any portion of the proposed district is located to meet with the authority. The authority shall present to the members of the county boards of commissioners and the school boards its~~ the county auditor and clerk of the school board with the proposed tax increment financing plan for the district and the authority's estimate of the fiscal and economic implications of the proposed tax increment financing district. The authority must provide the proposed tax increment financing plan and the information on the fiscal and economic implications of the plan ~~must be provided~~ to the county auditor and the clerk of the school district ~~boards~~ board at least 30 days before the public hearing required by subdivision 3. The information on the fiscal and economic implications may be included in or as part of the tax increment financing plan. The county auditor and clerk of the school board shall provide copies to the members of the boards, as directed by their respective boards. The 30-day requirement is waived if the boards of the county and school district submit written comments on the proposal and any modification of the proposal to the authority after receipt of the information. ~~The members of the county boards of commissioners and the school boards may present their comments at the public hearing on the tax increment financing plan required by subdivision 3.~~

~~Upon adoption of the tax increment financing plan, the authority shall file a copy of the plan with the commissioner of revenue. The authority must also file with the commissioner a copy of the development plan for the project area.~~

EFFECTIVE DATE: This section is effective for tax increment financing plans approved after July 1, 2000.

Sec. 21. Minnesota Statutes 1998, section 469.175, subdivision 2a, is amended to read:

Subd. 2a. [HOUSING DISTRICTS; REDEVELOPMENT DISTRICTS.] In the case of a proposed housing district or redevelopment district, in addition to the requirements of subdivision 2, at least 30 days before the publication of the notice for public hearing under subdivision 3, the authority shall deliver written notice of the proposed district to each county commissioner who represents part of the area proposed to be included in the district. The notice must contain a general description of the boundaries of the proposed district and the proposed activities to be financed by the district, an offer by the authority to meet and discuss the proposed district with the county commissioner, and a solicitation of the commissioner's comments with respect to the district. The commissioner may waive the 30-day requirement by submitting written comments on the proposal and any modification of the proposal to the authority after receipt of the information.

EFFECTIVE DATE: This section is effective for tax increment financing districts for which the requests for certification is made after May 31, 1993.

Sec. 22. Minnesota Statutes 1998, section 469.175, subdivision 3, is amended to read:

Subd. 3. [MUNICIPALITY APPROVAL.] A county auditor shall not certify the original net tax capacity of a tax increment financing district until the tax increment financing plan proposed for that district has been approved by the municipality in which the district is located. If an authority that proposes to establish a tax increment financing district and the municipality are not the same, the authority shall apply to the municipality in which the district is proposed to be located and shall obtain the approval of its tax increment financing plan by the municipality before the authority may use tax increment financing. The municipality shall approve the tax increment financing plan only after a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing. The published notice must include a map of the area of the district from which increments may be collected and, if the project area includes additional area, a map of the project area in which the increments may be expended. The hearing may be held before or after the approval or creation of the project or it may be held in conjunction with a hearing to approve the project. Before or at the time of approval of the tax increment financing plan, the municipality shall make the following findings, and shall set forth in writing the reasons and supporting facts for each determination:

(1) that the proposed tax increment financing district is a redevelopment district, a renewal or renovation district, ~~a mined underground space development district,~~ a housing district, a soils condition district, or an economic development district; if the proposed district is a redevelopment district or a renewal or renovation district, the reasons and supporting facts for the determination that the district meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) and (2), or subdivision 10a, must be documented in writing and retained and made available to the public by the authority until the district has been terminated.

(2) that the proposed development or redevelopment, in the opinion of the municipality, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan. The requirements of this clause do not apply if the district is a qualified housing district, as defined in section 273.1399, subdivision 1.

(3) that the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole.

(4) that the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise.

(5) that the municipality elects the method of tax increment computation set forth in section 469.177, subdivision 3, clause (b), if applicable.

When the municipality and the authority are not the same, the municipality shall approve or disapprove the tax increment financing plan within 60 days of submission by the authority~~, or the plan shall be deemed approved~~. When the municipality and the authority are not the same, the municipality may not amend or modify a tax increment financing plan except as proposed by the authority pursuant to subdivision 4. Once approved, the determination of the authority to undertake the project through the use of tax increment financing and the resolution of the governing body shall be conclusive of the findings therein and of the public need for the financing.

EFFECTIVE DATE: This section is effective for tax increment financing plans approved after June 30, 2000.

Sec. 23. Minnesota Statutes 1998, section 469.175, subdivision 5, is amended to read:

Subd. 5. [ANNUAL DISCLOSURE.] ~~(a) The authority shall annually submit to the county board, the county auditor, the school board, state auditor and, if the authority is other than the municipality, the governing body of the municipality, a report of the status of the district. The report shall include the following information: the amount and the source of revenue in the account, the amount and purpose of expenditures from the account, the amount of any pledge of revenues, including principal and interest on any outstanding bonded indebtedness, the original net tax capacity of the district and any subdistrict, the captured net tax capacity retained by the authority, the captured net tax capacity shared with other taxing districts, the tax increment received, and any additional information necessary to demonstrate compliance with any applicable tax increment financing plan. The authority must submit the annual report for a year on or before August 1 of the next year.~~

~~(b)~~ An annual statement showing ~~the tax increment received and expended in that year, the original net tax capacity, captured net tax capacity, amount of outstanding bonded indebtedness, the amount of the district's and any subdistrict's increments paid to other governmental bodies, the amount paid for administrative costs, the sum of increments paid, directly or indirectly, for activities and improvements located outside of the district,~~ for each district the information required to be reported under subdivision 6, paragraph (c), clauses (1), (2), (3), (11), (12), (20), and (21); the amounts of tax increment received and expended in the reporting period; and any additional information the authority deems necessary ~~shall~~ must be published in a newspaper of general circulation in the municipality that approved the tax increment financing plan. ~~If the fiscal disparities contribution under chapter 276A or 473F for the district is computed under section 469.177, subdivision 3, paragraph (a), the annual statement must disclose that fact and indicate the amount of increased property tax imposed on other properties in the municipality as a result of the fiscal disparities contribution. The commissioner of revenue shall prescribe the form of this statement and the method for calculating the increased property taxes.~~ The annual statement must inform readers that additional information regarding each district may be obtained from the authority, and must explain how the additional information may be requested. The authority must publish the annual statement for a year no later than August 15 of the next year. The authority must identify the newspaper of general circulation in the municipality to which the annual statement has been or will be submitted for publication and provide a copy of the annual statement to the county board, the county auditor, the school board, the state auditor, and, if the authority is other than the municipality, the governing body of the municipality on or before August 1 of the year in which the statement must be published.

(c) The disclosure ~~and reporting~~ requirements imposed by this subdivision apply to districts certified before, on, or after August 1, 1979.

EFFECTIVE DATE: This section is effective for reports due in 2001 and subsequent years.

Sec. 24. Minnesota Statutes 1998, section 469.175, subdivision 6, is amended to read:

Subd. 6. [ANNUAL FINANCIAL REPORTING.] (a) The state auditor shall develop a uniform system of accounting and financial reporting for tax increment financing districts. The system of accounting and financial reporting shall, as nearly as possible:

(1) provide for full disclosure of the sources and uses of public funds in the district;

(2) permit comparison and reconciliation with the affected local government's accounts and financial reports;

(3) permit auditing of the funds expended on behalf of a district, including a single district that is part of a multidistrict project or that is funded in part or whole through the use of a development account funded with tax increments from other districts or with other public money;

(4) be consistent with generally accepted accounting principles.

(b) The authority must annually submit to the state auditor a financial report in compliance with paragraph (a). Copies of the report must also be provided to the county ~~and school district boards~~ auditor and to the governing body of the municipality, if the authority is not the municipality. To the extent necessary to permit compliance with the requirement of financial reporting, the county and any other appropriate local government unit or private entity must provide the necessary records or information to the authority or the state auditor as provided by the system of accounting and financial reporting developed pursuant to paragraph (a). The authority must submit the annual report for a year on or before August 1 of the next year.

(c) The annual financial report must also include the following items:

(1) the original net tax capacity of the district and any subdistrict under section 469.177, subdivision 1;

(2) the net tax capacity for the reporting period of the district and any subdistrict;

(3) the captured net tax capacity of the district~~, including the amount of any captured net tax capacity shared with other taxing districts~~;

~~(3)~~ (4) any fiscal disparity deduction from the captured net tax capacity under section 469.177, subdivision 3;

(5) the captured net tax capacity retained for tax increment financing under section 469.177, subdivision 2, paragraph (a), clause (1);

(6) any captured net tax capacity distributed among affected taxing districts under section 469.177, subdivision 2, paragraph (a), clause (2);

(7) the type of district;

(8) the date the municipality approved the tax increment financing plan and the date of approval of any modification of the tax increment financing plan, the approval of which requires notice, discussion, a public hearing, and findings under subdivision 4, paragraph (a);

(9) the date the authority first requested certification of the original net tax capacity of the district and the date of the request for certification regarding any parcel added to the district;

(10) the date the county auditor first certified the original net tax capacity of the district and the date of certification of the original net tax capacity of any parcel added to the district;

(11) the month and year in which the authority has received or anticipates it will receive the first increment from the district;

(12) the date the district must be decertified;

(13) for the reporting period and prior years of the district, the actual amount received from, at least, the following categories:

(i) tax increments paid by the captured net tax capacity retained for tax increment financing under section 469.177, subdivision 2, paragraph (a), clause (1), but excluding any excess taxes;

(ii) tax increments that are interest or other investment earnings on or from tax increments;

(iii) tax increments that are proceeds from the sale or lease of property, tangible or intangible, purchased by the authority with tax increments;

(iv) tax increments that are repayments of loans or other advances made by the authority with tax increments;

(v) bond or loan proceeds;

(vi) special assessments;

(vii) grants; and

(viii) transfers from funds not exclusively associated with the district;

(14) for the reporting period and for the ~~duration~~ prior years of the district, the amount budgeted under the tax increment financing plan, and the actual amount expended for, at least, the following categories:

(i) acquisition of land and buildings through condemnation or purchase;

(ii) site improvements or preparation costs;

(iii) installation of public utilities, parking facilities, streets, roads, sidewalks, or other similar public improvements;

(iv) administrative costs, including the allocated cost of the authority;

(v) public park facilities, facilities for social, recreational, or conference purposes, or other similar public improvements; and

(vi) transfers to funds not exclusively associated with the district;

~~(4)~~ (15) for properties sold to developers, the total cost of the property to the authority and the price paid by the developer; ~~and~~

~~(5) the amount of increments rebated or paid to developers or property owners for privately financed improvements or other qualifying costs.~~

(16) the amount of any payments and the value of any in-kind benefits, such as physical improvements and the use of building space, that are paid or financed with tax increments and are provided to another governmental unit other than the municipality during the reporting period;

(17) the amount of any payments for activities and improvements located outside of the district that are paid for or financed with tax increments;

(18) the amount of payments of principal and interest that are made during the reporting period on any nondefeased:

(i) general obligation tax increment financing bonds;

(ii) other tax increment financing bonds; and

(iii) notes and pay-as-you-go contracts;

(19) the principal amount, at the end of the reporting period, of any nondefeased:

(i) general obligation tax increment financing bonds;

(ii) other tax increment financing bonds; and

(iii) notes and pay-as-you-go contracts;

(20) the amount of principal and interest payments that are due for the current calendar year on any nondefeased:

(i) general obligation tax increment financing bonds;

(ii) other tax increment financing bonds; and

(iii) notes and pay-as-you-go contracts;

(21) if the fiscal disparities contribution under chapter 276A or 473F for the district is computed under section 469.177, subdivision 3, paragraph (a), the amount of increased property taxes imposed on other properties in the municipality that approved the tax increment financing plan as a result of the fiscal disparities contribution;

(22) whether the tax increment financing plan or other governing document permits increment revenues to be expended:

(i) to pay bonds, the proceeds of which were or may be expended on activities outside of the district;

(ii) for deposit into a common bond fund from which money may be expended on activities located outside of the district; or

(iii) to otherwise finance activities located outside of the tax increment financing district; and

(23) any additional information the state auditor may require.

(d) The commissioner of revenue shall prescribe the method of calculating the increased property taxes under paragraph (c), clause (21), and the form of the statement disclosing this information on the annual statement under subdivision 5.

(e) The reporting requirements imposed by this subdivision apply to districts certified before, on, and after August 1, 1979.

EFFECTIVE DATE: This section is effective for reports due in 2001 and subsequent years.

Sec. 25. Minnesota Statutes 1998, section 469.176, subdivision 1b, is amended to read:

Subd. 1b. [DURATION LIMITS; TERMS.] (a) No tax increment shall in any event be paid to the authority

(1) ~~after 25 years from date of receipt by the authority of the first tax increment for a mined underground space development district,~~

~~(2)~~ after 15 years after receipt by the authority of the first increment for a renewal and renovation district,

~~(3)~~ (2) after 20 years after receipt by the authority of the first increment for a soils condition district,

~~(4)~~ (3) after ~~nine~~ eight years ~~from the date of the~~ after receipt~~, or 11 years from approval of the tax increment financing plan, whichever is less,~~ by the authority of the first increment for an economic development district,

~~(5)~~ (4) for a housing district or a redevelopment district, after 20 years from the date of receipt by the authority of the first tax increment by the authority pursuant to section 469.175, subdivision 1, paragraph (b); or, if no provision is made under section 469.175, subdivision 1, paragraph (b), after 25 years from the date of receipt by the authority of the first increment.

(b) For purposes of determining a duration limit under this subdivision or subdivision 1e that is based on the receipt of an increment, any increments from taxes payable in the year in which the

district terminates shall be paid to the authority. This paragraph does not affect a duration limit calculated from the date of approval of the tax increment financing plan or based on the recovery of costs or to a duration limit under subdivision 1c. This paragraph does not supersede the restrictions on payment of delinquent taxes in subdivision 1f.

(c) Except as authorized by section 469.175, subdivision 1, paragraph (b), an action by the authority to waive or decline to accept an increment has no effect for purposes of computing a duration limit based on the receipt of increment under this subdivision or any other provision of law. The authority is deemed to have received an increment for any year in which it waived or declined to accept an increment, regardless of whether the increment was paid to the authority.

EFFECTIVE DATE: This section is effective for districts for which the request for certification was received by the county auditor after June 30, 2000, and does not apply to amendments adding geographic area to a district for which the request for certification was received before July 1, 2000.

Sec. 26. Minnesota Statutes 1998, section 469.176, is amended by adding a subdivision to read:

Subd. 4k. [ASSISTING HOUSING OUTSIDE PROJECT AREA.] Notwithstanding the definition of a project under section 469.174, increments may be spent to assist housing that meets the requirements under section 469.1763, subdivision 2, paragraph (d), regardless of whether the housing is located within the boundaries of the project area.

EFFECTIVE DATE: This section is effective for increments spent after July 1, 2000, from districts for which certification was requested after May 1, 1990.

Sec. 27. Minnesota Statutes 1998, section 469.1761, subdivision 4, is amended to read:

Subd. 4. [NONCOMPLIANCE; ENFORCEMENT.] Failure to comply with the requirements of this section ~~results in application of the duration limits for economic development districts to the district. If at the time of the noncompliance the district has exceeded the duration limits for an economic development district, the district must be decertified effective for taxes assessed in the next calendar year. The commissioner of revenue shall enforce the provisions of this section~~ is subject to section 469.1771. ~~The commissioner may waive insubstantial violations. Appeal of the commissioner's orders of noncompliance must be made to the tax court in the manner provided in section 271.06.~~

EFFECTIVE DATE: This section is effective for violations occurring after July 1, 2000.

Sec. 28. Minnesota Statutes 1998, section 469.1763, subdivision 2, is amended to read:

Subd. 2. [EXPENDITURES OUTSIDE DISTRICT.] (a) For each tax increment financing district, an amount equal to at least 75 percent of the revenue derived from tax increments paid by properties in the district must be expended on activities in the district or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities in the district or to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the in-district percentage for purposes of the preceding sentence is 80 percent. Not more than 25 percent of the revenue derived from tax increments paid by properties in the district may be expended, through a development fund or otherwise, on activities outside of the district but within the defined geographic area of the project except to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is 20 percent. The revenue derived from tax increments for the district that are expended on costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before calculating the percentages that must be expended within and without the district.

(b) In the case of a housing district, a housing project, as defined in section 469.174, subdivision 11, is an activity in the district.

(c) All administrative expenses are for activities outside of the district.

(d) The authority may elect, in the tax increment financing plan for the district, to increase by up to ten percentage points the permitted amount of expenditures for activities located outside the geographic area of the district under paragraph (a). As permitted by section 469.176, subdivision 4k, the expenditures, including the permitted expenditures under paragraph (a), need not be made within the geographic area of the project. To qualify for the increase under this paragraph, the expenditures must:

(1) be used exclusively to assist housing that meets the requirement for a qualified low-income building, as that term is used in section 42 of the Internal Revenue Code;

(2) not exceed the qualified basis of the housing, as defined under section 42(c) of the Internal Revenue Code, less the amount of any credit allowed under section 42 of the Internal Revenue Code; and

(3) be used to:

(i) acquire and prepare the site of the housing;

(ii) acquire, construct, or rehabilitate the housing; or

(iii) make public improvements directly related to the housing.

EFFECTIVE DATE: This section is effective for increments spent after July 1, 2000, from districts for which certification was requested after May 1, 1990.

Sec. 29. Minnesota Statutes 1998, section 469.177, subdivision 1, is amended to read:

Subdivision 1. [ORIGINAL NET TAX CAPACITY.] (a) Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original net tax capacity of the tax increment financing district and that portion of the district overlying any subdistrict as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original net tax capacity has increased or decreased as a result of a change in tax exempt status of property within the district and any subdistrict, reduction or enlargement of the district or changes pursuant to subdivision 4.

(b) ~~In the case of a mined underground space development district the county auditor shall certify the original net tax capacity as zero, plus the net tax capacity, if any, previously assigned to any subsurface area included in the mined underground space development district pursuant to section 272.04.~~

~~(c)~~ For districts approved under section 469.175, subdivision 3, or parcels added to existing districts after May 1, 1988, if the classification under section 273.13 of property located in a district changes to a classification that has a different assessment ratio, the original net tax capacity of that property must be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed.

~~(d)~~ (c) The amount to be added to the original net tax capacity of the district as a result of previously tax exempt real property within the district becoming taxable equals the net tax capacity of the real property as most recently assessed pursuant to section 273.18 or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If substantial taxable improvements were made to a parcel after certification of the district and if the property later becomes tax exempt, in whole or part, as a result of the authority acquiring the property through foreclosure or exercise of remedies under a lease or other revenue agreement or as a result of tax forfeiture, the amount to be added to the original net tax capacity of the district as a result of the property again becoming taxable is the amount of the parcel's value that was included in original net tax capacity when the parcel was first certified. The amount to be added to the original net tax capacity of the district as a result of enlargements equals the net tax capacity of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4.

~~(e)~~ (d) For districts approved under section 469.175, subdivision 3, or parcels added to existing districts after May 1, 1988, if the net tax capacity of a property increases because the property no longer qualifies under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act, chapter 473H, or because platted, unimproved property is improved or three years pass after approval of the plat under section 273.11, subdivision 1, the increase in net tax capacity must be added to the original net tax capacity.

~~(f) Each year the auditor shall also add to the original net tax capacity of each economic development district an amount equal to the original net tax capacity for the preceding year multiplied by the average percentage increase in the market value of all property included in the economic development district during the five years prior to certification of the district. In computing the average percentage increase in market value, the auditor shall exclude the market value, as estimated by the assessor, that is attributable to new construction; extension of sewer, water, roads, or other public utilities; or platting of the land.~~

~~(g)~~ (e) The amount to be subtracted from the original net tax capacity of the district as a result of previously taxable real property within the district becoming tax exempt, or a reduction in the geographic area of the district, shall be the amount of original net tax capacity initially attributed to the property becoming tax exempt or being removed from the district. If the net tax capacity of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original net tax capacity of the district when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured net tax capacity of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

~~(h)~~ (f) If a parcel of property contained a substandard building that was demolished or removed and if the authority elects to treat the parcel as occupied by a substandard building under section 469.174, subdivision 10, paragraph (b), the auditor shall certify the original net tax capacity of the parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated market value of the parcel for the year in which the building was demolished or removed, but applying the class rates for the current year.

EFFECTIVE DATE: This section is effective for districts for which the request for certification was received by the county auditor after June 30, 2000, and does not apply to amendments adding geographic area to a district for which the request for certification was received before July 1, 2000.

Sec. 30. Minnesota Statutes 1999 Supplement, section 469.1771, subdivision 1, is amended to read:

Subdivision 1. [ENFORCEMENT.] (a) The owner of taxable property located in the city, town, school district, or county in which the tax increment financing district is located may bring suit for equitable relief or for damages, as provided in subdivisions 2, 3, and 4, arising out of a failure of a municipality or authority to comply with the provisions of sections 469.174 to 469.179, or related provisions of this chapter. The prevailing party in a suit filed under the preceding sentence is entitled to costs, including reasonable attorney fees.

(b) The state auditor may examine and audit political subdivisions' use of tax increment financing. Without previous notice, the state auditor may examine or audit accounts and records on a random basis as the auditor deems to be in the public interest. If the state auditor finds evidence that an authority or municipality has violated a provision of the law for which a remedy is provided under this section, the state auditor shall forward the relevant information to the county attorney. The county attorney may bring an action to enforce the provisions of sections 469.174 to 469.179 or related provisions of this chapter, for matters referred by the state auditor or on behalf of the county. If the county attorney determines not to bring an action or if the county attorney has not brought an action within 12 months after receipt of the initial notification by the state auditor of the violation, the county attorney shall notify the state auditor in writing.

(c) If the state auditor finds an authority is not in compliance with sections 469.174 to 469.179 or related provisions of law, the auditor shall notify the governing body of the municipality that approved the tax increment financing district of its findings. The governing body of the municipality must respond in writing to the state auditor within 60 days after receiving the notification. Its written response must state whether the municipality accepts, in whole or part, the auditor's findings. If the municipality does not accept the findings, the statement must indicate the basis for its disagreement. The state auditor shall annually summarize the responses it receives under this section and send the summary and copies of the responses to the chairs of the committees of the legislature with jurisdiction over tax increment financing.

(d) The state auditor shall notify the attorney general in writing and provide supporting materials for a violation found by the auditor, if the:

(1) auditor receives notification from the county attorney under paragraph (b) or receives no notification for a 12-month period after initially notifying the county attorney and the state auditor confirms with the county attorney or the municipality that no action has been brought regarding the matter; and

(2) municipality or development authority have not eliminated or resolved the violation to the satisfaction of the state auditor.

The auditor shall provide the municipality and development authority a copy of the notification sent to the attorney general.

EFFECTIVE DATE: This section is effective for violations occurring after the date of final enactment.

Sec. 31. Minnesota Statutes 1998, section 469.1771, subdivision 2a, is amended to read:

Subd. 2a. [SUSPENSION OF DISTRIBUTION OF TAX INCREMENT.] (a) If an authority fails to make a disclosure or to submit a report containing the information required by section 469.175, subdivisions 5 and 6, regarding a tax increment financing district within the time provided in section 469.175, subdivisions 5 and 6, ~~or if a municipality fails to submit a report containing the information required of section 469.175, subdivision 6a, regarding a tax increment financing district within the time provided in section 469.175, subdivision 6a,~~ the state auditor shall mail to the authority a written notice that it or the municipality has failed to make the required disclosure or to submit a required report with respect to a particular district. The state auditor shall mail the notice on or before the third Tuesday of August of the year in which the disclosure or report was required to be made or submitted. The notice must describe the consequences of failing to disclose or submit a report as provided in paragraph (b). If the state auditor has not received a copy of a disclosure or a report described in this paragraph on or before the third Tuesday of November of the year in which the disclosure or report was required to be made or submitted, the state auditor shall mail a written notice to the county auditor to hold the distribution of tax increment from a particular district.

(b) Upon receiving written notice from the state auditor to hold the distribution of tax increment, the county auditor shall hold:

(1) 25 percent of the amount of tax increment that otherwise would be distributed, if the distribution is made after the third Friday in November but during the year in which the disclosure or report was required to be made or submitted; or

(2) 100 percent of the amount of tax increment that otherwise would be distributed, if the distribution is made after December 31 of the year in which the disclosure or report was required to be made or submitted.

(c) Upon receiving the copy of the disclosure and all of the reports described in paragraph (a) with respect to a district regarding which the state auditor has mailed to the county auditor a written notice to hold distribution of tax increment, the state auditor shall mail to the county auditor a written notice lifting the hold and authorizing the county auditor to distribute to the authority or municipality any tax increment that the county auditor had held pursuant to paragraph

(b). The state auditor shall mail the written notice required by this paragraph within five working days after receiving the last outstanding item. The county auditor shall distribute the tax increment to the authority or municipality within 15 working days after receiving the written notice required by this paragraph.

(d) Notwithstanding any law to the contrary, any interest that accrues on tax increment while it is being held by the county auditor pursuant to paragraph (b) is not tax increment and may be retained by the county.

(e) For purposes of sections 469.176, subdivisions 1a to 1g, and 469.177, subdivision 11, tax increment being held by the county auditor pursuant to paragraph (b) is considered distributed to or received by the authority or municipality as of the time that it would have been distributed or received but for paragraph (b).

EFFECTIVE DATE: This section is effective for reports due in 2001 and later years.

Sec. 32. Minnesota Statutes 1998, section 469.1771, is amended by adding a subdivision to read:

Subd. 4a. [INCREMENTS RECEIVED AFTER DURATION LIMIT.] (a) This subdivision applies to payments made by the county auditor as tax increments that:

(1) were received by the authority before July 1, 2000, for a tax increment financing district after the maximum duration limit for the district; and

(2) were not permitted to be made under section 469.176, subdivision 1f, or any other provision of law as tax increments after the duration limit for the district.

(b) The authority or the municipality may enter an agreement with the county to repay these amounts in installments, without interest, over a period not to exceed three years.

(c) If a repayment agreement is entered or the authority or municipality otherwise voluntarily repays these amounts, then distributions of these repayments under subdivision 5 must be made to each of the taxing jurisdictions, including the municipality.

EFFECTIVE DATE: This section is effective the day following final enactment and applies to tax increment financing districts, regardless of whether the request for certification was made before, on, or after August 1, 1979.

Sec. 33. Minnesota Statutes 1999 Supplement, section 469.1813, subdivision 1, is amended to read:

Subdivision 1. [AUTHORITY.] The governing body of a political subdivision may grant an abatement of the taxes imposed by the political subdivision on a parcel of property, or defer the payments of the taxes and abate the interest and penalty that otherwise would apply, if:

(a) it expects the benefits to the political subdivision of the proposed abatement agreement to at least equal the costs to the political subdivision of the proposed agreement or intends the abatement to phase in a property tax increase, as provided in clause (b)(7); and

(b) it finds that doing so is in the public interest because it will:

(1) increase or preserve tax base;

(2) provide employment opportunities in the political subdivision;

(3) provide or help acquire or construct public facilities;

(4) help redevelop or renew blighted areas;

(5) help provide access to services for residents of the political subdivision; ~~or~~

(6) finance or provide public infrastructure; or

(7) phase in a property tax increase on the parcel resulting from an increase of 50 percent or more in one year on the estimated market value of the parcel, other than increase attributable to improvement of the parcel.

EFFECTIVE DATE: This section is effective beginning with taxes payable in 2001.

Sec. 34. Minnesota Statutes 1998, section 469.1813, subdivision 4, is amended to read:

Subd. 4. [PROPERTY LOCATED IN TAX INCREMENT FINANCING DISTRICTS.] The governing body of a ~~governmental~~ political subdivision may not enter into a property tax abatement agreement under sections 469.1812 to 469.1815 ~~if the property~~ that provides for abatement of taxes on a parcel, if the abatement will occur while the parcel is located in a tax increment financing district.

EFFECTIVE DATE: This section is effective for taxes payable in 2001 and later years.

Sec. 35. Minnesota Statutes 1999 Supplement, section 469.1813, subdivision 6, is amended to read:

Subd. 6. [DURATION LIMIT.] (a) A political subdivision may grant an abatement for a period no longer than ten years, except as provided under paragraph (b). The subdivision may specify in the abatement resolution a shorter duration. If the resolution does not specify a period of time, the abatement is for eight years. If an abatement has been granted to a parcel of property and the period of the abatement has expired, the political subdivision that granted the abatement may not grant another abatement for eight years after the expiration of the first abatement. This prohibition does not apply to improvements added after and not subject to the first abatement.

(b) A political subdivision proposing to abate taxes for a parcel may request, in writing, that the other political subdivisions in which the parcel is located grant an abatement for the property. If one of the other political subdivisions declines, in writing, to grant an abatement or if 90 days pass after receipt of the request to grant an abatement without a written response from one of the political subdivisions, the duration limit for an abatement for the parcel is increased to 15 years. If the political subdivision which declined to grant an abatement later grants an abatement for the parcel, the 15-year duration limit is reduced by one year for each year that the declining political subdivision grants an abatement for the parcel during the period of the abatement granted by the requesting political subdivision. The duration limit may not be reduced below the limit under paragraph (a).

EFFECTIVE DATE: This section is effective for taxes payable in 2001 and thereafter.

Sec. 36. Laws 1997, chapter 231, article 1, section 19, is amended by adding a subdivision to read:

Subd. 2a. [DEFINITION OF INCREMENT.] For purposes of this section, "tax increments" and "revenues derived from tax increments" have the meaning given in Minnesota Statutes, section 469.174, subdivision 25, except that the definition applies to all tax increment financing districts, regardless of when the request for certification was made and regardless of when the revenues were received, notwithstanding the effective date of Minnesota Statutes, section 469.174, subdivision 25.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 37. [BROOKLYN PARK EDA; TIF DISTRICT NO. 18.]

The 1998 amendments to Minnesota Statutes, section 469.176, subdivision 7, as set forth in Laws 1998, chapter 389, article 11, section 6, apply to the Brooklyn Park economic development authority's tax increment financing district No. 18, notwithstanding the effective date of the amendments.

EFFECTIVE DATE: This section is effective the day after the governing body of the city of Brooklyn Park and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 38. [CITY OF FOUNTAIN; TIF DURATION EXTENSION.]

The governing body of the city of Fountain may extend the duration of tax increment financing district 1-1 through December 31, 2008, notwithstanding the provision of Minnesota Statutes, section 469.176, subdivision 1b. The extension under this section is intended to correct an error in calculation of the increment after a division of a parcel in the tax increment financing district. As a result, the provisions of Minnesota Statutes, section 469.1782, subdivision 1, do not apply to the district.

EFFECTIVE DATE: This section is effective the day after the governing bodies of the city, county, and school district, and their chief clerical officers, timely complete their compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivisions 2 and 3.

Sec. 39. [MENDOTA HEIGHTS TAX INCREMENT FINANCING DISTRICT; CONTINUATION.]

Notwithstanding the provisions of Minnesota Statutes, section 469.1764, or any other law, tax increment financing district No. 1 established by the city of Mendota Heights in 1981 shall continue in effect for its original authorized duration, subject to the condition that, except for expenditures to pay preexisting obligations described in Minnesota Statutes, section 469.1764, subdivision 5, paragraphs (b) and (c), all future expenditures of tax increment shall not exceed $4,500,000 and shall be limited to the city's freeway road project substantially as described in the city's application for a grant from the livable communities demonstration account of the metropolitan livable communities fund.

EFFECTIVE DATE: This section is effective the day after approval by the governing body of the city of Mendota Heights and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 40. [ST. PAUL HOUSING AND REDEVELOPMENT AUTHORITY; HOUSING DISTRICT.]

Subdivision 1. [AUTHORIZATION.] The governing body of the housing and redevelopment authority of the city of St. Paul may create a tax increment financing housing district as provided in this section for a development containing both owner-occupied and residential rental units for mixed income occupancy.

Subd. 2. [AREA.] The housing district authorized in this section may only be created in the northeast quadrant of downtown St. Paul, which is defined as the approximately 15-acre area bounded by Interstate 94 on the north and east, Jackson Street on the west, and Seventh Street on the south, together with the west side of Jackson Street to midblock between Interstate 94 and Seventh Street.

Subd. 3. [INCOME REQUIREMENTS FOR COMBINED OWNER-OCCUPIED AND RESIDENTIAL RENTAL DEVELOPMENT.] (a) Notwithstanding the income requirements in Minnesota Statutes, section 469.174, subdivision 11, or 469.1761, a housing district in the northeast quadrant means a type of tax increment financing district that consists of a project, or a portion of a project, intended for occupancy, in part, by persons of low and moderate income as defined in chapter 462A, Title II, of the National Housing Act of 1934; the National Housing Act of 1959; the United States Housing Act of 1937, as amended; Title V of the Housing Act of 1949, as amended; any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts, as further set forth in this section. Twenty percent of the units in the development in the housing district must be occupied by individuals whose family income is equal to or less than 50 percent of area median gross income and an additional 60 percent of the units in the development in the housing district must be occupied by individuals whose family income is equal to or less than 115 percent of area median gross income. Twenty percent of the units in the development in the housing district shall not be subject to any income limitations.

(b) For purposes of this section, family income means the median gross income for the area as

determined under section 42 of the Internal Revenue Code of 1986, as amended. The income requirements of this subdivision shall be deemed to be satisfied if the sum of qualified owner-occupied units and qualified residential rental units equals the required total number of qualified units. Owner-occupied units must be initially purchased and occupied by individuals whose family income satisfies the income requirements of this subdivision. For residential rental property, the income requirements of this subdivision apply for the duration of the tax increment district.

(c) The development in the housing district, but not the project, does not qualify under this subdivision if the fair market value of the improvements which are constructed for commercial uses or for uses other than owner-occupied and rental mixed-income housing consists of more than 20 percent of the total fair market value of the planned improvements in the development plan or agreement. The fair market value of the improvements may be determined using the cost of construction, capitalized income, or other appropriate method of estimating market value.

EFFECTIVE DATE: This section is effective the day after the governing body of the city of St. Paul and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 41. [WINONA TAX INCREMENT FINANCING DISTRICT; RATIFICATION OF EXPENDITURE.]

For tax increment financing district No. 2, approved by the city of Winona on August 1, 1980, the expenditure of tax increments before January 1, 1998, to finance, in part, the construction of improvements to the existing municipal wastewater treatment plant is ratified and deemed an expenditure within the geographic area of the tax increment financing district, and Minnesota Statutes, section 469.1764, does not apply to the tax increment financing district.

EFFECTIVE DATE: This section is effective upon approval by the Winona city council and compliance with Minnesota Statutes, section 645.021.

Sec. 42. [REDEVELOPMENT GRANTS; RICHFIELD.]

(a) For fiscal year 2001, $5,000,000 is appropriated from the general fund to the commissioner of trade and economic development for a redevelopment grant or grants to the city of Richfield under Minnesota Statutes, sections 116J.561 to 116J.566.

(b) Grants made under this authority may only be used for acquisition and site preparation of residential property in the city of Richfield, located within an area consisting of no more than two blocks immediately to the west of trunk highway 77, bounded on the north by trunk highway 62 and on the south by 77th street. A property qualifies as a residential property only if the land is improved with a building and at least 75 percent of the square footage of the building is for single family or multiunit residential uses.

(c) For purposes of this grant, the local match requirement under Minnesota Statutes, section 116J.566, and the requirements to repay sales proceeds under section 116J.567, do not apply.

(d) The city of Richfield must submit a report to the chairs of the tax committees of the house of representatives and senate by no later than December 15, 2000, on the redevelopment plans. This report must include details on the plans for and, to the extent available, the actual use of the grant money, including, but not limited to, information on:

(1) residential units purchased or to be purchased, by location and type of unit;

(2) the cost of acquisition or the estimated cost of acquisition of the units;

(3) the cost of demolition or relocation of buildings, including any offsetting savings from buildings to be relocated or other salvage;

(4) the cost of relocation of utilities;

(5) the cost of any other site preparation for development;

(6) plans for sale and use of the cleared land, including estimates of the value of the land after clearance and site preparation; and

(7) the plans for the ultimate use of the properties acquired or to be acquired.

Sec. 43. [MINNESOTA MINERALS 21ST CENTURY FUND.]

Subdivision 1. [TRANSFER.] $30,000,000 is appropriated in fiscal year 2001 from the general fund for transfer to the Minnesota Minerals 21st Century Fund.

Subd. 2. [INFRASTRUCTURE MUST BE MADE AVAILABLE.] Any entity controlling the infrastructure created by an investment from the Minnesota Minerals 21st Century Fund from money transferred under this section shall make the infrastructure available to be utilized by other businesses or public authorities at costs reasonably designed to meet operating and maintenance needs of the infrastructure. The utilization of this infrastructure by others only pertains to the infrastructure capacity not needed by the primary recipient of the investments by the Minnesota Minerals 21st Century Fund.

Sec. 44. [REPEALER.]

(a) Minnesota Statutes 1998, sections 469.055, subdivision 5; 469.101, subdivision 21; 469.135; 469.136; 469.137; 469.138; 469.139; 469.140; 469.174, subdivision 13; and 469.176, subdivision 4a, are repealed.

(b) Minnesota Statutes 1998, section 469.175, subdivision 6a, is repealed.

EFFECTIVE DATE: Paragraph (a) is effective the day following final enactment. Paragraph (b) is effective for reports due beginning in 2001.

ARTICLE 12

FEDERAL UPDATE

Section 1. Minnesota Statutes 1999 Supplement, section 289A.02, subdivision 7, is amended to read:

Subd. 7. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, ~~1998~~ 1999.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 1999 Supplement, section 290.01, subdivision 19, is amended to read:

Subd. 19. [NET INCOME.] The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment company taxable income as defined in section 852(b)(2) of the Internal Revenue Code, except that:

(1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal Revenue Code does not apply;

(2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code; and

(3) the deduction for dividends paid must also be applied in the amount of any undistributed capital gains which the regulated investment company elects to have treated as provided in section 852(b)(3)(D) of the Internal Revenue Code.

The net income of a real estate investment trust as defined and limited by section 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

The net income of a designated settlement fund as defined in section 468B(d) of the Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal Revenue Code.

~~The Internal Revenue Code of 1986, as amended through December 31, 1986, shall be in effect for taxable years beginning after December 31, 1986. The provisions of sections 10104, 10202, 10203, 10204, 10206, 10212, 10221, 10222, 10223, 10226, 10227, 10228, 10611, 10631, 10632, and 10711 of the Omnibus Budget Reconciliation Act of 1987, Public Law Number 100-203, the provisions of sections 1001, 1002, 1003, 1004, 1005, 1006, 1008, 1009, 1010, 1011, 1011A, 1011B, 1012, 1013, 1014, 1015, 1018, 2004, 3041, 4009, 6007, 6026, 6032, 6137, 6277, and 6282 of the Technical and Miscellaneous Revenue Act of 1988, Public Law Number 100-647, the provisions of sections 7811, 7816, and 7831 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, the provisions of sections 1305, 1704(r), and 1704(e)(1) of the Small Business Job Protection Act, Public Law Number 104-188, and the provisions of sections 975 and 1604(d)(2) and (e) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, and the provisions of section 4004 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277 shall be effective at the time they become effective for federal income tax purposes.~~

~~The Internal Revenue Code of 1986, as amended through December 31, 1987, shall be in effect for taxable years beginning after December 31, 1987. The provisions of sections 4001, 4002, 4011, 5021, 5041, 5053, 5075, 6003, 6008, 6011, 6030, 6031, 6033, 6057, 6064, 6066, 6079, 6130, 6176, 6180, 6182, 6280, and 6281 of the Technical and Miscellaneous Revenue Act of 1988, Public Law Number 100-647, the provisions of sections 7815 and 7821 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, and the provisions of section 11702 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, shall become effective at the time they become effective for federal tax purposes.~~

~~The Internal Revenue Code of 1986, as amended through December 31, 1988, shall be in effect for taxable years beginning after December 31, 1988. The provisions of sections 7101, 7102, 7104, 7105, 7201, 7202, 7203, 7204, 7205, 7206, 7207, 7210, 7211, 7301, 7302, 7303, 7304, 7601, 7621, 7622, 7641, 7642, 7645, 7647, 7651, and 7652 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, the provision of section 1401 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Public Law Number 101-73, the provisions of sections 11701 and 11703 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, and the provisions of sections 1702(g) and 1704(f)(2)(A) and (B) of the Small Business Job Protection Act, Public Law Number 104-188, shall become effective at the time they become effective for federal tax purposes.~~

~~The Internal Revenue Code of 1986, as amended through December 31, 1989, shall be in effect for taxable years beginning after December 31, 1989. The provisions of sections 11321, 11322, 11324, 11325, 11403, 11404, 11410, and 11521 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, and the provisions of sections 13224 and 13261 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they become effective for federal purposes.~~

~~The Internal Revenue Code of 1986, as amended through December 31, 1990, shall be in effect for taxable years beginning after December 31, 1990.~~

~~The provisions of section 13431 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they became effective for federal purposes.~~

~~The Internal Revenue Code of 1986, as amended through December 31, 1991, shall be in effect for taxable years beginning after December 31, 1991.~~

~~The provisions of sections 1936 and 1937 of the Comprehensive National Energy Policy Act of 1992, Public Law Number 102-486, the provisions of sections 13101, 13114, 13122, 13141, 13150, 13151, 13174, 13239, 13301, and 13442 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, and the provisions of section 1604(a)(1), (2), and (3) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.~~

~~The Internal Revenue Code of 1986, as amended through December 31, 1992, shall be in effect for taxable years beginning after December 31, 1992.~~

~~The provisions of sections 13116, 13121, 13206, 13210, 13222, 13223, 13231, 13232, 13233, 13239, 13262, and 13321 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, the provisions of sections 1703(a), 1703(d), 1703(i), 1703(l), and 1703(m) of the Small Business Job Protection Act, Public Law Number 104-188, and the provision of section 1604(c) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.~~

~~The Internal Revenue Code of 1986, as amended through December 31, 1993, shall be in effect for taxable years beginning after December 31, 1993.~~

~~The provision of section 741 of Legislation to Implement Uruguay Round of General Agreement on Tariffs and Trade, Public Law Number 103-465, the provisions of sections 1, 2, and 3, of the Self-Employed Health Insurance Act of 1995, Public Law Number 104-7, the provision of section 501(b)(2) of the Health Insurance Portability and Accountability Act, Public Law Number 104-191, the provisions of sections 1604 and 1704(p)(1) and (2) of the Small Business Job Protection Act, Public Law Number 104-188, and the provisions of sections 1011, 1211(b)(1), and 1602(f) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.~~

~~The Internal Revenue Code of 1986, as amended through December 31, 1994, shall be in effect for taxable years beginning after December 31, 1994.~~

~~The provisions of sections 1119(a), 1120, 1121, 1202(a), 1444, 1449(b), 1602(a), 1610(a), 1613, and 1805 of the Small Business Job Protection Act, Public Law Number 104-188, the provision of section 511 of the Health Insurance Portability and Accountability Act, Public Law Number 104-191, and the provisions of sections 1174 and 1601(i)(2) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.~~

~~The Internal Revenue Code of 1986, as amended through March 22, 1996, is in effect for taxable years beginning after December 31, 1995.~~

The provisions of sections 1113(a), 1117, 1206(a), 1313(a), 1402(a), 1403(a), 1443, 1450, 1501(a), 1605, 1611(a), 1612, 1616, 1617, 1704(l), and 1704(m) of the Small Business Job Protection Act, Public Law Number 104-188, the provisions of Public Law Number 104-117, the provisions of sections 313(a) and (b)(1), 602(a), 913(b), 941, 961, 971, 1001(a) and (b), 1002, 1003, 1012, 1013, 1014, 1061, 1062, 1081, 1084(b), 1086, 1087, 1111(a), 1131(b) and (c), 1211(b), 1213, 1530(c)(2), 1601(f)(5) and (h), and 1604(d)(1) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, the provisions of section 6010 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, and the provisions of section 4003 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1996, shall be in effect for taxable years beginning after December 31, 1996.

The provisions of sections 202(a) and (b), 221(a), 225, 312, 313, 913(a), 934, 962, 1004, 1005,

1052, 1063, 1084(a) and (c), 1089, 1112, 1171, 1204, 1271(a) and (b), 1305(a), 1306, 1307, 1308, 1309, 1501(b), 1502(b), 1504(a), 1505, 1527, 1528, 1530, 1601(d), (e), (f), and (i) and 1602(a), (b), (c), and (e) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, the provisions of sections 6004, 6005, 6012, 6013, 6015, 6016, 7002, and 7003 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, ~~and~~ the provisions of section 3001 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, and the provisions of section 3001 of the Miscellaneous Trade and Technical Corrections Act of 1999, Public Law Number 106-36, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1997, shall be in effect for taxable years beginning after December 31, 1997.

The provisions of sections 5002, 6009, 6011, and 7001 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, the provisions of section 9010 of the Transportation Equity Act for the 21st Century, Public Law Number 105-178, the provisions of sections 1004, 4002, and 5301 of the Omnibus Consolidation and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, ~~and~~ the provision of section 303 of the Ricky Ray Hemophilia Relief Fund Act of 1998, Public Law Number 105-369, and the provisions of sections 532, 534, 536, 537, and 538 of the Ticket to Work and Work Incentives Improvement Act of 1999, Public Law Number 160-170, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1998, shall be in effect for taxable years beginning after December 31, 1998.

The Internal Revenue Code of 1986, as amended through December 31, 1999, shall be in effect for taxable years beginning after December 31, 1999.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19a to 19g mean the code in effect for purposes of determining net income for the applicable year.

EFFECTIVE DATE: This section is effective the day following final enactment except that the striking of text is effective for taxable years beginning after December 31, 1999.

Sec. 3. Minnesota Statutes 1999 Supplement, section 290.01, subdivision 31, is amended to read:

Subd. 31. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, ~~1998~~ 1999.

EFFECTIVE DATE: This section is effective for tax years beginning after December 31, 1999.

Sec. 4. Minnesota Statutes 1999 Supplement, section 290A.03, subdivision 15, is amended to read:

Subd. 15. [INTERNAL REVENUE CODE.] "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, ~~1998~~ 1999.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 1999 Supplement, section 291.005, subdivision 1, is amended to read:

Subdivision 1. Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Federal gross estate" means the gross estate of a decedent as valued and otherwise determined for federal estate tax purposes by federal taxing authorities pursuant to the provisions of the Internal Revenue Code.

(2) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included therein which has its situs outside Minnesota and (b) including therein any property omitted from the federal gross estate which is includable therein, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

(3) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

(4) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota.

(5) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(6) "Situs of property" means, with respect to real property, the state or country in which it is located; with respect to tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death; and with respect to intangible personal property, the state or country in which the decedent was domiciled at death.

(7) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(8) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through December 31, ~~1998~~ 1999.

EFFECTIVE DATE: This section is effective the day following final enactment.

ARTICLE 13

MISCELLANEOUS

Section 1. Minnesota Statutes 1998, section 8.30, is amended to read:

8.30 [COMPROMISE OF TAX AND FEE CLAIMS.]

Notwithstanding any other provisions of law to the contrary, the attorney general shall have authority to compromise taxes, fees, surcharges, assessments, penalties, and interest in any case referred to the attorney general by the commissioner of revenue, whether reduced to judgment or not, where, in the attorney general's opinion, it shall be in the best interests of the state to do so. Such a compromise ~~of a tax debt shall~~ must be in ~~such~~ a form ~~as~~ prescribed by the attorney general ~~shall prescribe~~ and shall be in writing signed by the attorney general, the taxpayer or taxpayer's representative, and the commissioner of revenue.

EFFECTIVE DATE: This section is effective for compromises entered into after the date of final enactment.

Sec. 2. Minnesota Statutes 1998, section 16A.46, is amended to read:

16A.46 [LOST OR DESTROYED WARRANT DUPLICATE; INDEMNITY.]

The commissioner may issue a duplicate to an owner if the loss or destruction of an unpaid warrant is documented by affidavit. When the duplicate is issued, the original is void. The commissioner may require an indemnity bond from the applicant to the state for double the amount of the warrant for anyone damaged by the issuance of the duplicate. The commissioner may refuse to issue a duplicate of an unpaid state warrant. If the commissioner acts in good faith the commissioner is not liable, whether the application is granted or denied. For an unpaid refund or rebate issued under a tax law administered by the commissioner of revenue that has been lost or destroyed, an affidavit is not required for the commissioner to issue a duplicate if the duplicate is

issued to the same name and social security number as the original warrant and that information is verified on a tax return filed by the recipient.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 1999 Supplement, section 16D.09, subdivision 2, is amended to read:

Subd. 2. [NOTIFICATION OF ACTION BY DEPARTMENT OF REVENUE.] When the department of revenue has determined that a debt is uncollectible and has written off that debt as provided in subdivision 1, the commissioner of revenue must make a reasonable attempt to notify the debtor of that action and of the release of any liens imposed under section 270.69 related to that debt, within 30 days after the determination has been reported to the commissioner of finance. A lien imposed under section 270.69 need not be released unless after the write-off of uncollectible debt there is no remaining collectible liability recorded on the lien.

EFFECTIVE DATE: This section is effective for debts written off on or after the day following final enactment.

Sec. 4. Minnesota Statutes 1999 Supplement, section 168.012, subdivision 1, is amended to read:

Subdivision 1. [VEHICLES EXEMPT FROM TAX AND REGISTRATION FEES.] (a) The following vehicles are exempt from the provisions of this chapter requiring payment of tax and registration fees, except as provided in subdivision 1c:

(1) vehicles owned and used solely in the transaction of official business by the federal government, the state, or any political subdivision;

(2) vehicles owned and used exclusively by educational institutions and used solely in the transportation of pupils to and from such institutions;

(3) vehicles used solely in driver education programs at nonpublic high schools;

(4) vehicles owned by nonprofit charities and used exclusively to transport disabled persons for educational purposes;

(5) vehicles owned and used by honorary consul;

(6) ambulances owned by ambulance services licensed under section 144E.10, the general appearance of which is unmistakable; and

(7) vehicles owned by a commercial driving school licensed under section 171.34, or an employee of a commercial driving school licensed under section 171.34, and the vehicle is used exclusively for driver education and training.

(b) Vehicles owned by the federal government, municipal fire apparatuses including fire-suppression support vehicles, police patrols and ambulances, the general appearance of which is unmistakable, shall not be required to register or display number plates.

(c) Unmarked vehicles used in general police work, liquor investigations, arson investigations, and passenger automobiles, pickup trucks, and buses owned or operated by the department of corrections shall be registered and shall display appropriate license number plates which shall be furnished by the registrar at cost. Original and renewal applications for these license plates authorized for use in general police work and for use by the department of corrections must be accompanied by a certification signed by the appropriate chief of police if issued to a police vehicle, the appropriate sheriff if issued to a sheriff's vehicle, the commissioner of corrections if issued to a department of corrections vehicle, or the appropriate officer in charge if issued to a vehicle of any other law enforcement agency. The certification must be on a form prescribed by the commissioner and state that the vehicle will be used exclusively for a purpose authorized by this section.

(d) Unmarked vehicles used by the departments of revenue and labor and industry, fraud unit, in conducting seizures or criminal investigations must be registered and must display passenger vehicle classification license number plates which shall be furnished at cost by the registrar. Original and renewal applications for these passenger vehicle license plates must be accompanied by a certification signed by the commissioner of revenue or the commissioner of labor and industry. The certification must be on a form prescribed by the commissioner and state that the vehicles will be used exclusively for the purposes authorized by this section.

(e) Unmarked vehicles used by the division of disease prevention and control of the department of health must be registered and must display passenger vehicle classification license number plates. These plates must be furnished at cost by the registrar. Original and renewal applications for these passenger vehicle license plates must be accompanied by a certification signed by the commissioner of health. The certification must be on a form prescribed by the commissioner and state that the vehicles will be used exclusively for the official duties of the division of disease prevention and control.

(f) All other motor vehicles shall be registered and display tax-exempt number plates which shall be furnished by the registrar at cost, except as provided in subdivision 1c. All vehicles required to display tax-exempt number plates shall have the name of the state department or political subdivision, nonpublic high school operating a driver education program, or licensed commercial driving school, on the vehicle plainly displayed on both sides thereof in letters not less than 2-1/2 inches high and one-half inch wide; except that each state hospital and institution for the mentally ill and mentally retarded may have one vehicle without the required identification on the sides of the vehicle, and county social service agencies may have vehicles used for child and vulnerable adult protective services without the required identification on the sides of the vehicle. Such identification shall be in a color giving contrast with that of the part of the vehicle on which it is placed and shall endure throughout the term of the registration. The identification must not be on a removable plate or placard and shall be kept clean and visible at all times; except that a removable plate or placard may be utilized on vehicles leased or loaned to a political subdivision or to a nonpublic high school driver education program.

Sec. 5. Minnesota Statutes 1998, section 270.063, is amended by adding a subdivision to read:

Subd. 4. [FEDERAL TAX REFUND OFFSET FEES.] For fees charged by the department of the treasury of the United States for the offset of federal tax refunds that are deducted from the refund amounts remitted to the commissioner, the unpaid debts of the taxpayers whose refunds are being offset to satisfy the debts are reduced only by the actual amount of the refund payments received by the commissioner.

EFFECTIVE DATE: This section is effective for offsets of refunds made on or after the day following final enactment.

Sec. 6. Minnesota Statutes 1999 Supplement, section 270.65, is amended to read:

270.65 [DATE OF ASSESSMENT; DEFINITION.]

For purposes of taxes administered by the commissioner, the term "date of assessment" means the date a liability reported on a return was ~~filed~~ entered into the records of the commissioner or the date a return should have been filed, whichever is later; or, in the case of taxes determined by the commissioner, "date of assessment" means the date of the order assessing taxes or date of the return made by the commissioner; or, in the case of an amended return filed by the taxpayer, the assessment date is the date additional liability reported on the return, if any, was ~~filed with~~ entered into the records of the commissioner; or, in the case of a check from a taxpayer that is dishonored and results in an erroneous refund being given to the taxpayer, remittance of the check is deemed to be an assessment and the "date of assessment" is the date the check was received by the commissioner.

EFFECTIVE DATE: This section is effective for assessments made on or after the day following final enactment.

Sec. 7. Minnesota Statutes 1999 Supplement, section 270A.03, subdivision 2, is amended to read:

Subd. 2. [CLAIMANT AGENCY.] "Claimant agency" means any state agency, as defined by section 14.02, subdivision 2, the regents of the University of Minnesota, any district court of the state, any county, any statutory or home rule charter city presenting a claim for a municipal hospital or a public library or a municipal ambulance service, a hospital district, a private nonprofit hospital that leases its building from the county in which it is located, any public agency responsible for child support enforcement, any public agency responsible for the collection of court-ordered restitution, and any public agency established by general or special law that is responsible for the administration of a low-income housing program.

EFFECTIVE DATE: This section is effective for claims submitted after June 30, 2000.

Sec. 8. Minnesota Statutes 1998, section 270A.03, subdivision 7, is amended to read:

Subd. 7. [REFUND.] "Refund" means an individual income tax refund or political contribution refund, pursuant to chapter 290, or a property tax credit or refund, pursuant to chapter 290A.

For purposes of this chapter, lottery prizes, as set forth in section 349A.08, subdivision 8, and amounts granted to persons by the legislature on the recommendation of the joint senate-house of representatives subcommittee on claims shall be treated as refunds.

In the case of a joint property tax refund payable to spouses under chapter 290A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total income determined under section 290A.03, subdivision 3. In the case of a joint income tax refund under chapter 289A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total taxable income determined under section 290.01, subdivision 29. The commissioner shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, determine the amount of the refund belonging to that spouse and refund the amount to that spouse. For court fines, fees, and surcharges and court-ordered restitution under section 611A.04, subdivision 2, the notice provided by the commissioner of revenue under section 270A.07, subdivision 2, paragraph (b), serves as the appropriate legal notice to the spouse who does not owe the debt.

EFFECTIVE DATE: This section is effective for notices provided after June 30, 2000.

Sec. 9. Minnesota Statutes 1998, section 270A.07, subdivision 1, is amended to read:

Subdivision 1. [NOTIFICATION REQUIREMENT.] Any claimant agency, seeking collection of a debt through setoff against a refund due, shall submit to the commissioner information indicating the amount of each debt and information identifying the debtor, as required by section 270A.04, subdivision 3.

For each setoff of a debt against a refund due, the commissioner shall charge a fee of $10. ~~The claimant agency may add the fee to the amount of the debt.~~

The claimant agency shall notify the commissioner when a debt has been satisfied or reduced by at least $200 within 30 days after satisfaction or reduction.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 10. Minnesota Statutes 1999 Supplement, section 270A.07, subdivision 2, is amended to read:

Subd. 2. [SETOFF PROCEDURES.] (a) The commissioner, upon receipt of notification, shall initiate procedures to detect any refunds otherwise payable to the debtor. When the commissioner determines that a refund is due to a debtor whose debt was submitted by a claimant agency, the commissioner shall first deduct the fee in subdivision 1 and then remit the refund or the amount claimed, whichever is less, to the agency. In transferring or remitting moneys to the claimant

agency, the commissioner shall provide information indicating the amount applied against each debtor's obligation and the debtor's address listed on the tax return.

(b) The commissioner shall remit to the debtor the amount of any refund due in excess of the debt submitted for setoff by the claimant agency. Notice of the amount setoff and address of the claimant agency shall accompany any disbursement to the debtor of the balance of a refund, or shall be sent to the debtor at the time of setoff if the entire refund is set off. The notice shall also advise the debtor of the right to contest the validity of the claim, other than a claim based upon child support under section 518.171, 518.54, 518.551, or chapter 518C at a hearing, subject to the restrictions in this paragraph. The debtor must assert this right by written request to the claimant agency, which request the claimant agency must receive within 45 days of the date of the notice. This right does not apply to (1) issues relating to the validity of the claim that have been previously raised at a hearing under this section or section 270A.09; (2) issues relating to the validity of the claim that were not timely raised by the debtor under section 270A.08, subdivision 2; (3) issues relating to the validity of the claim that have been previously raised at a hearing conducted under rules promulgated by the United States Department of Housing and Urban Development or any public agency that is responsible for the administration of a low-income housing program, or that were not timely raised by the debtor under those rules; or (4) issues relating to the validity of the claim for which a hearing is discretionary under section 270A.09. The notice shall include an explanation of the right of the spouse who does not owe the debt to request the claimant agency to repay the spouse's portion of a joint refund.

EFFECTIVE DATE: This section is effective for notices provided after June 30, 2000.

Sec. 11. Minnesota Statutes 1998, section 289A.35, is amended to read:

289A.35 [ASSESSMENTS; COMMISSIONER FILED RETURNS.]

The commissioner ~~shall~~ has the authority to make determinations, corrections, and assessments with respect to state taxes, including interest, additions to taxes, and assessable penalties. The commissioner may audit and adjust the taxpayer's computation of federal taxable income, items of federal tax preferences, or federal credit amounts to make them conform with the provisions of chapter 290 or section 298.01. If a taxpayer fails to file a required return, the commissioner, from information in the commissioner's possession or obtainable by the commissioner, may make a return for the taxpayer. The return will be prima facie correct and valid. If a return has been filed, the commissioner shall ~~examine~~ enter the liability reported on the return and may make any audit or investigation that is considered necessary. The commissioner may use statistical or other sampling techniques consistent with generally accepted auditing standards in examining returns or records and making assessments.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 12. Minnesota Statutes 1999 Supplement, section 289A.55, subdivision 9, is amended to read:

Subd. 9. [INTEREST ON PENALTIES.] (a) A penalty imposed under section 289A.60, subdivision 1, 2, 3, 4, 5, 6, or 21 bears interest from the date the return or payment was required to be filed or paid, including any extensions, to the date of payment of the penalty.

(b) A penalty not included in paragraph (a) bears interest only if it is not paid within ~~ten~~ 60 days from the date of notice. In that case interest is imposed from the date of notice to the date of payment.

EFFECTIVE DATE: This section is effective for penalties assessed after the date of final enactment.

Sec. 13. Minnesota Statutes 1998, section 296A.03, subdivision 5, is amended to read:

Subd. 5. [FORM OF APPLICATION; BOND.] (a) A written application shall be made in the form and manner prescribed by the commissioner.

(b) The commissioner shall also require the applicant or licensee to deposit with the state treasurer securities of the United States government or the state of Minnesota or to execute and file a bond, with a corporate surety approved by the commissioner, to the state of Minnesota in an amount to be determined by the commissioner and in a form to be fixed by the commissioner and approved by the attorney general, and which shall be conditioned for the payment when due of all excise taxes, ~~inspection~~ fees, penalties, and accrued interest arising in the ordinary course of business or by reason of any delinquent money which may be due the state. The bond shall cover all places of business within the state where petroleum products are received by the licensee. The applicant or licensee shall designate and maintain an agent in this state upon whom service may be made for all purposes of this section.

(c) An initial applicant for a distributor's license shall furnish a bond in a minimum sum of $3,000 for the first year.

(d) The commissioner, on reaching the opinion that the bond given by a licensee is inadequate in amount to fully protect the state, shall require an additional bond in such amount as the commissioner deems sufficient.

(e) A licensee who desires to be exempt from depositing securities or furnishing such bond shall furnish to the commissioner an itemized financial statement showing the assets and the liabilities of the applicant. If it appears to the commissioner, from the financial statement or otherwise, that the applicant is financially responsible, then the commissioner may exempt the applicant from depositing such securities or furnishing such bond until the commissioner otherwise orders.

(f) When the surety upon any bond issued under the provisions of this chapter have fulfilled the conditions of such bond and compensated the state for any loss occasioned by any act or omission of any licensee under this chapter, such surety shall be subrogated to all the rights of the state in connection with the transaction where such loss occurred.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 14. Minnesota Statutes 1998, section 296A.21, subdivision 2, is amended to read:

Subd. 2. [COLLECTION.] No action shall be brought for the collection of delinquent taxes and ~~inspection~~ fees under section 270.68 unless commenced within five years after the date of assessment of the taxes and fees.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 15. Minnesota Statutes 1998, section 296A.21, subdivision 3, is amended to read:

Subd. 3. [FALSE OR FRAUDULENT REPORT.] In the case of a false or fraudulent report with intent to evade ~~tax~~ taxes or ~~inspection fee~~ fees or of a failure to file a report, the taxes or fees may be assessed at any time, and a proceeding in court for their collection must be begun within five years after the assessment.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 16. Minnesota Statutes 1998, section 296A.22, subdivision 6, is amended to read:

Subd. 6. [SALE PROHIBITED UNDER CERTAIN CONDITIONS.] No petroleum product shall be unloaded or sold by any person or distributor whose tax and ~~inspection~~ fees are the basis for collection action under subdivision 2.

EFFECTIVE DATE: This section is effective the day following final enactment.

Sec. 17. Minnesota Statutes 1999 Supplement, section 298.24, subdivision 1, is amended to read:

Subdivision 1. (a) For concentrate produced in 1999, there is imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore

concentrate therefrom, and upon the concentrate so produced, a tax of $2.141 per gross ton of merchantable iron ore concentrate produced therefrom.

(b) For concentrates produced in 2000 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" ~~for the gross national product~~ means the implicit price deflator for the gross domestic product prepared by the bureau of economic analysis of the United States Department of Commerce.

(c) On concentrates produced in 1997 and thereafter, an additional tax is imposed equal to three cents per gross ton of merchantable iron ore concentrate for each one percent that the iron content of the product exceeds 72 percent, when dried at 212 degrees Fahrenheit.

(d) The tax shall be imposed on the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable.

(e) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of $2.141 per gross ton of merchantable iron ore concentrate produced shall be imposed.

(f) Consistent with the intent of this subdivision to impose a tax based upon the weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

(g)(1) Notwithstanding any other provision of this subdivision, for the first two years of a plant's production of direct reduced ore, no tax is imposed under this section. As used in this paragraph, "direct reduced ore" is ore that results in a product that has an iron content of at least 75 percent. For the third year of a plant's production of direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise determined under this subdivision. For the fourth such production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth such production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent production years, the full rate is imposed.

(2) Subject to clause (1), production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite or iron sulfides, the production of taconite or iron sulfides consumed in the production of direct reduced iron in this state is not subject to the tax imposed by this section on taconite or iron sulfides.

EFFECTIVE DATE: This section is effective for concentrates produced in 2000 and thereafter.

Sec. 18. [ITASCA AND CASS COUNTIES; DISTRIBUTION OF CASINO TAX REVENUES.]

Notwithstanding any contrary provision of law, in the case of one tribal government that operates three casinos, two of which are located in Cass county, and one of which is located in Itasca county, the payments to the counties under Minnesota Statutes, section 270.60, subdivision 4, attributable to agreements with that tribe, must be distributed, two-thirds to Cass county, and one-third to Itasca county. This section applies to distributions in 2001, 2002, and 2003.

EFFECTIVE DATE: This section is effective upon approval by the governing bodies of both Itasca county and Cass county, and compliance by both of them with Minnesota Statutes, section 645.021, subdivision 3.