

THIRTIETH DAY

St. Paul, Minnesota, Tuesday, March 22, 2005

The Senate met at 8:00 a.m. and was called to order by the President.

CALL OF THE SENATE

Senator Skoglund imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

Prayer was offered by the Chaplain, Rev. Michael Skluzacek.

The roll was called, and the following Senators answered to their names:

Anderson	Frederickson	Kubly	Neuville	Ruud
Bachmann	Gaither	Langseth	Nienow	Saxhaug
Bakk	Gerlach	Larson	Olson	Scheid
Belanger	Hann	LeClair	Ortman	Senjem
Berglin	Higgins	Limmer	Ourada	Skoe
Betzold	Hottinger	Lourey	Pappas	Skoglund
Chaudhary	Johnson, D.E.	Marko	Pariseau	Solon
Cohen	Johnson, D.J.	Marty	Pogemiller	Sparks
Day	Kelley	McGinn	Ranum	Stumpf
Dibble	Kierlin	Metzen	Reiter	Tomassoni
Dille	Kiscaden	Michel	Rest	Vickerman
Fischbach	Kleis	Moua	Robling	Wergin
Foley	Koering	Murphy	Rosen	Wiger

The President declared a quorum present.

The reading of the Journal was dispensed with and the Journal, as printed and corrected, was approved.

EXECUTIVE AND OFFICIAL COMMUNICATIONS

The following communications were received.

March 19, 2005

The Honorable James P. Metzen
President of the Senate

Dear President Metzen:

Please be advised that I have received, approved, signed and deposited in the Office of the Secretary of State, S.F. Nos. 75 and 532.

Sincerely,
Tim Pawlenty, Governor

March 21, 2005

The Honorable Steve Sviggum
Speaker of the House of Representatives

The Honorable James P. Metzen
President of the Senate

I have the honor to inform you that the following enrolled Acts of the 2005 Session of the State Legislature have been received from the Office of the Governor and are deposited in the Office of the Secretary of State for preservation, pursuant to the State Constitution, Article IV, Section 23:

S.F. No.	H.F. No.	Session Laws Chapter No.	Time and Date Approved 2005	Date Filed 2005
75		12	9:30 a.m. March 19	March 21
532		13	10:00 a.m. March 19	March 21

Sincerely,
Mary Kiffmeyer
Secretary of State

REPORTS OF COMMITTEES

Senator Johnson, D.E. moved that the Committee Reports at the Desk be now adopted. The motion prevailed.

Senator Kelley from the Committee on Education, to which was referred

S.F. No. 1311: A bill for an act relating to education; restoring funding for area learning center pupils; increasing the age of eligible pupils; amending Minnesota Statutes 2004, sections 123A.06, subdivision 2; 126C.05, subdivisions 8, 15; 126C.10, subdivision 2a.

Reports the same back with the recommendation that the bill be amended as follows:

Page 2, lines 24 and 26, delete "2.0" and insert "1.5"

Page 3, lines 23 and 25, delete "2.0" and insert "1.5"

Page 5, line 4, delete "2.0" and insert "1.5"

And when so amended the bill do pass and be re-referred to the Committee on Finance. Amendments adopted. Report adopted.

Senator Murphy from the Committee on Transportation, to which was referred

S.F. No. 492: A bill for an act relating to traffic regulations; requiring vehicles to be driven in right-hand lane with exceptions; amending Minnesota Statutes 2004, sections 169.18, subdivisions 7, 10; 171.13, by adding a subdivision.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2004, section 169.18, is amended by adding a subdivision to read:

Subd. 12. [RESTRICTED DRIVING IN THE LEFT LANE.] (a) Upon all freeways, expressways, and controlled-access highways, as defined in section 160.02, a vehicle is prohibited from driving in the left-hand lane when available for traffic except:

- (1) when overtaking and passing another vehicle proceeding in the same direction;
 - (2) when preparing for a left turn at an intersection or into a private road or driveway;
 - (3) when a specific lane is designated and posted for a specific type of traffic;
 - (4) when necessary to enter or exit an expressway, freeway, interstate highway, or other controlled-access highway;
 - (5) when necessary to avoid traffic merging onto an expressway, freeway, interstate highway, or other controlled-access highway;
 - (6) when otherwise directed in a highway work zone, as defined in section 169.14, subdivision 5d;
 - (7) when otherwise directed by a law enforcement officer; or
 - (8) when expressly allowed or required by other law.
- (b) The commissioner of transportation shall erect appropriate signs on interstate highways and freeways to instruct motorists concerning paragraph (a).

Sec. 2. Minnesota Statutes 2004, section 171.13, is amended by adding a subdivision to read:

Subd. 1i. [DRIVER'S MANUAL; RESTRICTED DRIVING IN LEFT LANE.] The commissioner shall include in each edition of the driver's manual published by the department after August 1, 2005, instructions relating to the requirement to drive a motor vehicle in the right-hand lane and the circumstances when a driver is allowed to drive in the left-most lane of a multilane highway under section 169.18, subdivision 12.

Sec. 3. [PUBLIC SERVICE ANNOUNCEMENTS.]

The commissioner of public safety shall encourage and solicit public service announcements to educate the motoring public about the requirements of section 1."

Delete the title and insert:

"A bill for an act relating to traffic regulations; prohibiting vehicles from driving in the left-hand lane with exceptions; amending Minnesota Statutes 2004, sections 169.18, by adding a subdivision; 171.13, by adding a subdivision."

And when so amended the bill do pass. Amendments adopted. Report adopted.

Senator Murphy from the Committee on Transportation, to which was referred

S.F. No. 1226: A bill for an act relating to drivers' licenses; modifying requirements for operating motor vehicle by holder of provisional license; amending Minnesota Statutes 2004, section 171.055, subdivision 2.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2004, section 171.05, subdivision 2b, is amended to read:

Subd. 2b. [INSTRUCTION PERMIT USE BY PERSON UNDER AGE 18.] (a) This subdivision applies to persons who have applied for and received an instruction permit under subdivision 2.

(b) The permit holder may, with the permit in possession, operate a motor vehicle, but must be accompanied by and be under the supervision of a certified driver education instructor, the permit holder's parent or guardian, or another licensed driver age 21 or older. The supervisor must occupy the seat beside the permit holder.

(c) The permit holder may operate a motor vehicle only when every occupant under the age of 18 has a seat belt or child passenger restraint system properly fastened. A person who violates this paragraph is subject to a fine of \$25. A peace officer may not issue a citation for a violation of this paragraph unless the officer lawfully stopped or detained the driver of the motor vehicle for a moving violation as defined in section 171.04, subdivision 1. The commissioner shall not record a violation of this paragraph on a person's driving record.

(d) The permit holder may not operate a vehicle while communicating over, or otherwise operating, a cellular or wireless telephone, whether handheld or hands free. The permit holder may assert as an affirmative defense that the violation was made for the sole purpose of obtaining emergency assistance to prevent a crime about to be committed, or in the reasonable belief that a person's life or safety was in danger.

(e) The permit holder must maintain a driving record free of convictions for moving violations, as defined in section 171.04, subdivision 1, and free of convictions for violation of section 169A.20, 169A.33, 169A.35, or sections 169A.50 to 169A.53. If the permit holder drives a motor vehicle in violation of the law, the commissioner shall suspend, cancel, or revoke the permit in accordance with the statutory section violated.

Sec. 2. Minnesota Statutes 2004, section 171.055, subdivision 2, is amended to read:

Subd. 2. [USE OF PROVISIONAL LICENSE.] (a) A provisional license holder may operate a motor vehicle only when every occupant under the age of 18 has a seat belt or child passenger restraint system properly fastened. A person who violates this paragraph is subject to a fine of \$25. A peace officer may not issue a citation for a violation of this paragraph unless the officer lawfully stopped or detained the driver of the motor vehicle for a moving violation as defined in section 171.04. The commissioner shall not record a violation of this paragraph on a person's driving record.

(b) A provisional license holder may not operate a motor vehicle:

(1) during the first six months of provisional licensure, with more than one passenger, except family members; or

(2) between the hours of midnight and 5:00 a.m.

(c) A provisional license holder may not operate a vehicle while communicating over, or otherwise operating, a cellular or wireless telephone, whether handheld or hands free. The provisional license holder may assert as an affirmative defense that the violation was made for the sole purpose of obtaining emergency assistance to prevent a crime about to be committed, or in the reasonable belief that a person's life or safety was in danger.

(d) If the holder of a provisional license during the period of provisional licensing incurs (1) a conviction for a violation of section 169A.20, 169A.33, 169A.35, or sections 169A.50 to 169A.53, (2) a conviction for a crash-related moving violation, or (3) more than one conviction for a moving violation that is not crash related, the person may not be issued a driver's license until 12 consecutive months have expired since the date of the conviction or until the person reaches the age of 18 years, whichever occurs first."

Delete the title and insert:

"A bill for an act relating to traffic regulations; prohibiting holder of instruction permit or provisional license from driving while operating cellular telephone; prohibiting holder of provisional license from driving at certain times and with certain passengers; amending Minnesota Statutes 2004, sections 171.05, subdivision 2b; 171.055, subdivision 2."

And when so amended the bill do pass. Amendments adopted. Report adopted.

Senator Murphy from the Committee on Transportation, to which was referred

S.F. No. 1056: A bill for an act relating to motor vehicles; regulating registration plates and stickers; regulating certain fees; amending Minnesota Statutes 2004, sections 168.27, by adding a subdivision; 168.33, subdivision 7; 168.66, by adding a subdivision.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2004, section 168.27, is amended by adding a subdivision to read:

Subd. 28. [DISTRIBUTION OF PLATES AND STICKERS.] The commissioner may distribute registration plates and stickers to be held and issued by new and used motor vehicle dealers. A dealer may issue registration plates and stickers only in conjunction with and at the time of the sale of a vehicle by the dealer. A dealer permitted to hold and issue registration plates and stickers must be equipped with electronic transmission technology and trained in its use. Before receiving registration plates and stickers under this subdivision a dealer must adopt and implement security and record keeping requirements satisfactory to the commissioner. The commissioner may revoke the authority granted under this subdivision for any violation of law or rule governing the issuance of registration plates and stickers, any violation of the dealer's security and record keeping plan, or any other action that in the commissioner's opinion adversely affects the registration system. The dealer is financially responsible for the cost and tax value of any unaccounted inventory.

Sec. 2. Minnesota Statutes 2004, section 168.33, subdivision 7, is amended to read:

Subd. 7. [FILING FEE.] (a) In addition to all other statutory fees and taxes, a filing fee of:

(i) \$4.50 is imposed on every motor vehicle registration renewal, excluding pro rate transactions; and

(ii) \$7 is imposed on every other type of vehicle transaction, including pro rate transactions; except that a filing fee may not be charged for a document returned for a refund or for a correction of an error made by the Department of Public Safety, a licensed auto dealer, or a deputy registrar. The filing fee must be shown as a separate item on all registration renewal notices sent out by the department. No filing fee or other fee may be charged for the permanent surrender of a certificate of title and license plates for a motor vehicle.

(b) Filing fees collected under this subdivision by the department must be paid into the state treasury and credited to the highway user tax distribution fund, except fees for registrations of motor vehicles. Filing fees collected for registrations of motor vehicles in conjunction with a title transfer or first application in this state must be paid into the state treasury with 50 percent of the money credited to the general fund and 50 percent credited to the highway user tax distribution fund.

~~(c) A motor vehicle dealer shall retain \$2.50 of each filing fee imposed under this subdivision for a completed transaction involving the sale of a motor vehicle to or by a licensed dealer, if the dealer electronically transmits the transaction to the department or deputy registrar. The department shall develop procedures to implement this subdivision in consultation with the Minnesota Deputy Registrar Association and the Minnesota Automobile Dealers Association. Deputy registrars shall not be prohibited from receiving and processing required documents supporting an electronic transaction.~~

Sec. 3. Minnesota Statutes 2004, section 168.33, is amended by adding a subdivision to read:

Subd. 8a. [ELECTRONIC TRANSMISSION.] If the commissioner accepts electronic

transmission of a motor vehicle transfer and registration by a new or used motor vehicle dealer, a deputy registrar who is equipped with electronic transmission technology and trained in its use shall receive the filing fee provided for in subdivision 7 and review the transfer of each new or used motor vehicle to determine its genuineness and regularity before issuance of a certificate of title, and shall receive and retain the filing fee under subdivision 7, paragraph (a), clause (ii).

Sec. 4. Minnesota Statutes 2004, section 168.66, subdivision 14, is amended to read:

Subd. 14. [CASH SALE PRICE.] "Cash sale price" means the price at which the seller would in good faith sell to the buyer, and the buyer would in good faith buy from the seller, the motor vehicle which is the subject matter of the retail installment contract, if such sale were a sale for cash, instead of a retail installment sale. The cash sale price may include any taxes, charges for delivery, servicing, repairing, or improving the motor vehicle, including accessories and their installation, and any other charges agreed upon between the parties. The cash price may not include a documentary fee or document administration fee in excess of \$50 for services actually rendered to, for, or on behalf of, the retail buyer in preparing, handling, and processing documents relating to the motor vehicle and the closing of the retail sale. "Documentary fee" and "document administration fee" do not include an optional electronic transfer fee as defined under subdivision 25.

Sec. 5. Minnesota Statutes 2004, section 168.66, is amended by adding a subdivision to read:

Subd. 25. [OPTIONAL ELECTRONIC TRANSFER FEE.] "Optional electronic transfer fee" means a charge for services agreed upon between the parties for electronic transmission of ownership records. The charge must be separately stated and identified as "optional electronic transfer fee" on the sales agreement maintained under Minnesota Rules, part 7400.5200. At least half of the fee must be paid to an electronic transmission service provider."

Delete the title and insert:

"A bill for an act relating to motor vehicles; providing for issuance of registration plates and stickers to motor vehicle dealers; providing for electronic transmission of motor vehicle transfers; authorizing an optional electronic transfer fee for electronic transfer of ownership records; amending Minnesota Statutes 2004, sections 168.27, by adding a subdivision; 168.33, subdivision 7, by adding a subdivision; 168.66, subdivision 14, by adding a subdivision."

And when so amended the bill do pass. Amendments adopted. Report adopted.

Senator Murphy from the Committee on Transportation, to which was re-referred

S.F. No. 152: A bill for an act relating to traffic regulations; requiring that mobile telephones used in motor vehicles be hands-free; providing a defense; proposing coding for new law in Minnesota Statutes, chapter 169.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. [169.472] [USE OF MOBILE TELEPHONES.]

Subdivision 1. [PROHIBITION.] No person may operate a cellular or wireless telephone, whether handheld or hands free, while operating a bus, while the bus is in motion.

Subd. 2. [DEFENSE.] It is an affirmative defense against a charge of violating subdivision 1 for a person to produce evidence that the mobile telephone was used for the purpose of contacting the following in response to an emergency:

- (1) a 911 or other emergency telephone number;
- (2) a hospital, clinic, or doctor's office;

- (3) an ambulance service provider;
- (4) a fire department or law enforcement agency; or
- (5) a first aid squad."

Delete the title and insert:

"A bill for an act relating to traffic regulations; prohibiting use of mobile phone by bus driver; providing affirmative defense; proposing coding for new law in Minnesota Statutes, chapter 169."

And when so amended the bill do pass. Amendments adopted. Report adopted.

Senator Murphy from the Committee on Transportation, to which was referred

S.F. No. 1193: A bill for an act relating to airports; defining safety zones and land use restrictions for runway 17-35 at the Minneapolis-St. Paul International Airport; amending Minnesota Statutes 2004, section 360.66, by adding a subdivision.

Reports the same back with the recommendation that the bill do pass. Report adopted.

Senator Murphy from the Committee on Transportation, to which was referred

S.F. No. 1794: A bill for an act relating to motor vehicles; requiring insurance companies to report information; creating vehicle insurance verification program and special revenue account; requiring preparation of database to identify uninsured motorists; requiring commissioner of public safety to discontinue insurance verification sampling program; declaring charges for violations of sampling program laws to be void; reinstating certain drivers' licenses; authorizing rulemaking; requiring report; imposing criminal penalty; appropriating money; amending Minnesota Statutes 2004, sections 168.013, by adding a subdivision; 169.09, subdivision 13; 169.795; 169.796, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 65B; 169; repealing Minnesota Statutes 2004, section 169.796, subdivision 3.

Reports the same back with the recommendation that the bill be amended as follows:

Page 2, line 8, delete everything before "and" and insert "for registration taxes collected January 1, 2006, or later. For registration taxes collected on"

Page 2, line 16, delete "monitoring" and insert "verification"

Page 7, line 12, delete "owner's driving"

Page 9, line 22, delete everything before "13" and insert:

"Sections 9, 10, 11, and"

And when so amended the bill do pass and be re-referred to the Committee on Commerce. Amendments adopted. Report adopted.

Senator Higgins from the Committee on State and Local Government Operations, to which was referred

S.F. No. 1335: A bill for an act relating to state government; regulating state construction contracts; amending Minnesota Statutes 2004, sections 16B.31, subdivision 1; 16B.33, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 16C.

Reports the same back with the recommendation that the bill be amended as follows:

Page 4, line 13, before the semicolon, insert ", unless the estimated cost of the project is less than \$2,000,000, in which case the commissioner may act as the board"

Page 6, line 23, before "and" insert "16C.16;"

Page 8, line 8, after "persons" insert "or a firm with persons who are"

Page 8, line 27, before the period, insert ", consistent with section 16B.33, subdivision 3a"

Page 9, line 29, delete "design"

Page 10, line 8, delete everything after "Register" and insert a period

Page 10, delete line 9

Page 10, lines 16 and 27, after "commissioner" insert "of administration"

Page 11, line 19, after "experience" insert "as a constructor or primary designer"

Page 11, lines 21 and 22, delete "as a constructor or primary designer"

Page 11, line 34, after "request" insert "for"

Page 13, line 15, after "experience" insert "as a constructor or primary designer"

Page 13, line 22, delete everything after "(c)"

Page 13, delete lines 23 to 26

Page 13, line 27, delete everything before "With"

Page 13, line 33, after the period, insert "A named mechanical or electrical subcontractor member of a design-builder's team shall competitively bid all subcontracted portions of the mechanical or electrical subcontractor's work from a list of qualified firms. Such qualified firms shall be determined as described in paragraph (b). The commissioner and the design-builder shall agree to a list of materials and equipment that shall be competitively bid."

Page 14, line 18, after "experience" insert "as a constructor or primary designer"

Page 15, line 33, delete "section" and insert "subdivision"

Page 17, line 17, delete "fee or the"

Page 17, line 21, delete "reaching an executed" and insert "executing a"

Page 19, line 4, delete everything after "Register" and insert a period

Page 19, delete lines 5 and 6

Page 19, line 25, after "experience" insert "as a constructor"

Page 19, line 28, delete "as a constructor"

Page 20, line 10, delete everything after "electrical"

Page 20, line 11, delete "electrical"

Page 20, line 19, delete everything after "(d)"

Page 20, delete lines 20 and 21 and insert "The board shall select the primary designer as described in section 16B.33."

Page 20, line 36, delete "designer(s)" and insert "designer"

Page 21, line 3, after "(e)" insert "With the approval of the commissioner, the construction manager at risk proposal may name either or both a mechanical or electrical subcontractor or subcontractors as a named member of the construction at risk team, and except as described"

below, if either or both a mechanical or electrical subcontractors or subcontractor is so named, the construction manager at risk is not required to competitively bid the mechanical or electrical trade contract work."

Page 21, line 8, delete "in addition to"

Page 21, line 9, delete "the proposed price," and after "experience" insert "as a constructor"

Page 21, line 16, delete everything after the period

Page 21, delete lines 17 to 22

Page 21, line 23, delete everything before "With"

Page 21, lines 28 and 29, delete "all trade contract,"

Page 21, lines 30 and 31, delete ", and all material purchases for the project"

Page 21, line 32, after the period, insert "The commissioner and the construction manager at risk shall agree to a list of materials and equipment that shall be competitively bid."

Page 21, line 33, delete "electrical or mechanical and"

Page 22, line 17, after the period, insert "To the extent practical, the commissioner must give notice to representatives of targeted group businesses designated under section 16C.16."

And when so amended the bill do pass. Amendments adopted. Report adopted.

Senator Lourey from the Committee on Health and Family Security, to which was referred

S.F. No. 1000: A bill for an act relating to human services; modifying discharge plans for offenders with serious and persistent mental illness; clarifying eligibility for medical assistance for offenders released for work release; authorizing commissioner of corrections to enter into a purchasing pool for prescription drugs; allocating housing funds for projects that provide employment support; appropriating money; amending Minnesota Statutes 2004, sections 241.01, by adding a subdivision; 244.054; 256B.055, by adding a subdivision.

Reports the same back with the recommendation that the bill be amended as follows:

Page 2, line 32, delete "and"

Page 3, line 6, reinstate the stricken "and"

Page 3, line 7, reinstate the stricken "(iii)"

Page 3, line 12, after the stricken "bulletin" insert "assist the offender in filling out an application for medical assistance, general assistance medical care, or MinnesotaCare and submit the application for eligibility determination to the commissioner. The commissioner shall determine an offender's eligibility no more than 45 days, or no more than 60 days if the offender's disability status must be determined, from the date that the application is received by the department. The effective date of eligibility for the health care program shall be no earlier than the date of the offender's release. If eligibility is approved, the commissioner shall mail a Minnesota health care program membership card to the facility in which the offender resides and transfer the offender's case to MinnesotaCare operations within the department or the appropriate county human services agency in the county where the offender expects to reside following release for ongoing case management" and reinstate the stricken semicolon

Page 4, lines 4 to 9, delete the new language

Page 5, line 16, delete ", if the" and insert a period

Page 5, delete line 17

And when so amended the bill do pass and be re-referred to the Committee on Crime Prevention and Public Safety. Amendments adopted. Report adopted.

Senator Lourey from the Committee on Health and Family Security, to which was referred

S.F. No. 993: A bill for an act relating to human services; modifying covered services for medical assistance; amending Minnesota Statutes 2004, section 256B.0625, subdivision 14.

Reports the same back with the recommendation that the bill do pass and be re-referred to the Committee on Finance. Report adopted.

Senator Lourey from the Committee on Health and Family Security, to which was referred

S.F. No. 908: A bill for an act relating to health; modifying donated dental services program; modifying covered services for medical assistance; appropriating money; amending Minnesota Statutes 2004, sections 150A.22; 256B.0625, subdivision 9.

Reports the same back with the recommendation that the bill do pass and be re-referred to the Committee on Finance. Report adopted.

Senator Lourey from the Committee on Health and Family Security, to which was referred

S.F. No. 1028: A bill for an act relating to human services; providing for discharge plans for offenders with serious and persistent mental illness who are released from county jails or county regional jails; appropriating money; amending Minnesota Statutes 2004, section 244.054; proposing coding for new law in Minnesota Statutes, chapter 641.

Reports the same back with the recommendation that the bill do pass and be re-referred to the Committee on Crime Prevention and Public Safety. Report adopted.

Senator Lourey from the Committee on Health and Family Security, to which was re-referred

S.F. No. 643: A bill for an act relating to civil commitment; expanding early intervention services; amending Minnesota Statutes 2004, section 253B.065, subdivision 5.

Reports the same back with the recommendation that the bill be amended as follows:

Page 2, line 20, delete "or noncontrolled substances," and insert ", alcohol, or inhalants"

Page 2, line 21, delete "which" and insert "that"

And when so amended the bill do pass and be re-referred to the Committee on Finance. Amendments adopted. Report adopted.

Senator Lourey from the Committee on Health and Family Security, to which was referred

S.F. No. 1260: A bill for an act relating to health; regulating certain sales and deliveries of tobacco products; imposing criminal and civil penalties; providing remedies; amending Minnesota Statutes 2004, section 297F.21, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 325F.

Reports the same back with the recommendation that the bill be amended as follows:

Page 3, line 9, delete "INTERNET" and insert "DELIVERY"

Page 3, after line 15, insert:

"Subd. 3. [DELIVERY SALE.] "Delivery sale" means a sale of tobacco products to a consumer in this state when:

(1) the purchaser submits the order for the sale by means of a telephonic or other method of voice transmission, the mail or any other delivery service, or the Internet or other online service, regardless of whether the seller is located inside or outside of the state; or

(2) the tobacco products are delivered by use of the mail or other delivery service.

For purposes of this subdivision, a sale of tobacco products to an individual in this state must be treated as a sale to a consumer, unless the individual is licensed as a distributor or retailer of tobacco products."

Page 3, line 16, delete "3" and insert "4"

Page 3, delete lines 31 to 36

Page 4, line 8, delete "INTERNET" and insert "DELIVERY"

Page 4, line 10, delete "an Internet" and insert "a delivery"

Page 4, lines 11 and 12, delete "an Internet" and insert "a delivery"

Page 5, line 6, delete "AN INTERNET" and insert "A DELIVERY"

Page 5, line 8, delete "an Internet" and insert "a delivery"

Page 6, line 25, delete "Internet" and insert "delivery"

Page 7, line 7, delete "Internet" and insert "delivery"

Page 7, line 9, delete "an Internet" and insert "a delivery"

And when so amended the bill do pass and be re-referred to the Committee on Crime Prevention and Public Safety. Amendments adopted. Report adopted.

Senator Lourey from the Committee on Health and Family Security, to which was referred

S.F. No. 1266: A bill for an act relating to health; modifying certain critical access hospital provisions; amending Minnesota Statutes 2004, sections 144.147, subdivision 1; 144.148, subdivision 1; 144.551, subdivision 1; 144.562, subdivision 2.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2004, section 144.147, subdivision 1, is amended to read:

Subdivision 1. [DEFINITION.] "Eligible rural hospital" means any nonfederal, general acute care hospital that:

(1) is either located in a rural area, as defined in the federal Medicare regulations, Code of Federal Regulations, title 42, section 405.1041, or located in a community with a population of less than ~~10,000~~ 15,000, according to United States Census Bureau statistics, outside the seven-county metropolitan area;

- (2) has 50 or fewer beds; and
- (3) is not for profit.

Sec. 2. Minnesota Statutes 2004, section 144.148, subdivision 1, is amended to read:

Subdivision 1. [DEFINITION.] (a) For purposes of this section, the following definitions apply.

(b) "Eligible rural hospital" means any nonfederal, general acute care hospital that:

(1) is either located in a rural area, as defined in the federal Medicare regulations, Code of Federal Regulations, title 42, section 405.1041, or located in a community with a population of less than ~~10,000~~ 15,000, according to United States Census Bureau statistics, outside the seven-county metropolitan area;

- (2) has 50 or fewer beds; and
- (3) is not for profit.

(c) "Eligible project" means a modernization project to update, remodel, or replace aging hospital facilities and equipment necessary to maintain the operations of a hospital.

Sec. 3. Minnesota Statutes 2004, section 144.551, subdivision 1, is amended to read:

Subdivision 1. [RESTRICTED CONSTRUCTION OR MODIFICATION.] (a) The following construction or modification may not be commenced:

(1) any erection, building, alteration, reconstruction, modernization, improvement, extension, lease, or other acquisition by or on behalf of a hospital that increases the bed capacity of a hospital, relocates hospital beds from one physical facility, complex, or site to another, or otherwise results in an increase or redistribution of hospital beds within the state; and

(2) the establishment of a new hospital.

(b) This section does not apply to:

(1) construction or relocation within a county by a hospital, clinic, or other health care facility that is a national referral center engaged in substantial programs of patient care, medical research, and medical education meeting state and national needs that receives more than 40 percent of its patients from outside the state of Minnesota;

(2) a project for construction or modification for which a health care facility held an approved certificate of need on May 1, 1984, regardless of the date of expiration of the certificate;

(3) a project for which a certificate of need was denied before July 1, 1990, if a timely appeal results in an order reversing the denial;

(4) a project exempted from certificate of need requirements by Laws 1981, chapter 200, section 2;

(5) a project involving consolidation of pediatric specialty hospital services within the Minneapolis-St. Paul metropolitan area that would not result in a net increase in the number of pediatric specialty hospital beds among the hospitals being consolidated;

(6) a project involving the temporary relocation of pediatric-orthopedic hospital beds to an existing licensed hospital that will allow for the reconstruction of a new philanthropic, pediatric-orthopedic hospital on an existing site and that will not result in a net increase in the number of hospital beds. Upon completion of the reconstruction, the licenses of both hospitals must be reinstated at the capacity that existed on each site before the relocation;

(7) the relocation or redistribution of hospital beds within a hospital building or identifiable complex of buildings provided the relocation or redistribution does not result in: (i) an increase in

the overall bed capacity at that site; (ii) relocation of hospital beds from one physical site or complex to another; or (iii) redistribution of hospital beds within the state or a region of the state;

(8) relocation or redistribution of hospital beds within a hospital corporate system that involves the transfer of beds from a closed facility site or complex to an existing site or complex provided that: (i) no more than 50 percent of the capacity of the closed facility is transferred; (ii) the capacity of the site or complex to which the beds are transferred does not increase by more than 50 percent; (iii) the beds are not transferred outside of a federal health systems agency boundary in place on July 1, 1983; and (iv) the relocation or redistribution does not involve the construction of a new hospital building;

(9) a construction project involving up to 35 new beds in a psychiatric hospital in Rice County that primarily serves adolescents and that receives more than 70 percent of its patients from outside the state of Minnesota;

(10) a project to replace a hospital or hospitals with a combined licensed capacity of 130 beds or less if: (i) the new hospital site is located within five miles of the current site; and (ii) the total licensed capacity of the replacement hospital, either at the time of construction of the initial building or as the result of future expansion, will not exceed 70 licensed hospital beds, or the combined licensed capacity of the hospitals, whichever is less;

(11) the relocation of licensed hospital beds from an existing state facility operated by the commissioner of human services to a new or existing facility, building, or complex operated by the commissioner of human services; from one regional treatment center site to another; or from one building or site to a new or existing building or site on the same campus;

(12) the construction or relocation of hospital beds operated by a hospital having a statutory obligation to provide hospital and medical services for the indigent that does not result in a net increase in the number of hospital beds;

(13) a construction project involving the addition of up to 31 new beds in an existing nonfederal hospital in Beltrami County;

(14) a construction project involving the addition of up to eight new beds in an existing nonfederal hospital in Otter Tail County with 100 licensed acute care beds;

(15) a construction project involving the addition of 20 new hospital beds used for rehabilitation services in an existing hospital in Carver County serving the southwest suburban metropolitan area. Beds constructed under this clause shall not be eligible for reimbursement under medical assistance, general assistance medical care, or MinnesotaCare;

(16) a project for the construction or relocation of up to 20 hospital beds for the operation of up to two psychiatric facilities or units for children provided that the operation of the facilities or units have received the approval of the commissioner of human services;

(17) a project involving the addition of 14 new hospital beds to be used for rehabilitation services in an existing hospital in Itasca County; or

(18) a project to add 20 licensed beds in existing space at a hospital in Hennepin County that closed 20 rehabilitation beds in 2002, provided that the beds are used only for rehabilitation in the hospital's current rehabilitation building. If the beds are used for another purpose or moved to another location, the hospital's licensed capacity is reduced by 20 beds; or

(19) a critical access hospital established under section 144.1483, clause (10), and section 1820 of the federal Social Security Act, United States Code, title 42, section 1395i-4, that delicensed beds since enactment of the Balanced Budget Act of 1997, Public Law 105-33, to the extent that the critical access hospital does not seek to exceed the maximum number of beds permitted such hospital under federal law.

Sec. 4. Minnesota Statutes 2004, section 144.562, subdivision 2, is amended to read:

Subd. 2. [ELIGIBILITY FOR LICENSE CONDITION.] (a) A hospital is not eligible to receive a license condition for swing beds unless (1) it either has a licensed bed capacity of less than 50 beds defined in the federal Medicare regulations, Code of Federal Regulations, title 42, section 482.66, or it has a licensed bed capacity of 50 beds or more and has swing beds that were approved for Medicare reimbursement before May 1, 1985, or it has a licensed bed capacity of less than 65 beds and the available nursing homes within 50 miles have had, in the aggregate, an average occupancy rate of 96 percent or higher in the most recent two years as documented on the statistical reports to the Department of Health; and (2) it is located in a rural area as defined in the federal Medicare regulations, Code of Federal Regulations, title 42, section 482.66.

(b) Except for those critical access hospitals established under section 144.1483, clause (10), and section 1820 of the federal Social Security Act, United States Code, title 42, section 1395i-4, that have an attached nursing home, eligible hospitals are allowed a total of ~~1,460~~ 2,000 days of swing bed use per year, ~~provided that no more than ten hospital beds are used as swing beds at any one time.~~ Critical access hospitals that have an attached nursing home are allowed swing bed use as provided in federal law.

(c) Except for critical access hospitals that have an attached nursing home, the commissioner of health ~~must~~ may approve swing bed use beyond ~~1,460~~ 2,000 days as long as there are no Medicare certified skilled nursing facility beds available within 25 miles of that hospital ~~that are willing to admit the patient.~~ Critical access hospitals exceeding 2,000 swing bed days ~~must maintain documentation that they have contacted skilled nursing facilities within 25 miles to determine if any skilled nursing facility beds are available that are willing to admit the patient.~~

(d) After reaching 2,000 days of swing bed use in a year, an eligible hospital to which this limit applies may admit six additional patients to swing beds each year without seeking approval from the commissioner or being in violation of this subdivision. These six swing bed admissions are exempt from the limit of 2,000 annual swing bed days for hospitals subject to this limit.

(e) A health care system that is in full compliance with this subdivision may allocate its total limit of swing bed days among the hospitals within the system, provided that no hospital in the system without an attached nursing home may exceed 2,000 swing bed days per year.

Sec. 5. [REPORT TO THE LEGISLATURE ON SWING BED USAGE.]

The commissioner of health shall review swing bed and related data reported under Minnesota Statutes, sections 144.562, subdivision 3, paragraph (f); 144.564; and 144.698. The commissioner shall report and make any appropriate recommendations to the legislature by January 31, 2007, on:

- (1) the use of swing bed days by all hospitals and by critical access hospitals;
- (2) occupancy rates in skilled nursing facilities within 25 miles of hospitals with swing beds; and
- (3) information provided by rural providers on the use of swing beds and the adequacy of rural services across the continuum of care."

Amend the title as follows:

Page 1, line 3, after the semicolon, insert "requiring a report;"

And when so amended the bill do pass and be re-referred to the Committee on Finance. Amendments adopted. Report adopted.

Senator Scheid from the Committee on Commerce, to which was referred

S.F. No. 1280: A bill for an act relating to liquor; increasing restrictions on the use of alcohol by a person under the age of 21 years; amending Minnesota Statutes 2004, section 340A.503, by adding a subdivision.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, after line 12, insert:

"**[EFFECTIVE DATE.]** This section is effective the day following final enactment."

And when so amended the bill do pass. Amendments adopted. Report adopted.

Senator Scheid from the Committee on Commerce, to which was referred

S.F. No. 1039: A bill for an act relating to commerce; prohibiting tampering with clock-hour meters on farm tractors; prescribing a civil penalty and a private right of action; proposing coding for new law in Minnesota Statutes, chapter 325E.

Reports the same back with the recommendation that the bill be amended as follows:

Page 2, line 12, after "sale" insert "or trade in"

And when so amended the bill do pass and be re-referred to the Committee on Judiciary. Amendments adopted. Report adopted.

Senator Scheid from the Committee on Commerce, to which was referred

S.F. No. 1535: A bill for an act relating to liquor; authorizing the city of Minneapolis to issue an on-sale license; amending Minnesota Statutes 2004, section 340A.404, subdivision 2.

Reports the same back with the recommendation that the bill be amended as follows:

Page 3, delete section 2 and insert:

"**[EFFECTIVE DATE.]** This section is effective upon approval by the Minneapolis City Council in the manner provided by Minnesota Statutes, section 645.021, notwithstanding Minnesota Statutes, section 645.023, subdivision 1, clause (a)."

And when so amended the bill do pass. Amendments adopted. Report adopted.

Senator Vickerman from the Committee on Agriculture, Veterans and Gaming, to which was referred

S.F. No. 1555: A bill for an act relating to gambling; amending various provisions relating to lawful gambling; amending and providing definitions; making technical, clarifying, and conforming changes; amending Minnesota Statutes 2004, sections 349.12, subdivisions 5, 25, 33, by adding subdivisions; 349.15, subdivision 1; 349.151, subdivisions 4, 4b; 349.152, subdivision 2; 349.153; 349.154, subdivision 1; 349.155, subdivision 3; 349.16, subdivision 8; 349.161, subdivision 5; 349.162, subdivisions 1, 4, 5; 349.163, subdivision 3; 349.1635, subdivision 4; 349.166, subdivisions 1, 2; 349.167, subdivision 1; 349.168, subdivision 8; 349.17, subdivisions 5, 7; 349.1711, subdivision 1; 349.173; 349.18, subdivision 1; 349.19, subdivisions 4, 10; 349.211, subdivision 2c; 349.2125, subdivision 1; 349.213; repealing Minnesota Statutes 2004, sections 349.162, subdivision 3; 349.164; 349.17, subdivision 1.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2004, section 349.12, is amended by adding a subdivision to read:

Subd. 3c. **[BAR BINGO.]** "Bar bingo" is a bingo occasion conducted at a permitted premises in an area where intoxicating liquor or 3.2 percent malt beverages are sold and where the licensed organization conducts another form of lawful gambling.

Sec. 2. Minnesota Statutes 2004, section 349.12, subdivision 5, is amended to read:

Subd. 5. [BINGO OCCASION.] "Bingo occasion" means a single gathering or session at which a series of one or more successive bingo games is played. There is no limit on the number of games conducted during a bingo occasion but a bingo occasion must not last longer than eight consecutive hours.

Sec. 3. Minnesota Statutes 2004, section 349.12, subdivision 25, is amended to read:

Subd. 25. [LAWFUL PURPOSE.] (a) "Lawful purpose" means one or more of the following:

(1) any expenditure by or contribution to a 501(c)(3) or festival organization, as defined in subdivision 15a, provided that the organization and expenditure or contribution are in conformity with standards prescribed by the board under section 349.154, which standards must apply to both types of organizations in the same manner and to the same extent;

(2) a contribution to or expenditure for goods and services for an individual or family suffering from poverty, homelessness, or ~~physical or mental~~ disability, which is used to relieve the effects of that ~~poverty, homelessness, or disability~~ suffering;

(3) ~~a contribution to an individual for treatment for delayed posttraumatic stress syndrome or a contribution to a program recognized by the Minnesota Department of Human Services for the education, prevention, or treatment of compulsive problem~~ gambling;

(4) a contribution to or expenditure on a public or private nonprofit educational institution registered with or accredited by this state or any other state;

(5) a contribution to a scholarship fund for defraying the cost of education to individuals where the funds are awarded through an open and fair selection process;

(6) activities by an organization or a government entity which recognize ~~humanitarian or~~ military service to the United States, the state of Minnesota, or a community, subject to rules of the board, provided that the rules must not include mileage reimbursements in the computation of the per diem reimbursement limit and must impose no aggregate annual limit on the amount of reasonable and necessary expenditures made to support:

(i) members of a military marching or color guard unit for activities conducted within the state;

(ii) members of an organization solely for services performed by the members at funeral services; ~~or~~

(iii) members of military marching, color guard, or honor guard units may be reimbursed for participating in color guard, honor guard, or marching unit events within the state or states contiguous to Minnesota at a per participant rate of up to \$35 per diem; or

(iv) active military personnel and their immediate family members in need of support services;

(7) recreational, community, and athletic facilities and activities intended primarily for persons under age 21, provided that such facilities and activities do not discriminate on the basis of gender and the organization complies with section 349.154;

(8) payment of local taxes authorized under this chapter, taxes imposed by the United States on receipts from lawful gambling, the taxes imposed by section 297E.02, subdivisions 1, 4, 5, and 6, and the tax imposed on unrelated business income by section 290.05, subdivision 3;

(9) payment of real estate taxes and assessments on permitted gambling premises wholly owned by the licensed organization paying the taxes, or wholly leased by a licensed veterans organization under a national charter recognized under section 501(c)(19) of the Internal Revenue Code, ~~not to exceed:~~

~~(i) for premises used for bingo, the amount that an organization may expend under board rules on rent for bingo; and~~

~~(ii) \$35,000 per year for premises used for other forms of lawful gambling;~~

(10) a contribution to the United States, this state or any of its political subdivisions, or any agency or instrumentality thereof other than a direct contribution to a law enforcement or prosecutorial agency;

(11) a contribution to or expenditure by a nonprofit organization which is a church or body of communicants gathered in common membership for mutual support and edification in piety, worship, or religious observances;

(12) payment of the reasonable costs of an audit required in section 297E.06, subdivision 4, provided the annual audit is filed in a timely manner with the Department of Revenue and paid prior to June 30, 2006;

~~(13) a contribution to or expenditure on a wildlife management project that benefits the public at large, provided that the state agency with authority over that wildlife management project approves the project before the contribution or expenditure is made;~~

~~(14) expenditures, approved by the commissioner of natural resources, by an organization for grooming and maintaining snowmobile trails and all-terrain vehicle trails that are (1) grant-in-aid trails established under section 85.019, or (2) other trails open to public use, including purchase or lease of equipment for this purpose;~~

(13) a contribution to or expenditure on projects or activities approved by the commissioner of natural resources for:

(i) wildlife management projects that benefit the public at large;

(ii) grant-in-aid trail maintenance and grooming established under sections 84.83 and 84.927 and other trails open to public use, including purchase or lease of equipment for this purpose; and

(iii) supplies and materials for safety training and educational programs coordinated by the Department of Natural Resources including the Enforcement Division;

~~(15) (14) conducting nutritional programs, food shelves, and congregate dining programs primarily for persons who are age 62 or older or disabled;~~

~~(16) (15) a contribution to a community arts organization, or an expenditure to sponsor arts programs in the community, including but not limited to visual, literary, performing, or musical arts;~~

~~(17) (16) an expenditure by a licensed veterans organization for payment of water, fuel for heating, electricity, and sewer costs for a building wholly owned or wholly leased by and used as the primary headquarters of the licensed veterans organization;~~

~~(18) (17) expenditure by a licensed veterans organization of up to \$5,000 in a calendar year in net costs to the organization for meals and other membership events, limited to members and spouses, held in recognition of military service. No more than \$5,000 can be expended in total per calendar year under this clause by all licensed veterans organizations sharing the same veterans post home; or~~

~~(19) (18) payment of fees authorized under this chapter imposed by the state of Minnesota to conduct lawful gambling in Minnesota; or~~

(19) a contribution or expenditure to honor an individual's humanitarian service as demonstrated through philanthropy or volunteerism to the United States, this state, or local community.

(b) Notwithstanding paragraph (a), "lawful purpose" does not include:

(1) any expenditure made or incurred for the purpose of influencing the nomination or election of a candidate for public office or for the purpose of promoting or defeating a ballot question;

(2) any activity intended to influence an election or a governmental decision-making process;

(3) the erection, acquisition, improvement, expansion, repair, or maintenance of real property or capital assets owned or leased by an organization, unless the board has first specifically authorized the expenditures after finding that (i) the real property or capital assets will be used exclusively for one or more of the purposes in paragraph (a); (ii) with respect to expenditures for repair or maintenance only, that the property is or will be used extensively as a meeting place or event location by other nonprofit organizations or community or service groups and that no rental fee is charged for the use; (iii) with respect to expenditures, including a mortgage payment or other debt service payment, for erection or acquisition only, that the erection or acquisition is necessary to replace with a comparable building, a building owned by the organization and destroyed or made uninhabitable by fire or ~~natural disaster~~ catastrophe, provided that the expenditure may be only for that part of the replacement cost not reimbursed by insurance; (iv) with respect to expenditures, including a mortgage payment or other debt service payment, for erection or acquisition only, that the erection or acquisition is necessary to replace with a comparable building a building owned by the organization that was acquired from the organization by eminent domain or sold by the organization to a purchaser that the organization reasonably believed would otherwise have acquired the building by eminent domain, provided that the expenditure may be only for that part of the replacement cost that exceeds the compensation received by the organization for the building being replaced; or (v) with respect to an expenditure to bring an existing building into compliance with the Americans with Disabilities Act under item (ii), an organization has the option to apply the amount of the board-approved expenditure to the erection or acquisition of a replacement building that is in compliance with the Americans with Disabilities Act;

(4) an expenditure by an organization which is a contribution to a parent organization, foundation, or affiliate of the contributing organization, if the parent organization, foundation, or affiliate has provided to the contributing organization within one year of the contribution any money, grants, property, or other thing of value;

(5) a contribution by a licensed organization to another licensed organization unless the board has specifically authorized the contribution. The board must authorize such a contribution when requested to do so by the contributing organization unless it makes an affirmative finding that the contribution will not be used by the recipient organization for one or more of the purposes in paragraph (a); or

(6) a contribution to a statutory or home rule charter city, county, or town by a licensed organization with the knowledge that the governmental unit intends to use the contribution for a pension or retirement fund.

[EFFECTIVE DATE.] The effective date for paragraph (a), clause (9), is January 1, 2006. All other changes in section 3 are effective the day following final enactment.

Sec. 4. Minnesota Statutes 2004, section 349.12, subdivision 33, is amended to read:

Subd. 33. **[RAFFLE.]** "Raffle" means a game in which a participant buys a ticket ~~for a chance at a prize with the winner determined by a random drawing to take place at a location and date printed upon the ticket~~ or other certificate of participation in an event where the prize determination is based on a method of random selection and all entries have an equal chance of selection. The ticket or certificate of participation must include the location, date, and time of the selection of the winning entries.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2004, section 349.15, subdivision 1, is amended to read:

Subdivision 1. **[EXPENDITURE RESTRICTIONS.]** Gross profits from lawful gambling may be expended only for lawful purposes or allowable expenses as authorized by the membership of the conducting organization at a monthly meeting of the organization's membership. Provided that no more than 70 percent of the gross profit less the tax imposed under section 297E.02, subdivision 1, from bingo, and no more than ~~55~~ 60 percent of the gross profit from other forms of lawful gambling, may be expended biennially during the term of the license for allowable expenses related to lawful gambling.

[EFFECTIVE DATE.] This section is effective for licenses issued after June 30, 2006.

Sec. 6. Minnesota Statutes 2004, section 349.151, subdivision 4, is amended to read:

Subd. 4. [POWERS AND DUTIES.] (a) The board has the following powers and duties:

- (1) to regulate lawful gambling to ensure it is conducted in the public interest;
 - (2) to issue licenses to organizations, distributors, distributor salespersons, ~~bingo halls,~~ manufacturers, linked bingo game providers, and gambling managers;
 - (3) to collect and deposit license, permit, and registration fees due under this chapter;
 - (4) to receive reports required by this chapter and inspect all premises, records, books, and other documents of organizations, distributors, manufacturers, and linked bingo game providers, ~~and bingo halls~~ to insure compliance with all applicable laws and rules;
 - (5) to make rules authorized by this chapter;
 - (6) to register gambling equipment and issue registration stamps;
 - (7) to provide by rule for the mandatory posting by organizations conducting lawful gambling of rules of play and the odds and/or house percentage on each form of lawful gambling;
 - (8) to report annually to the governor and legislature on its activities and on recommended changes in the laws governing gambling;
 - (9) to impose civil penalties of not more than \$500 per violation on organizations, distributors, distributor salespersons, manufacturers, ~~bingo halls,~~ linked bingo game providers, and gambling managers for failure to comply with any provision of this chapter or any rule or order of the board;
 - (10) to issue premises permits to organizations licensed to conduct lawful gambling;
 - (11) to delegate to the director the authority to issue or deny license and premises permit applications and renewals under criteria established by the board;
 - (12) to delegate to the director the authority to approve or deny fund loss requests, contribution of gambling funds to another licensed organization, and property expenditure requests under criteria established by the board;
 - (13) to suspend or revoke licenses and premises permits of organizations, distributors, distributor salespersons, manufacturers, ~~bingo halls,~~ linked bingo game providers, or gambling managers as provided in this chapter;
 - ~~(13)~~ (14) to register employees of organizations licensed to conduct lawful gambling;
 - ~~(14)~~ (15) to require fingerprints from persons determined by board rule to be subject to fingerprinting;
 - ~~(15)~~ (16) to delegate to a compliance review group of the board the authority to investigate alleged violations, issue consent orders, and initiate contested cases on behalf of the board;
 - ~~(16)~~ (17) to order organizations, distributors, distributor salespersons, manufacturers, ~~bingo halls,~~ linked bingo game providers, and gambling managers to take corrective actions; and
 - ~~(17)~~ (18) to take all necessary steps to ensure the integrity of and public confidence in lawful gambling.
- (b) The board, or director if authorized to act on behalf of the board, may by citation assess any organization, distributor, ~~employee eligible to make sales on behalf of a distributor salesperson, manufacturer, bingo hall licensee,~~ linked bingo game provider, or gambling manager a civil penalty of not more than \$500 per violation for a failure to comply with any provision of this chapter or any rule adopted or order issued by the board. Any organization, distributor, ~~bingo hall~~

licensee distributor salesperson, gambling manager, linked bingo game provider, or manufacturer assessed a civil penalty under this paragraph may request a hearing before the board. Appeals of citations imposing a civil penalty are not subject to the provisions of the Administrative Procedure Act.

(c) All penalties received by the board must be deposited in the general fund.

(d) All fees imposed by the board under sections 349.16 to 349.167 must be deposited in the state treasury and credited to a lawful gambling regulation account in the special revenue fund. Receipts in this account are available for the operations of the board up to the amount authorized in biennial appropriations from the legislature.

Sec. 7. Minnesota Statutes 2004, section 349.151, subdivision 4b, is amended to read:

Subd. 4b. [PULL-TAB SALES FROM DISPENSING DEVICES.] (a) The board may by rule authorize but not require the use of pull-tab dispensing devices.

(b) Rules adopted under paragraph (a):

(1) must limit the number of pull-tab dispensing devices on any permitted premises to three; and

(2) must limit the use of pull-tab dispensing devices to a permitted premises which is (i) a licensed premises for on-sales of intoxicating liquor or 3.2 percent malt beverages; or (ii) a licensed bingo hall that allows gambling only by premises where bingo is conducted and admission is restricted to persons 18 years or older.

(c) Notwithstanding rules adopted under paragraph (b), pull-tab dispensing devices may be used in establishments licensed for the off-sale of intoxicating liquor, other than drugstores and general food stores licensed under section 340A.405, subdivision 1.

Sec. 8. Minnesota Statutes 2004, section 349.152, subdivision 2, is amended to read:

Subd. 2. [DUTIES OF DIRECTOR.] The director has the following duties:

(1) to carry out gambling policy established by the board;

(2) to employ and supervise personnel of the board;

(3) to advise and make recommendations to the board on rules, policy, and legislative initiatives;

(4) to approve or deny operational requests from licensees as delegated by the board;

(5) to issue licenses and premises permits as authorized by the board;

~~(5)~~ (6) to issue cease and desist orders;

~~(6)~~ (7) to make recommendations to the board on license issuance, denial, censure, suspension and revocation, civil penalties, and corrective action the board imposes;

~~(7)~~ (8) to ensure that board rules, policy, and decisions are adequately and accurately conveyed to the board's licensees;

~~(8)~~ (9) to conduct investigations, inspections, compliance reviews, and audits under this chapter; and

(9) (10) to issue subpoenas to compel the attendance of witnesses and the production of documents, books, records, and other evidence relating to an investigation, compliance review, or audit the director is authorized to conduct.

Sec. 9. Minnesota Statutes 2004, section 349.153, is amended to read:

349.153 [CONFLICT OF INTEREST.]

(a) A person may not serve on the board, be the director, or be an employee of the board who has an interest in any corporation, association, limited liability company, or partnership that is licensed by the board as a distributor, manufacturer, or linked bingo game provider, ~~or bingo hall~~ under section 349.164.

(b) A member of the board, the director, or an employee of the board may not accept employment with, receive compensation directly or indirectly from, or enter into a contractual relationship with an organization that conducts lawful gambling, a distributor, a linked bingo game provider, ~~a bingo hall~~, or a manufacturer while employed with or a member of the board or within one year after terminating employment with or leaving the board.

(c) A distributor, ~~bingo hall~~, manufacturer, linked bingo game provider, or organization licensed to conduct lawful gambling may not hire a former employee, director, or member of the Gambling Control Board for one year after the employee, director, or member has terminated employment with or left the Gambling Control Board.

Sec. 10. Minnesota Statutes 2004, section 349.154, subdivision 1, is amended to read:

Subdivision 1. [STANDARDS FOR CERTAIN ORGANIZATIONS.] ~~The board shall by rule prescribe Standards that must be met by any licensed organization that is a 501(c)(3) organization. The standards must provide include:~~

(1) operating standards for the organization, including a maximum percentage or percentages not to exceed 30 percent of the organization's total expenditures that may be expended for the organization's administration and operation fund-raising as reported biennially to and in a format prescribed by the board; and

(2) standards for any expenditure by the organization of net profits from lawful gambling, including a requirement that the expenditure be related to the primary purpose of the organization or meet the criteria of a lawful purpose donation as defined in section 349.12, subdivision 25.

[EFFECTIVE DATE.] This section is effective for licenses issued after June 30, 2006.

Sec. 11. Minnesota Statutes 2004, section 349.155, subdivision 3, is amended to read:

Subd. 3. [MANDATORY DISQUALIFICATIONS.] (a) In the case of licenses for manufacturers, distributors, distributor salespersons, ~~bingo halls~~, linked bingo game providers, and gambling managers, the board may not issue or renew a license under this chapter, and shall revoke a license under this chapter, if the applicant or licensee, or a director, officer, partner, governor, or person in a supervisory or management position of the applicant or licensee:

(1) has ever been convicted of a felony or a crime involving gambling;

(2) has ever been convicted of (i) assault, (ii) a criminal violation involving the use of a firearm, or (iii) making terroristic threats;

(3) is or has ever been connected with or engaged in an illegal business;

(4) owes \$500 or more in delinquent taxes as defined in section 270.72;

(5) had a sales and use tax permit revoked by the commissioner of revenue within the past two years; or

(6) after demand, has not filed tax returns required by the commissioner of revenue. The board may deny or refuse to renew a license under this chapter, and may revoke a license under this chapter, if any of the conditions in this paragraph are applicable to an affiliate or direct or indirect holder of more than a five percent financial interest in the applicant or licensee.

(b) In the case of licenses for organizations, the board may not issue or renew a license under this chapter, and shall revoke a license under this chapter, if the organization, or an officer or member of the governing body of the organization:

(1) has been convicted of a felony or gross misdemeanor ~~within the five years before the issuance or renewal of the license~~ involving theft or fraud;

(2) has ever been convicted of a crime involving gambling; or

(3) has had a license issued by the board or director permanently revoked for violation of law or board rule.

Sec. 12. Minnesota Statutes 2004, section 349.16, subdivision 8, is amended to read:

Subd. 8. [LOCAL INVESTIGATION FEE.] A statutory or home rule charter city or county notified under section 349.213, subdivision 2, may assess an investigation fee on organizations ~~or bingo halls~~ applying for or renewing a premises permit ~~or a bingo hall license~~. An investigation fee may not exceed the following limits:

(1) for cities of the first class, \$500;

(2) for cities of the second class, \$250;

(3) for all other cities, \$100; and

(4) for counties, \$375.

Sec. 13. Minnesota Statutes 2004, section 349.161, subdivision 5, is amended to read:

Subd. 5. [PROHIBITION.] (a) No distributor, distributor salesperson, or other employee of a distributor, may also be a wholesale distributor of alcoholic beverages or an employee of a wholesale distributor of alcoholic beverages.

(b) No distributor, distributor salesperson, or any representative, agent, affiliate, or other employee of a distributor, may: (1) be involved in the conduct of lawful gambling by an organization; (2) keep or assist in the keeping of an organization's financial records, accounts, and inventories; or (3) prepare or assist in the preparation of tax forms and other reporting forms required to be submitted to the state by an organization.

(c) No distributor, distributor salesperson, or any representative, agent, affiliate, or other employee of a distributor may provide a lessor of gambling premises any compensation, gift, gratuity, premium, or other thing of value.

(d) No distributor, distributor salesperson, or any representative, agent, affiliate, or other employee of a distributor may provide an employee or agent of the organization any compensation, gift, gratuity, premium, or other thing of value greater than \$25 per organization in a calendar year.

(e) No distributor, distributor salesperson, or any representative, agent, affiliate, or other employee of a distributor may participate in any gambling activity at any gambling site or premises where gambling equipment purchased from that distributor or distributor salesperson is being used in the conduct of lawful gambling.

~~(f)~~ (f) No distributor, distributor salesperson, or any representative, agent, affiliate, or other employee of a distributor may alter or modify any gambling equipment, except to add a "last ticket sold" prize sticker.

~~(g)~~ (g) No distributor, distributor salesperson, or any representative, agent, affiliate, or other employee of a distributor may: (1) recruit a person to become a gambling manager of an organization or identify to an organization a person as a candidate to become gambling manager for the organization; or (2) identify for an organization a potential gambling location.

~~(g)~~ (h) No distributor or distributor salesperson may purchase gambling equipment for resale to a person for use within the state from any person not licensed as a manufacturer under section 349.163, except for gambling equipment returned from an organization licensed under section 349.16, or exempt or excluded from licensing under section 349.166.

~~(h)~~ (i) No distributor or distributor salesperson may sell gambling equipment to any person for use in Minnesota other than (i) a licensed organization or organization excluded or exempt from licensing, or (ii) the governing body of an Indian tribe.

~~(i)~~ (j) No distributor or distributor salesperson may sell or otherwise provide a pull-tab or tipboard deal with the symbol required by section 349.163, subdivision 5, paragraph (h), visible on the flare to any person other than in Minnesota to a licensed organization or organization exempt from licensing.

Sec. 14. Minnesota Statutes 2004, section 349.162, subdivision 1, is amended to read:

Subdivision 1. [STAMP REGISTRATION REQUIRED.] ~~(a) A distributor may not sell, transfer, furnish, or otherwise provide to a person, and no person may purchase, borrow, accept, or acquire from a distributor gambling equipment for use within the state unless the equipment has been registered with the board and has a registration stamp affixed, except for gambling equipment not stamped by the manufacturer pursuant to section 349.163, subdivision 5 or 8. Each stamp must bear a registration number assigned by the board.~~

~~(b) A manufacturer must return all unused registration stamps in its possession to the board by February 1, 1995. No manufacturer may possess unaffixed registration stamps after February 1, 1995.~~

~~(c) After February 1, 1996, no person may possess any unplayed pull-tab or tipboard deals with a registration stamp affixed to the flare or any unplayed paddleticket cards with a registration stamp affixed to the master flare. This paragraph does not apply to unplayed pull-tab or tipboard deals with a registration stamp affixed to the flare, or to unplayed paddleticket cards with a registration stamp affixed to the master flare, if the deals or cards are identified on a list of existing inventory submitted by a licensed organization or a licensed distributor, in a format prescribed by the commissioner of revenue, to the commissioner of revenue on or before February 1, 1996 or the Department of Revenue in a manner prescribed by the board or the Department of Revenue. Gambling equipment kept in violation of this paragraph subdivision is contraband under section 349.2125.~~

Sec. 15. Minnesota Statutes 2004, section 349.162, subdivision 4, is amended to read:

Subd. 4. [PROHIBITION.] (a) No person other than a licensed distributor ~~or licensed manufacturer~~ may possess unaffixed registration stamps issued by the board for the purpose of registering gambling equipment.

(b) Unless otherwise provided in this chapter, no person may possess gambling equipment that has not been stamped and registered.

(c) On and after January 1, 1991, no distributor may:

- (1) sell a bingo hard card or paper sheet that does not bear an individual number; or
- (2) sell a package of bingo paper sheets that does not contain bingo paper sheets in numerical order.

Sec. 16. Minnesota Statutes 2004, section 349.162, subdivision 5, is amended to read:

Subd. 5. [SALES FROM FACILITIES.] (a) All gambling equipment purchased or possessed by a licensed distributor for resale to any person for use in Minnesota must, prior to the equipment's resale, be unloaded into a storage facility located in Minnesota which the distributor owns or leases; and which has been registered, in advance and in writing, with the Division of Alcohol and Gambling Enforcement as a storage facility of the distributor. All unregistered gambling equipment and all unaffixed registration stamps owned by, or in the possession of, a licensed distributor in the state of Minnesota shall be stored at a storage facility which has been registered with the Division of Alcohol and Gambling Enforcement. No gambling equipment may be moved from the facility unless the gambling equipment has been first registered with the board, ~~except for gambling equipment not stamped by the manufacturer pursuant to section 349.163, subdivision 5 or 8 or the Department of Revenue.~~

(b) Notwithstanding section 349.163, subdivisions 5, 6, and 8, a licensed manufacturer may ship into Minnesota approved or unapproved gambling equipment if the licensed manufacturer ships the gambling equipment to a Minnesota storage facility that is: (1) owned or leased by the licensed manufacturer; and (2) registered, in advance and in writing, with the Division of Alcohol and Gambling Enforcement as a manufacturer's storage facility. No gambling equipment may be shipped into Minnesota to the manufacturer's registered storage facility unless the shipment of the gambling equipment is reported to the Department of Revenue in a manner prescribed by the department. No gambling equipment may be moved from the storage facility unless the gambling equipment is sold to a licensed distributor and is otherwise in conformity with this chapter, is shipped to an out-of-state site and the shipment is reported to the Department of Revenue in a manner prescribed by the department, or is otherwise sold and shipped as permitted by board rule.

(c) All storage facilities owned, leased, used, or operated by a licensed distributor or manufacturer may be entered upon and inspected by the employees of the Division of Alcohol and Gambling Enforcement, the Division of Alcohol and Gambling Enforcement director's authorized representatives, employees of the Gambling Control Board or its authorized representatives, employees of the Department of Revenue, or authorized representatives of the director of the Division of Special Taxes of the Department of Revenue during reasonable and regular business hours. Obstruction of, or failure to permit, entry and inspection is cause for revocation or suspension of a manufacturer's or distributor's licenses and permits issued under this chapter.

(d) Unregistered gambling equipment and unaffixed registration stamps found at any location in Minnesota other than the manufacturing plant of a licensed manufacturer or a registered storage facility are contraband under section 349.2125. This paragraph does not apply:

(1) to unregistered gambling equipment being transported in interstate commerce between locations outside this state, if the interstate shipment is verified by a bill of lading or other valid shipping document; and

(2) to gambling equipment ~~not stamped by the manufacturer pursuant to section 349.163, subdivision 5 or 8~~ registered with the Department of Revenue for distribution to the tribal casinos.

Sec. 17. Minnesota Statutes 2004, section 349.163, subdivision 3, is amended to read:

Subd. 3. [PROHIBITED SALES.] (a) A manufacturer may not:

(1) sell gambling equipment for use or resale within the state to any person not licensed as a distributor, except that gambling equipment used exclusively in a linked bingo game may be sold to a licensed linked bingo provider; or

(2) sell gambling equipment to a distributor in this state that has the same serial number as another item of gambling equipment of the same type that is sold by that manufacturer for use or resale in this state.

(b) A manufacturer, affiliate of a manufacturer, or person acting as a representative or agent of a manufacturer may not provide a lessor of gambling premises or an appointed official any compensation, gift, gratuity, premium, contribution, or other thing of value.

(c) A manufacturer may not sell or otherwise provide a pull-tab or tipboard deal with the symbol required by subdivision 5, paragraph ~~(h)~~ (d), imprinted on the flare to any person other than a licensed distributor unless the manufacturer first renders the symbol permanently invisible.

Sec. 18. Minnesota Statutes 2004, section 349.1635, subdivision 4, is amended to read:

Subd. 4. [PROHIBITION.] (a) Except for services associated exclusively with a linked bingo game, a linked bingo game provider may not participate or assist in the conduct of lawful gambling by an organization. No linked bingo game provider may:

(1) ~~also be licensed as a bingo hall or hold any financial or managerial interest in a premises leased for the conduct of bingo hall;~~

- (2) also be licensed as a distributor or hold any financial or managerial interest in a distributor;
- (3) sell or lease linked bingo game equipment to any person not licensed as an organization;
- (4) purchase gambling equipment to be used exclusively in a linked bingo game from any person not licensed as a manufacturer under section 349.163; and
- (5) provide an organization, a lessor of gambling premises, or an appointed official any compensation, gift, gratuity, premium, or contribution.

(b) Employees of the board and the Division of Alcohol and Gambling Enforcement may inspect the books, records, inventory, and business premises of a licensed linked bingo game provider without notice during the normal business hours of the linked bingo game provider. The board may charge a linked bingo game provider for the actual cost of conducting scheduled or unscheduled inspections of the licensee's facilities.

Sec. 19. Minnesota Statutes 2004, section 349.166, subdivision 1, is amended to read:

Subdivision 1. [EXCLUSIONS.] (a) Bingo, with the exception of linked bingo games, may be conducted without a license and without complying with sections 349.168, subdivisions 1 and 2; 349.17, subdivisions 1, 4, and 5; 349.18, subdivision 1; and 349.19, if it is conducted:

(1) by an organization in connection with a county fair, the state fair, or a civic celebration and is not conducted for more than 12 consecutive days and is limited to no more than four separate applications for activities applied for and approved in a calendar year; or

(2) by an organization that conducts four or fewer bingo occasions in a calendar year.

An organization that holds a license to conduct lawful gambling under this chapter may not conduct bingo under this subdivision.

(b) Bingo may be conducted within a nursing home or a senior citizen housing project or by a senior citizen organization if the prizes for a single bingo game do not exceed \$10, total prizes awarded at a single bingo occasion do not exceed \$200, no more than two bingo occasions are held by the organization or at the facility each week, only members of the organization or residents of the nursing home or housing project are allowed to play in a bingo game, no compensation is paid for any persons who conduct the bingo, and a manager is appointed to supervise the bingo. Bingo conducted under this paragraph is exempt from sections 349.11 to 349.23, and the board may not require an organization that conducts bingo under this paragraph, or the manager who supervises the bingo, to register or file a report with the board. The gross receipts from bingo conducted under the limitations of this subdivision are exempt from taxation under chapter 297A.

(c) Raffles may be conducted by an organization without a license and without complying with sections 349.154 to 349.165 and 349.167 to 349.213 registering with the board if the value of all raffle prizes awarded by the organization in a calendar year does not exceed \$1,500.

(d) Except as provided in paragraph (b), the organization must maintain all required records of excluded gambling activity for 3-1/2 years.

Sec. 20. Minnesota Statutes 2004, section 349.166, subdivision 2, is amended to read:

Subd. 2. [EXEMPTIONS.] (a) Lawful gambling, with the exception of linked bingo games, may be conducted by an organization without a license and without complying with sections 349.168, subdivisions 1 and 2; 349.17, subdivisions 4 and 5; 349.18, subdivision 1; and 349.19 if:

- (1) the organization conducts lawful gambling on five or fewer days in a calendar year;
- (2) the organization does not award more than \$50,000 in prizes for lawful gambling in a calendar year;
- (3) the organization pays a fee of \$50 to the board, notifies the board in writing not less than 30

days before each lawful gambling occasion of the date and location of the occasion, or 60 days for an occasion held in the case of a city of the first class, the types of lawful gambling to be conducted, the prizes to be awarded, and receives an exemption identification number;

(4) the organization notifies the local government unit 30 days before the lawful gambling occasion, or 60 days for an occasion held in a city of the first class;

(5) the organization purchases all gambling equipment and supplies from a licensed distributor; and

(6) the organization reports to the board, on a single-page form prescribed by the board, within 30 days of each gambling occasion, the gross receipts, prizes, expenses, expenditures of net profits from the occasion, and the identification of the licensed distributor from whom all gambling equipment was purchased.

(b) If the organization fails to file a timely report as required by paragraph (a), clause (3) or (6), the board shall not issue any authorization, license, or permit to the organization to conduct lawful gambling on an exempt, excluded, or licensed basis until the report has been filed and the organization may be subject to penalty as determined by the board.

(c) Merchandise prizes must be valued at their fair market value.

(d) Unused pull-tab and tipboard deals must be returned to the distributor within seven working days after the end of the lawful gambling occasion. The distributor must accept and pay a refund for all returns of unopened and undamaged deals returned under this paragraph.

(e) An organization that is exempt from taxation on purchases of pull-tabs and tipboards under section 297E.02, subdivision 4, paragraph (b), clause (4), must return to the distributor any tipboard or pull-tab deal no part of which is used at the lawful gambling occasion for which it was purchased by the organization.

(f) The organization must maintain all required records of exempt gambling activity for 3-1/2 years.

Sec. 21. Minnesota Statutes 2004, section 349.167, subdivision 1, is amended to read:

Subdivision 1. [GAMBLING MANAGER REQUIRED.] (a) All lawful gambling conducted by a licensed organization must be under the supervision of a gambling manager. A gambling manager designated by an organization to supervise lawful gambling is responsible for the gross receipts of the organization and for its conduct in compliance with all laws and rules. A person designated as a gambling manager shall maintain a fidelity dishonesty bond in the sum of \$10,000 in favor of the organization conditioned on the faithful performance of the manager's duties. The terms of the bond must provide that notice be given to the board in writing not less than 30 days before its cancellation.

(b) A person may not act as a gambling manager for more than one organization.

(c) An organization may not conduct lawful gambling without having a gambling manager.

(d) An organization may not have more than one gambling manager at any time.

Sec. 22. Minnesota Statutes 2004, section 349.168, subdivision 8, is amended to read:

Subd. 8. [PERCENTAGE OF GROSS PROFIT PAID.] (a) A licensed organization may pay a percentage of the gross profit from raffle ticket sales to a nonprofit organization that sells raffle tickets for the licensed organization.

(b) A licensed organization may compensate an employee of the organization for the sale of gambling equipment at a bar operation if the frequency of the activity is one day or less per week and the games are limited to 30 chances or less per game. For purposes of this paragraph, an employee shall not be a lessor, employee of the lessor, or an immediate family member of the lessor.

Sec. 23. Minnesota Statutes 2004, section 349.17, subdivision 5, is amended to read:

Subd. 5. [BINGO CARDS AND SHEETS.] (a) The board shall by rule require that all licensed organizations: (1) conduct bingo only using liquid daubers on bingo paper sheets that bear an individual number recorded by the distributor or linked bingo game provider; and (2) use each bingo paper sheet for no more than one bingo occasion. In lieu of the requirements of clause (2), a licensed organization may electronically record the sale of each bingo hard card or paper sheet at each bingo occasion using an electronic recording system approved by the board.

(b) The requirements of paragraph (a) shall only apply to a licensed organization that received gross receipts from bingo in excess of \$150,000 in the organization's last fiscal year.

Sec. 24. Minnesota Statutes 2004, section 349.17, subdivision 7, is amended to read:

Subd. 7. [~~NOON-HOUR BAR BINGO.~~] ~~Notwithstanding subdivisions 1 and 3,~~ An organization may conduct bar bingo subject to the following restrictions:

(1) ~~the bingo is conducted only between the hours of 11:00 a.m. and 2:00 p.m.;~~

(2) the bingo is conducted at a site the organization owns or leases and which has a license for the sale of intoxicating beverages on the premises under chapter 340A;

(3) ~~the bingo is limited to one progressive bingo game per site as defined by section 349.211, subdivision 2;~~

(4) (2) the bingo is conducted using only bingo paper sheets purchased from a licensed distributor;

(5) ~~if the premises are leased, the (3) no rent may not exceed \$25 per day for each day bingo is conducted be paid for a bar bingo occasion; and~~

(6) (4) linked bingo games may not be conducted at a ~~noon-hour~~ bar bingo occasion.

Sec. 25. Minnesota Statutes 2004, section 349.1711, subdivision 1, is amended to read:

Subdivision 1. [SALE OF TICKETS.] Tipboard games must be played using only tipboard tickets that are either (1) attached to a placard and arranged in columns or rows, or (2) separate from the placard and contained in a receptacle while the game is in play. The placard serves as the game flare. The placard must contain a seal that conceals the winning number or symbol. When a tipboard ticket is purchased and opened from a game containing more than 30 tickets, each player having a tipboard ticket with one or more predesignated numbers or symbols must sign the placard at the line indicated by the number or symbol on the tipboard ticket.

Sec. 26. Minnesota Statutes 2004, section 349.173, is amended to read:

349.173 [CONDUCT OF RAFFLES.]

(a) Raffle tickets or certificates of participation at a minimum must list the three most expensive prizes to be awarded. ~~If additional prizes will be awarded that are not contained on the raffle ticket, the raffle ticket must contain the statement "A complete list of additional prizes is available upon request."~~ a complete list of additional prizes must be publicly posted at the event and copies of the complete prize list made available upon request. Notwithstanding section 349.12, subdivision 33, raffles conducted under the exemptions in section 349.166 may use tickets that contain only the sequential number of the raffle ticket and no other information if the organization makes a list of prizes and a statement of other relevant information required by rule available to persons purchasing tickets and if tickets are only sold at the event and on the date when the tickets are drawn.

(b) Raffles must be conducted in a manner that ensures:

(1) all entries in the raffle have an equal chance of selection;

- (2) the method of selection is conducted in a public forum;
 - (3) the method of selection cannot be manipulated or based on the outcome of an event not under the control of the organization;
 - (4) physical presence at the raffle is not a requirement to win; and
 - (5) all sold and unsold tickets or certificates of participation are accounted for.
- (c) Methods of selecting winning entries from a raffle other than prescribed in rule may be used with the prior written approval of the board.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 27. Minnesota Statutes 2004, section 349.18, subdivision 1, is amended to read:

Subdivision 1. [LEASE OR OWNERSHIP REQUIRED; RENT LIMITATIONS.] (a) An organization may conduct lawful gambling only on premises it owns or leases. Leases must be on a form prescribed by the board. Except for leases entered into before August 1, 1994, the term of the lease may not begin before the effective date of the premises permit and must expire on the same day that the premises permit expires. Copies of all leases must be made available to employees of the board and the Division of Alcohol and Gambling Enforcement on request. The board may prescribe by rule limits on the amount of rent which an organization may pay to a lessor for premises leased for bingo. Any rule adopted by the board limiting the amount of rent to be paid may only be effective for leases entered into, or renewed, after the effective date of the rule.

(b) Rent paid by an organization for leased premises for the conduct of pull-tabs, tipboards, and paddlewheels is subject to the following limits:

(1) for booth operations, including booth operations where a pull-tab dispensing device is located, booth operations where a bar operation is also conducted, and booth operations where both a pull-tab dispensing device is located and a bar operation is also conducted, the maximum rent is:

(i) in any month where the organization's gross profit at those premises does not exceed \$4,000, up to \$400; and

(ii) in any month where the organization's gross profit at those premises exceeds \$4,000, up to \$400 plus not more than ten percent of the gross profit for that month in excess of \$4,000;

(2) for bar operations, including bar operations where a pull-tab dispensing device is located but not including bar operations subject to clause (1), and for locations where only a pull-tab dispensing device is located:

(i) in any month where the organization's gross profit at those premises does not exceed \$1,000, up to \$200; and

(ii) in any month where the organization's gross profit at those premises exceeds \$1,000, up to \$200 plus not more than 20 percent of the gross profit for that month in excess of \$1,000;

(3) a lease not governed by clauses (1) and (2) must be approved by the board before becoming effective;

(4) total rent paid to a lessor from all organizations from leases governed by clause (1) may not exceed \$1,750 per month. Total rent paid to a lessor from all organizations from leases governed by clause (2) may not exceed \$2,500 per month.

(c) Rent paid by an organization for leased premises for the conduct of bingo is subject to the following limits:

(1) not more than ten percent of the monthly gross profit from all lawful gambling activities

held during bingo occasions excluding bar bingo, or a rate based on a cost per square foot not to exceed ten percent of a comparable cost per square foot for leased space as approved by the director, whichever is less; and

(2) no rent may be paid for bar bingo.

(d) Amounts paid as rent under leases are all-inclusive. No other services or expenses provided or contracted by the lessor may be paid by the organization, including, but not limited to, trash removal, janitorial and cleaning services, snow removal, lawn services, electricity, heat, security, security monitoring, storage, other utilities or services, and, in the case of bar operations, cash shortages, unless approved by the director. Any other expenditure made by an organization that is related to a leased premises must be approved by the director. An organization may not provide any compensation or thing of value to a lessor or the lessor's employees from any fund source other than its gambling account. Rent payments may not be made to an individual.

(d) (e) Notwithstanding paragraph (b), an organization may pay a lessor for food or beverages or meeting room rental if the charge made is comparable to similar charges made to other individuals or groups.

(e) (f) No person, distributor, manufacturer, lessor, linked bingo game provider, or organization other than the licensed organization leasing the space may conduct any activity other than the sale or serving of food and beverages on the leased premises during times when lawful gambling is being conducted on the premises.

(f) (g) At a site where the leased premises consists of an area on or behind a bar at which alcoholic beverages are sold and employees of the lessor are employed by the organization as pull-tab sellers at the site, pull-tabs and tipboard tickets may be sold and redeemed by those employees at any place on or behind the bar, but the tipboards and receptacles for pull-tabs and cash drawers for lawful gambling receipts must be maintained only within the leased premises.

(g) (h) Employees of a lessor or employees of an organization may participate in lawful gambling on the premises provided (1) if pull-tabs or tipboards are sold, the organization voluntarily posts, or is required to post, the major prizes as specified in section 349.172; and (2) any employee of the lessor participating in lawful gambling is not a gambling employee for the organization conducting lawful gambling on the premises.

(h) (i) A gambling employee may purchase pull-tabs or tipboards at the site of the employee's place of employment provided:

(1) the organization voluntarily posts, or is required to post, the major prizes for pull-tab or tipboard games as specified in section 349.172; and

(2) the employee is not involved in the sale of pull-tabs or tipboards at that site.

(i) (j) At a leased site where an organization uses a paddlewheel consisting of 30 numbers or less or a tipboard consisting of 30 tickets or less, tickets may be sold throughout the permitted premises, but winning tickets must be redeemed, the paddlewheel must be located, and the tipboard seal must be opened within the leased premises.

(j) (k) A member of the lessor's immediate family may not be a compensated employee of an organization leasing space at the premises. For purposes of this paragraph, a "member of the immediate family" is a spouse, parent, child, or sibling.

Sec. 28. Minnesota Statutes 2004, section 349.19, subdivision 4, is amended to read:

Subd. 4. [DISCREPANCIES.] If at a bingo occasion a discrepancy of more than \$20 \$50 is found between the gross receipts as reported by the checkers and the gross receipts determined by adding the cash receipts, the discrepancy must be reported to the board within five days of the bingo occasion.

Sec. 29. Minnesota Statutes 2004, section 349.19, subdivision 10, is amended to read:

Subd. 10. [PULL-TAB RECORDS.] (a) The board shall by rule require a licensed organization to require each winner of a pull-tab prize of \$50 or more to present identification in the form of a driver's license, Minnesota identification card, or other identification the board deems sufficient to allow the identification and tracing of the winner. The rule must require the organization to retain winning pull-tabs of \$50 or more, and the identification of the winner of the pull-tab, for 3-1/2 years.

(b) An organization must maintain separate cash banks for each deal of pull-tabs unless (1) two or more deals are commingled in a ~~single receptacle~~ pull-tab dispensing device, or (2) the organization uses a cash register, of a type approved by the board, which records all sales of pull-tabs by separate deals.

(c) The board shall:

(1) by rule adopt minimum technical standards for cash registers that may be used by organizations, and shall approve for use by organizations any cash register that meets the standards; and

(2) before allowing an organization to use a cash register that commingles receipts from several different pull-tab games in play, adopt rules that define how cash registers may be used and that establish a procedure for organizations to reconcile all pull-tab games in play at the end of each month.

Sec. 30. Minnesota Statutes 2004, section 349.211, subdivision 2c, is amended to read:

Subd. 2c. [TIPBOARD PRIZES.] The maximum prize which may be awarded for a tipboard ticket is ~~\$500~~ \$599, not including any cumulative or carryover prizes. Cumulative or carryover prizes in tipboard games shall not exceed \$2,500.

Sec. 31. Minnesota Statutes 2004, section 349.2125, subdivision 1, is amended to read:

Subdivision 1. [CONTRABAND DEFINED.] The following are contraband:

(1) all pull-tab or tipboard deals or paddleticket cards not ~~stamped or~~ bar coded in accordance with this chapter or chapter 297E;

(2) all pull-tab or tipboard deals in the possession of any unlicensed person, firm, or organization, ~~whether stamped or unstamped~~;

(3) any container used for the storage and display of any contraband pull-tab or tipboard deals as defined in clauses (1) and (2);

(4) all currency, checks, and other things of value used for pull-tab or tipboard transactions not expressly permitted under this chapter, and any cash drawer, cash register, or any other container used for illegal pull-tab or tipboard transactions including its contents;

(5) any 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 five pull-tab or tipboard deals that are contraband under this subdivision. When pull-tabs and tipboards are being transported in the course of interstate commerce between locations outside this state, the pull-tab and tipboard deals are not contraband, notwithstanding the provisions of clauses (1) and (12);

(6) any unaffixed registration stamps except as provided in section 349.162, subdivision 4;

(7) any prize used or offered in a game utilizing contraband as defined in this subdivision;

(8) any altered, modified, or counterfeit pull-tab or tipboard ticket;

(9) any unregistered gambling equipment except as permitted by this chapter;

(10) any gambling equipment kept in violation of section 349.18;

(11) any gambling equipment not in conformity with law or board rule;

(12) any pull-tab or tipboard deal in the possession of a person other than a licensed distributor or licensed manufacturer for which the person, upon demand of a licensed peace officer or authorized agent of the commissioner of revenue or director of alcohol and gambling enforcement, does not immediately produce for inspection the invoice or a true and correct copy of the invoice for the acquisition of the deal from a licensed distributor;

(13) any pull-tab or tipboard deals or portions of deals on which the tax imposed under chapter 297E has not been paid; and

(14) any device prohibited by section 609.76, subdivisions 4 to 6.

Sec. 32. Minnesota Statutes 2004, section 349.213, is amended to read:

349.213 [LOCAL AUTHORITY.]

Subdivision 1. [LOCAL REGULATION.] (a) A statutory or home rule city or county has the authority to adopt more stringent regulation of lawful gambling within its jurisdiction, including the prohibition of lawful gambling, and may require a permit for the conduct of gambling exempt from licensing under section 349.166. The fee for a permit issued under this subdivision may not exceed \$100. The authority granted by this subdivision does not include the authority to require a license or permit to conduct gambling by organizations or sales by distributors or linked bingo game providers licensed by the board. The authority granted by this subdivision does not include the authority to require an organization to make specific expenditures of more than ten percent per year from its net profits derived from lawful gambling. For the purposes of this subdivision, net profits are gross profits less amounts expended for allowable expenses and paid in taxes assessed on lawful gambling. A statutory or home rule charter city or a county may not require an organization conducting lawful gambling within its jurisdiction to make an expenditure to the city or county as a condition to operate within that city or county, except as authorized under section 349.16, subdivision 8, or 297E.02; provided, however, that an ordinance requirement that such organizations must contribute ten percent per year of their net profits derived from lawful gambling conducted at premises within the city's or county's jurisdiction to a fund administered and regulated by the responsible local unit of government without cost to such fund, for disbursement by the responsible local unit of government of the receipts for (i) lawful purposes, or (ii) police, fire, and other emergency or public safety-related services, equipment, and training, excluding pension obligations, is not considered an expenditure to the city or county nor a tax under section 297E.02, and is valid and lawful. A city or county making expenditures authorized under this paragraph must by March 15 of each year file a report with the board, on a form the board prescribes, that lists all such revenues collected and expenditures for the previous calendar year.

(b) A statutory or home rule city or county may by ordinance require that a licensed organization conducting lawful gambling within its jurisdiction expend all or a portion of its expenditures for lawful purposes on lawful purposes conducted or located within the city's or county's trade area. Such an ordinance must be limited to lawful purpose expenditures of gross profits derived from lawful gambling conducted at premises within the city's or county's jurisdiction, must define the city's or county's trade area, and must specify the percentage of lawful purpose expenditures which must be expended within the trade area. A trade area defined by a city under this subdivision must include each city and township contiguous to the defining city.

(c) A more stringent regulation or prohibition of lawful gambling adopted by a political subdivision under this subdivision must apply equally to all forms of lawful gambling within the jurisdiction of the political subdivision, except a political subdivision may prohibit the use of paddlewheels.

Subd. 2. [LOCAL APPROVAL.] Before issuing or renewing a premises permit or bingo hall license, the board must notify the city council of the statutory or home rule city in which the organization's premises or the bingo hall is located or, if the premises or hall is located outside a

city, the county board of the county and the town board of the town where the premises ~~or hall~~ is located. The board may require organizations ~~or bingo halls~~ to notify the appropriate local government at the time of application. This required notification is sufficient to constitute the notice required by this subdivision. The board may not issue or renew a premises permit ~~or bingo hall license~~ unless the organization submits a resolution from the city council or county board approving the premises permit ~~or bingo hall license~~. The resolution must have been adopted within 90 days of the date of application for the new or renewed permit or license.

Subd. 3. [LOCAL GAMBLING TAX.] A statutory or home rule charter city that has one or more licensed organizations operating lawful gambling, and a county that has one or more licensed organizations outside incorporated areas operating lawful gambling, may impose a local gambling tax on each licensed organization within the city's or county's jurisdiction. The tax may be imposed only if the amount to be received by the city or county is necessary to cover the costs incurred by the city or county to regulate lawful gambling. The tax imposed by this subdivision may not exceed three percent per year of the gross receipts of a licensed organization from all lawful gambling less prizes actually paid out by the organization. A city or county may not use money collected under this subdivision for any purpose other than to regulate lawful gambling. All documents pertaining to site inspections, fines, penalties, or other corrective action involving local lawful gambling regulation must be shared with the board within 30 days of filing at the city or county of jurisdiction. A tax imposed under this subdivision is in lieu of all other local taxes and local investigation fees on lawful gambling. A city or county that imposes a tax under this subdivision shall annually, by March 15, file a report with the board in a form prescribed by the board showing (1) the amount of revenue produced by the tax during the preceding calendar year, and (2) the use of the proceeds of the tax.

Sec. 33. Minnesota Statutes 2004, section 609.75, subdivision 1, is amended to read:

Subdivision 1. [LOTTERY.] (a) A lottery is a plan which provides for the distribution of money, property or other reward or benefit to persons selected by chance from among participants some or all of whom have given a consideration for the chance of being selected. A participant's payment for use of a 900 telephone number or another means of communication that results in payment to the sponsor of the plan constitutes consideration under this paragraph.

(b) An in-package chance promotion is not a lottery if all of the following are met:

(1) participation is available, free and without purchase of the package, from the retailer or by mail or toll-free telephone request to the sponsor for entry or for a game piece;

(2) the label of the promotional package and any related advertising clearly states any method of participation and the scheduled termination date of the promotion;

(3) the sponsor on request provides a retailer with a supply of entry forms or game pieces adequate to permit free participation in the promotion by the retailer's customers;

(4) the sponsor does not misrepresent a participant's chances of winning any prize;

(5) the sponsor randomly distributes all game pieces and maintains records of random distribution for at least one year after the termination date of the promotion;

(6) all prizes are randomly awarded if game pieces are not used in the promotion; and

(7) the sponsor provides on request of a state agency a record of the names and addresses of all winners of prizes valued at \$100 or more, if the request is made within one year after the termination date of the promotion.

(c) Except as provided by section 349.40, acts in this state in furtherance of a lottery conducted outside of this state are included notwithstanding its validity where conducted.

(d) The distribution of property, or other reward or benefit by an employer to persons selected by chance from among participants ~~who~~, all of whom:

(1) have made a contribution through a payroll or pension deduction campaign to a registered combined charitable organization, within the meaning of section 309.501; or

(2) have paid other consideration to the employer entirely for the benefit of such a registered combined charitable organization, as a precondition to the chance of being selected, is not a lottery if:

- (+) (i) all of the persons eligible to be selected are employed by or retirees of the employer; and
- (-) (ii) the cost of the property or other reward or benefit distributed and all costs associated with the distribution are borne by the employer.

Sec. 34. [REPEALER.]

Minnesota Statutes 2004, sections 349.162, subdivision 3; 349.164; and 349.17, subdivision 1, are repealed."

Delete the title and insert:

"A bill for an act relating to gambling; amending various provisions relating to lawful gambling; amending and providing definitions; making technical, clarifying, and conforming changes; amending Minnesota Statutes 2004, sections 349.12, subdivisions 5, 25, 33, by adding a subdivision; 349.15, subdivision 1; 349.151, subdivisions 4, 4b; 349.152, subdivision 2; 349.153; 349.154, subdivision 1; 349.155, subdivision 3; 349.16, subdivision 8; 349.161, subdivision 5; 349.162, subdivisions 1, 4, 5; 349.163, subdivision 3; 349.1635, subdivision 4; 349.166, subdivisions 1, 2; 349.167, subdivision 1; 349.168, subdivision 8; 349.17, subdivisions 5, 7; 349.1711, subdivision 1; 349.173; 349.18, subdivision 1; 349.19, subdivisions 4, 10; 349.211, subdivision 2c; 349.2125, subdivision 1; 349.213; 609.75, subdivision 1; repealing Minnesota Statutes 2004, sections 349.162, subdivision 3; 349.164; 349.17, subdivision 1."

And when so amended the bill do pass and be re-referred to the Committee on Finance. Amendments adopted. Report adopted.

Senator Johnson, D.E., from the Committee on Rules and Administration, to which was referred

H.F. No. 933 for comparison with companion Senate File, reports the following House File was found identical and recommends the House File be given its second reading and substituted for its companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
		933	1437		

and that the above Senate File be indefinitely postponed.

Pursuant to Rule 45, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Report adopted.

Senator Johnson, D.E., from the Committee on Rules and Administration, to which was referred

H.F. No. 367 for comparison with companion Senate File, reports the following House File was found identical and recommends the House File be given its second reading and substituted for its companion Senate File as follows:

GENERAL ORDERS

H.F. No.	S.F. No.
367	391

CONSENT CALENDAR

H.F. No.	S.F. No.
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CALENDAR

H.F. No.	S.F. No.
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and that the above Senate File be indefinitely postponed.

Pursuant to Rule 45, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Report adopted.

Senator Johnson, D.E., from the Committee on Rules and Administration, to which was referred

H.F. No. 423 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS

H.F. No.	S.F. No.
423	520

CONSENT CALENDAR

H.F. No.	S.F. No.
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CALENDAR

H.F. No.	S.F. No.
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Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 423 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 423 and insert the language after the enacting clause of S.F. No. 520, the first engrossment; further, delete the title of H.F. No. 423 and insert the title of S.F. No. 520, the first engrossment.

And when so amended H.F. No. 423 will be identical to S.F. No. 520, and further recommends that H.F. No. 423 be given its second reading and substituted for S.F. No. 520, and that the Senate File be indefinitely postponed.

Pursuant to Rule 45, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

SECOND READING OF SENATE BILLS

S.F. Nos. 1879, 492, 1226, 1056, 152, 1193, 1335, 1280 and 1535 were read the second time.

SECOND READING OF HOUSE BILLS

H.F. Nos. 933, 367 and 423 were read the second time.

MOTIONS AND RESOLUTIONS

Senator Ranum moved that the name of Senator Limmer be added as a co-author to S.F. No. 508. The motion prevailed.

Senator LeClair moved that the name of Senator Rest be added as a co-author to S.F. No. 1770. The motion prevailed.

Senator Vickerman moved that the names of Senators Murphy and Skoglund be added as co-authors to S.F. No. 1863. The motion prevailed.

Senator Wiger introduced--

Senate Resolution No. 62: A Senate resolution congratulating Michael Robert Swanberg of Oakdale, Minnesota, for receiving the Eagle Award.

Referred to the Committee on Rules and Administration.

Senator Wiger introduced--

Senate Resolution No. 63: A Senate resolution congratulating Nicholas Martin Furlong of North St. Paul, Minnesota, for receiving the Eagle Award.

Referred to the Committee on Rules and Administration.

Senator Johnson, D.E. introduced--

Senate Resolution No. 64: A Senate resolution congratulating Daniel Frake for receiving the Eagle Award.

Referred to the Committee on Rules and Administration.

Senator Gaither moved that S.F. No. 1427 be withdrawn from the Committee on State and Local Government Operations and re-referred to the Committee on Commerce. The motion prevailed.

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate proceeded to the Order of Business of Introduction and First Reading of Senate Bills.

INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bills were read the first time and referred to the committees indicated.

Senators Belanger, Michel and Ranum introduced--

S.F. No. 1880: A bill for an act relating to taxation; property; extending the fiscal disparities Bloomington repayment by eight additional years; amending Minnesota Statutes 2004, section 473F.08, subdivision 3a.

Referred to the Committee on State and Local Government Operations.

Senators Larson and Rest introduced--

S.F. No. 1881: A bill for an act relating to state government; requiring the Minnesota Historical Society to request the continued display of specified portraits in the Capitol building.

Referred to the Committee on State and Local Government Operations.

Senators Neuville and Dille introduced--

S.F. No. 1882: A bill for an act relating to civil actions; limiting certain liability of certain nonprofit providers of services to adults and children with mental retardation and related conditions and certain nonprofit corporations formed to provide homes for children; proposing coding for new law in Minnesota Statutes, chapter 604A.

Referred to the Committee on Judiciary.

Senator Skoglund introduced--

S.F. No. 1883: A bill for an act relating to government data practices; providing for classification and dissemination of security information and certain data; amending Minnesota Statutes 2004, sections 13.37, subdivisions 1, 2, 3; 13.591, by adding subdivisions; 16C.06, subdivision 5.

Referred to the Committee on Judiciary.

Senators Higgins, Vickerman, Dibble, Wiger and Kubly introduced--

S.F. No. 1884: A bill for an act relating to state government; repealing references in the State Building Code to the International Mechanical Code and replacing them with references to the 1991 Uniform Mechanical Code with Minnesota amendments; repealing Minnesota Rules, parts 1346.0050; 1346.0060; 1346.0101; 1346.0102; 1346.0103; 1346.0104; 1346.0105; 1346.0106; 1346.0107; 1346.0108; 1346.0109; 1346.0110; 1346.0201; 1346.0202; 1346.0301; 1346.0306; 1346.0309; 1346.0401; 1346.0403; 1346.0404; 1346.0501; 1346.0505; 1346.0506; 1346.0507; 1346.0508; 1346.0510; 1346.0603; 1346.0604; 1346.0701; 1346.0703; 1346.0709; 1346.0801; 1346.0803; 1346.0901; 1346.1001; 1346.1003; 1346.1004; 1346.1006; 1346.1007; 1346.1011; 1346.1204; 1346.1601; 1346.1602; 1346.1603; 1346.1604; 1346.1605; 1346.1606; 1346.5050; 1346.5201; 1346.5202; 1346.5301; 1346.5303; 1346.5304; 1346.5306; 1346.5401; 1346.5402; 1346.5403; 1346.5404; 1346.5406; 1346.5407; 1346.5408; 1346.5409; 1346.5410; 1346.5501; 1346.5503; 1346.5504; 1346.5602; 1346.5620; 1346.5629; 1346.5630; 1346.5801; 1346.5802; 1346.5803; 1346.5804; 1346.5805; 1346.5806; 1346.5807; 1346.5900.

Referred to the Committee on State and Local Government Operations.

Senator Senjem introduced--

S.F. No. 1885: A bill for an act relating to state government; authorizing certain emergency meetings to be conducted by telephone or other electronic means; proposing coding for new law in Minnesota Statutes, chapter 13D.

Referred to the Committee on State and Local Government Operations.

Senators Rosen, Kubly and Dille introduced--

S.F. No. 1886: A bill for an act relating to employment and economic development; establishing the small business growth acceleration program; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 116O.

Referred to the Committee on Jobs, Energy and Community Development.

Senators Michel, Vickerman and Metzen introduced--

S.F. No. 1887: A bill for an act relating to utilities; modifying the term of guaranteed savings lease purchase contracts; amending Minnesota Statutes 2004, section 16C.144, subdivision 3.

Referred to the Committee on Jobs, Energy and Community Development.

Senators Pappas, Kierlin, Larson, Tomassoni and Skoe introduced--

S.F. No. 1888: A bill for an act relating to taxation; providing an income tax credit for expenditures for postsecondary tuition and related expenses; appropriating money; amending Minnesota Statutes 2004, section 290.06, by adding a subdivision.

Referred to the Committee on Taxes.

Senators Rest, Kelley, Gaither, Michel and Skoglund introduced--

S.F. No. 1889: A bill for an act relating to education finance; creating an education price index; amending Minnesota Statutes 2004, section 126C.10, subdivisions 2, 6; proposing coding for new law in Minnesota Statutes, chapter 126C.

Referred to the Committee on Finance.

Senators Ranum, Skoglund, Dibble, McGinn and Belanger introduced--

S.F. No. 1890: A bill for an act relating to metropolitan government; requiring the Metropolitan Airports Commission to implement specified sound mitigation efforts within designated areas.

Referred to the Committee on State and Local Government Operations.

Senators Ranum, Vickerman, Betzold, Senjem and Larson introduced--

S.F. No. 1891: A bill for an act relating to veterans affairs; authorizing the commissioner of veterans affairs to establish a program of outreach to minority veterans; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 197.

Referred to the Committee on Agriculture, Veterans and Gaming.

Senators Day, Kleis, Fischbach, Wergin and Koering introduced--

S.F. No. 1892: A bill for an act relating to human services; establishing participation in the I-Save Rx prescription drug program; proposing coding for new law in Minnesota Statutes, chapter 256.

Referred to the Committee on Health and Family Security.

Senator Murphy introduced--

S.F. No. 1893: A bill for an act relating to ethanol fuels; establishing a program of small grants to stimulate research on improved combustion of agriculturally derived ethanol in motor vehicle engines; appropriating money; amending Minnesota Statutes 2004, section 41A.09, by adding subdivisions.

Referred to the Committee on Agriculture, Veterans and Gaming.

Senator Sparks introduced--

S.F. No. 1894: A bill for an act relating to utilities; requiring Public Utilities Commission and Department of Commerce to establish e-filing system and authorizing onetime assessment; appropriating money.

Referred to the Committee on Jobs, Energy and Community Development.

Senator Metzen introduced--

S.F. No. 1895: A bill for an act relating to economic development; authorizing metropolitan area counties to form economic development authorities; amending Minnesota Statutes 2004, section 469.1082, subdivision 1.

Referred to the Committee on Jobs, Energy and Community Development.

RECESS

Senator Johnson, D.E. moved that the Senate do now recess until 9:30 a.m. The motion prevailed.

The hour of 9:30 a.m. having arrived, the President called the Senate to order.

CALL OF THE SENATE

Senator Johnson, D.E. imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

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 Reports of Committees and Second Reading of Senate Bills.

REPORTS OF COMMITTEES

Senator Johnson, D.E. moved that the Committee Reports at the Desk be now adopted. The motion prevailed.

Senator Anderson from the Committee on Jobs, Energy and Community Development, to which was referred

S.F. No. 944: A bill for an act relating to unemployment insurance; conforming various provisions to federal requirements; making technical and housekeeping changes; amending Minnesota Statutes 2004, sections 268.03, subdivision 1; 268.035, subdivisions 9, 13, 14, 20, 21, 26; 268.042, subdivision 1; 268.043; 268.044, subdivisions 2, 3; 268.051, subdivisions 1, 4, 6, 7, by adding a subdivision; 268.052, subdivision 2; 268.053, subdivision 1; 268.065, subdivision 2; 268.069, subdivision 1; 268.07, subdivision 3b; 268.085, subdivisions 1, 2, 3, 5, 12; 268.086, subdivisions 2, 3; 268.095, subdivisions 1, 4, 7, 8, 10, 11; 268.101, subdivisions 1, 3a; 268.103, subdivision 2; 268.105; 268.145, subdivision 1; 268.18, subdivisions 1, 2, 2b; 268.182, subdivision 2; 268.184, subdivisions 1, 2, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 268; repealing Minnesota Statutes 2004, sections 268.045, subdivisions 2, 3, 4; 268.086, subdivision 4; Laws 1997, chapter 66, section 64, subdivision 1; Minnesota Rules, parts 3310.2926; 3310.5000; 3315.0910, subpart 9; 3315.1020; 3315.1301; 3315.1315, subparts 1, 2, 3; 3315.1650; 3315.2210; 3315.3210; 3315.3220.

Reports the same back with the recommendation that the bill be amended as follows:

Pages 1 and 2, delete section 1

Page 2, line 27, delete "[268.0436]" and insert "[268.0435]"

Page 3, after line 4, insert:

"Sec. 2. Minnesota Statutes 2004, section 268.044, subdivision 1, is amended to read:

Subdivision 1. [WAGE DETAIL REPORT.] (a) Each employer that has employees in covered employment shall submit, under the account provided for in section 268.045 or 268.046, a quarterly wage detail report by electronic transmission, in a format prescribed by the commissioner. The report shall include for each employee in covered employment, the employee's name, Social Security number, the total wages paid to the employee, and total number of paid hours worked. For employees exempt from the definition of employee in section 177.23, subdivision 7, clause (6), the employer shall report 40 hours worked for each week any duties were performed by a full-time employee and shall report a reasonable estimate of the hours worked for each week duties were performed by a part-time employee. In addition, the wage detail report shall include the number of employees employed on the 12th day of each calendar month and, if required by the commissioner, the report shall be broken down by business location and ~~type of employment~~, if section 268.046, subdivision 1, paragraph (b), or subdivision 2, paragraph (b), applies, by separate unit. If the information required is not submitted in a manner and format prescribed by the commissioner, it shall not be considered a wage detail report. The report is due and must be received by the commissioner on or before the last day of the month following the

end of the calendar quarter. The commissioner may delay the due date on a specific calendar quarter in the event the department is unable to accept wage detail reports electronically.

(b) The employer may report the wages paid to the next lower whole dollar amount.

(c) An employer need not include the name of the employee or other required information on the wage detail report if disclosure is specifically exempted from being reported by federal law.

(d) A wage detail report must be submitted for each calendar quarter even though no wages were paid, unless the employer has notified the commissioner, under section 268.042, subdivision 1, paragraph (c), of termination of business."

Page 3, after line 22, insert:

"Sec. 4. Minnesota Statutes 2004, section 268.045, subdivision 1, is amended to read:

Subdivision 1. [ACCOUNT FOR EACH EMPLOYER.] The commissioner shall maintain (1) a tax account for each taxpaying employer and (2) a reimbursable account for each nonprofit or government employer that has elected under section 268.052 or 268.053 to be liable for reimbursements if that employer has employees in covered employment in the current or the prior calendar year, except as provided in this section 268.046. The commissioner shall assess the tax account of a taxpaying employer for all the taxes due under section 268.051 and credit the tax account with all taxes paid. The commissioner shall charge the reimbursable account of a nonprofit or government employer that elects to make reimbursements for any unemployment benefits determined chargeable to the employer under section 268.047 and shall credit the reimbursable account with the payments made.

Sec. 5. [268.046] [TAX AND REIMBURSABLE ACCOUNTS ASSIGNED TO EMPLOYEE LEASING COMPANIES, PROFESSIONAL EMPLOYER ORGANIZATIONS, OR SIMILAR PERSON.]

Subdivision 1. [TAX ACCOUNTS ASSIGNED.] (a) Any person that contracts with a taxpaying employer to have that person obtain the taxpaying employer's workforce and provide workers to the taxpaying employer for a fee shall, as of the effective date of the contract, be assigned for the duration of the contract the taxpaying employer's account under section 268.045. That tax account must be maintained by the person separate and distinct from every other tax account held by the person and identified in a manner prescribed by the commissioner. The tax account shall, for the duration of the contract, be considered that person's account for all purposes of this chapter. The workers obtained from the taxpaying employer and any other workers provided by that person to the taxpaying employer must, under section 268.044, be reported on the wage detail report under that tax account, and that person shall pay any taxes due at the tax rate computed for that account under section 268.051, subdivision 2.

(b) Any workers of the taxpaying employer who are not covered by the contract under paragraph (a) must be reported by the taxpaying employer as a separate unit on the wage detail report under the tax account assigned under paragraph (a). Taxes and any other amounts due on the wages reported by the taxpaying employer under this paragraph may be paid directly by the taxpaying employer.

(c) If the taxpaying employer that contracts with a person under paragraph (a) does not have a tax account at the time of the execution of the contract, an account must be registered for the taxpaying employer under section 268.042, and the new employer tax rate under section 268.051, subdivision 5, must be assigned. The tax account shall then be assigned to the person as provided for in paragraph (a).

(d) A person that contracts with a taxpaying employer under paragraph (a) must, within 30 calendar days of the execution or termination of a contract, notify the commissioner by electronic transmission, in a format prescribed by the commissioner, of that execution or termination. The taxpaying employer's name, the account number assigned, and any other information required by the commissioner must be provided by that person.

(e) Any contract subject to paragraph (a) must specifically inform the taxpaying employer of the assignment of the tax account under this section and the taxpaying employer's obligation under paragraph (b). If there is a termination of the contract, the tax account shall, as of the date of termination, immediately be assigned to the taxpaying employer.

Subd. 2. [NONPROFIT AND GOVERNMENT REIMBURSABLE ACCOUNTS ASSIGNED.] (a) Any person that contracts with a nonprofit or government employer that is a reimbursing employer to have that person obtain the nonprofit or government employer's workforce and provide workers to the nonprofit or government employer for a fee, shall, as of the effective date of the contract, be assigned for the duration of the contract the nonprofit or government employer's account under section 268.045. That reimbursable account must be maintained by the person separate and distinct from every other account held by the person and identified in a manner prescribed by the commissioner. That reimbursable account shall, for the duration of the contract, be considered that person's account for all purposes of this chapter. The workers obtained from the nonprofit or government employer and any other workers provided by that person to the nonprofit or government employer must, under section 268.044, be reported on the wage detail report under that reimbursable account, and that person shall pay any reimbursements due.

(b) Any workers of the nonprofit or government employer who are not covered by the contract under paragraph (a) must be reported by the nonprofit or government employer as a separate unit on the wage detail report under the reimbursable account assigned under paragraph (a). Reimbursements and any other amounts due on the wages reported by the nonprofit or government employer under this paragraph may be paid directly by the nonprofit or government employer.

(c) If the nonprofit or government employer that contracts with a person under paragraph (a) does not have an account at the time of the execution of the contract, an account must be registered for the nonprofit or government employer under section 268.042. The reimbursable account shall then be assigned to the person as provided for in paragraph (a).

(d) A person that contracts with a nonprofit or government employer under paragraph (a) must, within 30 calendar days of the execution or termination of a contract, notify the commissioner of that execution or termination by electronic transmission, in a format prescribed by the commissioner. The nonprofit or government employer's name, the account number assigned, and any other information required by the commissioner must be provided by that person.

(e) Any contract subject to paragraph (a) must specifically inform the nonprofit or government employer of the assignment of the reimbursable account under this section and the nonprofit or government employer's obligation under paragraph (b). If there is a termination of the contract, the reimbursable account shall, as of the date of termination, immediately be assigned to the nonprofit or government employer.

Subd. 3. [PENALTIES; APPLICATION.] (a) Any person that violates the requirements of this section and any taxpaying employer that violates subdivision 1, paragraph (b), or any nonprofit or government employer that violates subdivision 2, paragraph (b), shall be subject to the penalties under section 268.184, subdivision 1a. Penalties shall be credited to the administration account to be used to ensure integrity in the unemployment insurance program.

(b) Section 268.051, subdivision 4, does not apply to contracts under this section. This section shall not limit or prevent the application of section 268.051, subdivision 4, to any other transactions or acquisitions involving the taxpaying employer. This section shall not limit or prevent the application of section 268.051, subdivision 4a.

(c) An assignment of an account upon the execution of a contract under this section and a termination of a contract with the corresponding assignment of the account shall not be considered a separation from employment of any worker covered by the contract. Nothing under this subdivision shall cause the person to be liable for any amounts past due under this chapter from the taxpaying employer or the nonprofit or government employer.

(d) This section applies to, but is not limited to, persons registered under section 79.255, but does not apply to persons that obtain an exemption from registration under section 79.255, subdivision 9.

[EFFECTIVE DATE.] This section applies to all contracts executed on and after January 1, 2006."

Page 8, delete lines 7 and 8

Page 9, line 32, strike "FIRMS" and insert "COMPANY, PROFESSIONAL EMPLOYER ORGANIZATION, OR SIMILAR PERSON"

Page 9, line 34, strike "firms" and insert "company, professional employer organization, or similar person"

Page 10, line 2, strike "firm" and insert "company, professional employer organization, or similar person"

Page 11, line 30, delete "268.0436" and insert "268.046"

Page 11, line 32, delete "268.0436" and insert "268.046"

Page 12, after line 21, insert:

"[EFFECTIVE DATE.] This section is effective August 1, 2005, and applies to crimes committed on or after that date."

Page 12, after line 25, insert:

"Sec. 15. [RELATION TO FEDERAL LAW.]

This article is enacted to meet the requirements of the Federal SUTA Dumping Prevention Act of 2004, Public Law 108-295, amending United States Code, title 42, section 503, and shall be construed, interpreted, and applied consistent with the requirements of that federal law, including its definitions."

Page 15, after line 20, insert:

"An employee leasing company, professional employer organization, or similar person, that has been assigned a tax or reimbursable account under section 268.046 is an employer for purposes of this chapter."

Page 25, after line 30, insert:

"Sec. 14. Minnesota Statutes 2004, section 268.057, subdivision 7, is amended to read:

Subd. 7. [CREDIT ADJUSTMENTS, REFUNDS.] (a) If an employer makes an application for a credit adjustment of any amount paid under this chapter or section 116L.20 within four years of the year ~~date~~ that the payment was ~~made due~~, in a manner and format prescribed by the commissioner, and the commissioner determines that the payment or any portion was erroneous, the commissioner shall make an adjustment and issue a credit without interest. If a credit cannot be used, the commissioner shall refund, without interest, the amount erroneously paid. The commissioner, on the commissioner's own motion, may make a credit adjustment or refund under this subdivision.

Any refund returned to the commissioner shall be considered unclaimed property under chapter 345.

(b) If a credit adjustment or refund is denied in whole or in part, a notice of denial shall be sent to the employer by mail or electronic transmission. Within 30 calendar days after sending of the notice of denial, the employer may protest.

Upon receipt of a timely protest, the commissioner shall review the denial and either affirm the denial or redetermine the credit adjustment or refund. The affirmation of denial or redetermination of the credit adjustment or refund, sent by mail or electronic transmission, shall be final unless an employer files an appeal within 30 calendar days after sending. Proceedings on the appeal shall be conducted in accordance with section 268.105."

Pages 40 to 48, delete section 32 and insert:

"Sec. 33. Minnesota Statutes 2004, section 268.105, is amended to read:

268.105 [APPEALS.]

Subdivision 1. [EVIDENTIARY HEARING BY AN UNEMPLOYMENT LAW JUDGE.] (a) Upon a timely appeal having been filed, the department shall send, by mail or electronic transmission, a notice of appeal to all involved parties that an appeal has been filed, that a de novo due process evidentiary hearing will be scheduled, and that the parties have certain rights and responsibilities regarding the hearing. The department shall set a time and place for a de novo due process evidentiary hearing and send notice to any involved applicant and any involved employer, by mail or electronic transmission, not less than ten calendar days prior to the date of the hearing.

(b) The evidentiary hearing shall be conducted by an unemployment law judge without regard to any common law burden of proof as an evidence gathering inquiry and not an adversarial proceeding. The unemployment law judge shall ensure that all relevant facts are clearly and fully developed. The department shall adopt rules on evidentiary hearings. The rules need not conform to common law or statutory rules of evidence and other technical rules of procedure. The department shall have discretion regarding the method by which the evidentiary hearing is conducted. A report of any employee of the department, except a determination, made in the regular course of the employee's duties, shall be competent evidence of the facts contained in it.

(c) After the conclusion of the hearing, upon the evidence obtained, the unemployment law judge shall make findings of fact and decision and send those, by mail or electronic transmission, to all involved parties. When the credibility of an involved party or witness testifying in an evidentiary hearing has a significant effect on the outcome of a decision, the unemployment law judge must set out the reason for crediting or discrediting that testimony. The unemployment law judge's decision is the final department decision unless a further appeal request for reconsideration is filed pursuant to subdivision 2.

(d) Only employees of the department who are attorneys shall serve as unemployment law judges. ~~A senior unemployment review judge~~ The commissioner may personally hear or transfer to another unemployment law judge any proceedings pending before an unemployment law judge. Any proceedings removed to a senior unemployment review judge shall be heard in accordance with this subdivision.

Subd. 2. [DE NOVO REVIEW BY A SENIOR UNEMPLOYMENT REVIEW JUDGE.] (a) ~~Except as provided under subdivision 2a, any involved applicant or involved employer may appeal a decision of an unemployment law judge and obtain a de novo review by a senior unemployment review judge by filing with a senior unemployment review judge an appeal within 30 calendar days after the sending of the unemployment law judge's decision. A senior unemployment review judge within the same period of time may, on a senior unemployment review judge's own motion, order a de novo review of any decision of an unemployment law judge.~~

(b) ~~A senior unemployment review judge shall be an attorney who is an employee of the department.~~

(c) ~~Upon de novo review, a senior unemployment review judge shall, on the basis of that evidence submitted at the evidentiary hearing under subdivision 1, make findings of fact and decision, or remand the matter back to an unemployment law judge for the taking of additional evidence and the making of new findings and decision based on all the evidence. A senior unemployment review judge shall, independent of the findings of fact and decision of the unemployment law judge, examine the evidence and make those findings of fact as the evidence,~~

in the judgment of the senior unemployment review judge require, and make that decision as the facts found by the senior unemployment review judge require.

~~(d) A senior unemployment review judge may conduct a de novo review without argument by any involved party, or a senior unemployment review judge may allow written argument. A senior unemployment review judge shall not, except for purposes of deciding whether to remand a matter to an unemployment law judge for a further evidentiary hearing, consider any evidence that was not submitted at the hearing before the unemployment law judge.~~

~~(e) The senior unemployment review judge shall send, by mail or electronic transmission, to any involved party the senior unemployment review judge's findings of fact and decision. The decision of the senior unemployment review judge is the final decision of the department. Unless judicial review is sought under subdivision 7, the decision of the senior unemployment review judge shall become final 30 calendar days after sending.~~

~~Subd. 2a. [ORDERS BY A SENIOR UNEMPLOYMENT REVIEW JUDGE.] (a) If an applicant or employer files an appeal in a matter where an unemployment law judge affirmed a determination issued under section 268.101, and there is no dispute regarding the determinative facts, a senior unemployment review judge shall have the discretion to decline to conduct a de novo review. If de novo review is declined, the senior unemployment review judge shall issue an order adopting the unemployment law judge's findings of fact and decision.~~

~~(b) If an involved party fails, without good cause, to appear and participate at the evidentiary hearing conducted by an unemployment law judge under subdivision 1, and that party files an appeal, a senior unemployment review judge shall have the discretion to decline to conduct a de novo review. If de novo review is declined, the senior unemployment review judge shall issue an order dismissing the appeal.~~

~~Submission of a written statement shall not constitute an appearance and participation at an evidentiary hearing for purposes of this paragraph.~~

~~All involved parties must be notified of this paragraph with the notice of appeal and notice of hearing provided for under subdivision 1. The senior unemployment review judge shall allow for the submission of a written argument on the issue of good cause before dismissing an appeal under this paragraph.~~

~~"Good cause" for purposes of this paragraph is a compelling reason that would have prevented a reasonable person acting with due diligence from appearing and participating at the evidentiary hearing.~~

~~(c) The senior unemployment review judge shall send to any involved party the order issued under this subdivision. The order may be sent by mail or electronic transmission. Unless judicial review is sought under subdivision 7, the order of a senior unemployment review judge becomes final 30 calendar days after sending. [REQUEST FOR RECONSIDERATION.] (a) Any involved applicant, involved employer, or the commissioner may, within 30 calendar days of the sending of the unemployment law judge's decision under subdivision 1, file a request for reconsideration asking the unemployment law judge to reconsider that decision. Section 268.103 shall apply to a request for reconsideration. If a request for reconsideration is timely filed, the unemployment law judge shall issue an order:~~

- ~~(1) modifying the findings of fact and decision issued under subdivision 1;~~
- ~~(2) setting aside the findings of fact and decision issued under subdivision 1 and directing that an additional evidentiary hearing be conducted under subdivision 1; or~~
- ~~(3) affirming the findings of fact and decision issued under subdivision 1.~~

~~(b) Upon a timely request for reconsideration having been filed, the department shall send a notice, by mail or electronic transmission, to all involved parties that a request for reconsideration has been filed. The notice shall inform the involved parties:~~

(1) of the opportunity to provide comment on the request for reconsideration, and the right under subdivision 5 to obtain a copy of any recorded testimony and exhibits offered or received into evidence at the evidentiary hearing;

(2) that providing specific comments as to a perceived factual or legal error in the decision, or a perceived error in procedure during the evidentiary hearing, will assist the unemployment law judge in deciding the request for reconsideration;

(3) of the right to obtain any comments and submissions provided by the other involved party regarding the request for reconsideration; and

(4) of the provisions of paragraph (c) regarding additional evidence.

This paragraph shall not apply if paragraph (d) is applicable.

(c) In deciding a request for reconsideration, the unemployment law judge shall not, except for purposes of determining whether to order an additional evidentiary hearing, consider any evidence that was not submitted at the evidentiary hearing conducted under subdivision 1.

The unemployment law judge must order an additional evidentiary hearing if an involved party shows that evidence which was not submitted at the evidentiary hearing: (1) would likely change the outcome of the decision and there was good cause for not having previously submitted that evidence; or (2) would show that the evidence that was submitted at the evidentiary hearing was likely false and that the likely false evidence had an effect on the outcome of the decision.

(d) If the involved applicant or involved employer who filed the request for reconsideration failed to participate in the evidentiary hearing conducted under subdivision 1, an order setting aside the findings of fact and decision and directing that an additional evidentiary hearing be conducted must be issued if the party who failed to participate had good cause for failing to do so. In the notice of the request for reconsideration, the party who failed to participate shall be informed of the requirement, and provided the opportunity, to show good cause for failing to participate. If the unemployment law judge determines that good cause for failure to participate has not been shown, the unemployment law judge must state that in the order issued under paragraph (a).

Submission of a written statement at the evidentiary hearing under subdivision 1 shall not constitute participation for purposes of this paragraph.

All involved parties must be informed of this paragraph with the notice of appeal and notice of hearing provided for in subdivision 1.

"Good cause" for purposes of this paragraph is a reason that would have prevented a reasonable person acting with due diligence from participating at the evidentiary hearing.

(e) A request for reconsideration shall be decided by the unemployment law judge who issued the findings of fact and decision under subdivision 1 unless that unemployment law judge: (1) is no longer employed by the department; (2) is on an extended or indefinite leave; (3) has been disqualified from the proceedings on the judge's own motion; or (4) has been removed from the proceedings as provided for under subdivision 1 or applicable rule.

(f) The unemployment law judge shall send to any involved applicant or involved employer, by mail or electronic transmission, the order issued under this subdivision. An order modifying the previously issued findings of fact and decision or an order affirming the previously issued findings of fact and decision shall be the final department decision on the matter and shall be final and binding on the involved applicant and involved employer unless judicial review is sought under subdivision 7.

Subd. 3. [WITHDRAWAL OF APPEAL.] (a) Any appeal that is pending before an unemployment law judge ~~or a senior unemployment review judge~~ may be withdrawn by the appealing person, or an authorized representative of that person, upon filing of a notice of withdrawal.

(b) The appeal shall, by order, be dismissed if a notice of withdrawal is filed, unless an unemployment law judge or a senior unemployment review judge, by order, directs that further adjudication is required for a proper result.

(c) A notice of withdrawal may be filed by mail or by electronic transmission.

Subd. 3a. [DECISIONS.] (a) If an unemployment law judge's decision or a senior unemployment review judge's decision or order allows unemployment benefits to an applicant, the unemployment benefits shall be paid regardless of any appeal period request for reconsideration or any appeal to the Minnesota Court of Appeals having been filed.

(b) If an unemployment law judge's decision or order modifies or reverses a determination, or prior decision of the unemployment law judge, allowing unemployment benefits to an applicant, any benefits paid pursuant to the determination, or prior decision of the unemployment law judge, is considered an overpayment of those unemployment benefits under section 268.18, subdivision 1.

(c) ~~If a senior unemployment review judge's decision modifies or reverses an unemployment law judge's decision allowing unemployment benefits to an applicant, any unemployment benefits paid pursuant to the unemployment law judge's decision is considered an overpayment of those unemployment benefits under section 268.18, subdivision 1.~~

(d) ~~If a senior unemployment review judge affirms an unemployment law judge's decision on an issue of disqualification that order under subdivision 2 allows unemployment benefits to an applicant under section 268.095 because of a quit or discharge and the senior unemployment review law judge's decision or order is reversed by the Minnesota Court of Appeals or the Supreme Court of Minnesota, any unemployment benefits paid the applicant shall not be disqualified from considered an overpayment of those unemployment benefits under section 268.095 268.18, subdivision 1.~~

(e) (d) If a senior an unemployment review law judge, pursuant to subdivision 2, remands a matter to an unemployment law judge for orders the taking of additional evidence, the prior unemployment law judge's prior decision shall continue to be enforced until new findings of fact and decision are made by an the unemployment law judge.

Subd. 4. [TESTIMONIAL POWERS.] An unemployment law judge and a senior unemployment review judge may administer oaths and affirmations, take depositions, and issue subpoenas to compel the attendance of witnesses and the production of documents and other personal property considered necessary as evidence in connection with the subject matter of an evidentiary hearing. The subpoenas shall be enforceable through the district court in the district that the subpoena is issued. Witnesses subpoenaed, other than an involved applicant or involved employer or officers and employees of an involved employer, shall be paid by the department the same witness fees as in a civil action in district court.

Subd. 5. [USE OF EVIDENCE; DATA PRIVACY.] (a) All testimony at any evidentiary hearing conducted pursuant to subdivision 1 shall be recorded. A copy of any recorded testimony and exhibits offered or received into evidence at the hearing shall, upon request, ~~or upon directive of a senior unemployment review judge,~~ be furnished to a party at no cost during the time period for filing an appeal to a senior unemployment review judge a request for reconsideration or while such an appeal a request for reconsideration is pending. ~~If requested, the department shall make available a device for listening to the recording if an appeal is pending before a senior unemployment review judge under subdivision 2.~~

(b) Regardless of any provision of law to the contrary, if recorded testimony and exhibits received into evidence at the evidentiary hearing are not requested during the time period for filing an appeal to a senior unemployment review judge a request for reconsideration, or while such an appeal a request for reconsideration is pending, that testimony and other evidence shall later be made available to an involved party only pursuant to a district court order. A subpoena shall not be considered a district court order.

(c) Testimony obtained under subdivision 1, may not be used or considered for any purpose, including impeachment, in any civil, administrative, or contractual proceeding, except by a local, state, or federal human rights agency with enforcement powers, unless the proceeding is initiated by the department.

Subd. 5a. [NO COLLATERAL ESTOPPEL.] No findings of fact or decision or order issued by an unemployment law judge ~~or a senior unemployment review judge~~ may be held conclusive or binding or used as evidence in any separate or subsequent action in any other forum, be it contractual, administrative, or judicial, except proceedings provided for under this chapter, regardless of whether the action involves the same or related parties or involves the same facts.

Subd. 6. [REPRESENTATION; FEES.] (a) In any proceeding under subdivision 1, or 2, or 2a, an applicant or involved employer may be represented by any agent.

(b) Except for services provided by an attorney-at-law, an applicant shall not be charged fees, costs, or disbursements of any kind in a proceeding before an unemployment law judge, ~~a senior unemployment review judge~~, the Minnesota Court of Appeals, or the Supreme Court of Minnesota.

Subd. 7. [JUDICIAL REVIEW.] (a) The Minnesota Court of Appeals shall, by writ of certiorari to the department, review the ~~senior unemployment review law judge's decision under subdivision 2 or order under subdivision 2a~~, provided a petition for the writ is filed with the court and a copy is served upon the ~~senior unemployment review law judge or the commissioner and any other involved party within 30 calendar days of the sending of the senior unemployment review law judge's decision under subdivision 2 or order under subdivision 2a~~ 2.

(b) Any employer petitioning for a writ of certiorari shall pay to the court the required filing fee and upon the service of the writ shall furnish a cost bond to the department in accordance with the Rules of Civil Appellate Procedure. If the employer requests a written transcript of the testimony received at the evidentiary hearing conducted pursuant to subdivision 1, the employer shall pay to the department the cost of preparing the transcript. That money shall be credited to the administration account.

(c) Upon issuance by the Minnesota Court of Appeals of a writ of certiorari as a result of an applicant's petition, the department shall furnish to the applicant at no cost a written transcript of any testimony received at the evidentiary hearing conducted pursuant to subdivision 1, and, if requested, a copy of all exhibits entered into evidence. No filing fee or cost bond shall be required of an applicant petitioning the Minnesota Court of Appeals for a writ of certiorari.

(d) The Minnesota Court of Appeals may affirm the decision of the unemployment law judge or remand the case for further proceedings; or it may reverse or modify the decision if the substantial rights of the petitioner may have been prejudiced because the findings, inferences, conclusion, or decision are:

- (1) in violation of constitutional provisions;
- (2) in excess of the statutory authority or jurisdiction of the department;
- (3) made upon unlawful procedure;
- (4) affected by other error of law;
- (5) unsupported by substantial evidence in view of the entire record as submitted; or
- (6) arbitrary or capricious.

(e) The department shall be considered the primary responding party to any judicial action involving ~~a senior an unemployment review law judge's decision or order~~. The department may be represented by an attorney who is an employee of the department.

[EFFECTIVE DATE.] This section applies to unemployment law judge decisions issued on or after 30 days following final enactment of this act."

Page 53, line 29, delete "38" and insert "31, 33 to 38,"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 4, after the semicolon, insert "modifying appeal procedures;"

Page 1, line 7, after "subdivisions" insert "1," and after "3;" insert "268.045, subdivision 1;"

Page 1, line 10, after "1;" insert "268.057, subdivision 7;"

And when so amended the bill do pass and be re-referred to the Committee on Crime Prevention and Public Safety. Amendments adopted. Report adopted.

Senator Pogemiller from the Committee on Taxes, to which was referred

S.F. No. 1683: A bill for an act relating to taxation; providing that certain elderly living facilities are exempt from the property tax; amending Minnesota Statutes 2004, section 272.02, by adding a subdivision.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1 INCOME TAX

Section 1. Minnesota Statutes 2004, section 289A.39, subdivision 1, is amended to read:

Subdivision 1. [EXTENSIONS FOR SERVICE MEMBERS.] (a) The limitations of time provided by this chapter, chapter 290 relating to income taxes, chapter 271 relating to the Tax Court for filing returns, paying taxes, claiming refunds, commencing action thereon, appealing to the Tax Court from orders relating to income taxes, and the filing of petitions under chapter 278 that would otherwise be due ~~May 15, 1996~~ May 1, 2004, and appealing to the Supreme Court from decisions of the Tax Court relating to income taxes are extended, as provided in section 7508 of the Internal Revenue Code.

(b) If a member of the National Guard or reserves is called to active duty in the armed forces, the limitations of time provided by this chapter and chapters 290 and 290A relating to income taxes and claims for property tax refunds are extended by the following period of time:

- (1) in the case of an individual whose active service is in the United States, six months; or
- (2) in the case of an individual whose active service includes service abroad, the period of initial service plus six months.

Nothing in this paragraph reduces the time within which an act is required or permitted under paragraph (a).

(c) If an individual entitled to the benefit of paragraph (a) files a return during the period disregarded under paragraph (a), interest must be paid on an overpayment or refundable credit from the due date of the return, notwithstanding section 289A.56, subdivision 2.

(d) The provisions of this subdivision apply to the spouse of an individual entitled to the benefits of this subdivision with respect to a joint return filed by the spouses.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2002, and for property taxes payable after 2003.

Sec. 2. Minnesota Statutes 2004, section 290.01, subdivision 7, is amended to read:

Subd. 7. [RESIDENT.] (a) The term "resident" means any individual domiciled in Minnesota, except that an individual is not a "resident" for the period of time that the individual is either:

~~(1) on active duty stationed outside of Minnesota while in the armed forces of the United States or the United Nations; or~~

~~(2) a "qualified individual" as defined in section 911(d)(1) of the Internal Revenue Code, if the qualified individual notifies the county within three months of moving out of the country that homestead status be revoked for the Minnesota residence of the qualified individual, and the property is not classified as a homestead while the individual remains a qualified individual.~~

(b) "Resident" also means any individual domiciled outside the state who maintains a place of abode in the state and spends in the aggregate more than one-half of the tax year in Minnesota, unless:

(1) the individual or the spouse of the individual is in the armed forces of the United States; or

(2) the individual is covered under the reciprocity provisions in section 290.081.

For purposes of this subdivision, presence within the state for any part of a calendar day constitutes a day spent in the state. Individuals shall keep adequate records to substantiate the days spent outside the state.

The term "abode" means a dwelling maintained by an individual, whether or not owned by the individual and whether or not occupied by the individual, and includes a dwelling place owned or leased by the individual's spouse.

(c) Neither the commissioner nor any court shall consider charitable contributions made by an individual within or without the state in determining if the individual is domiciled in Minnesota.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 3. Minnesota Statutes 2004, section 290.01, subdivision 19a, is amended to read:

Subd. 19a. [ADDITIONS TO FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be added to federal taxable income:

(1)(i) interest income on obligations of any state other than Minnesota or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota exempt from federal income taxes under the Internal Revenue Code or any other federal statute; and

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, except the portion of the exempt-interest dividends derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, governmental agencies or instrumentalities, but only if the portion of the exempt-interest dividends from such Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest dividends that are paid by the regulated investment company as defined in section 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code, making the payment; and

(iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal government described in section 7871(c) of the Internal Revenue Code shall be treated as interest income on obligations of the state in which the tribe is located;

(2) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c)

of the Internal Revenue Code. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income tax is the last itemized deduction disallowed;

(3) the capital gain amount of a lump sum distribution to which the special tax under section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes paid to any other state or any province or territory of Canada, to the extent allowed as a deduction in determining federal adjusted gross income. For the purpose of this paragraph, income taxes do not include the taxes imposed by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

(5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10;

(6) 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; and

(7) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed; and

(8) the amount of expenses disallowed under section 290.10, subdivision 2.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 4. Minnesota Statutes 2004, 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 amount used to claim 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 363A. 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 purchased or leased for use 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) income as provided under section 290.0802;

(5) to the extent included in federal adjusted gross income, income realized on disposition of property exempt from tax under section 290.491;

(6) 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, sections 12601 to 12604;

(7) 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;

(8) 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;

(9) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit. For purposes of this clause, "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit;

(10) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero; and

(11) job opportunity building zone income as provided under section 469.316;

(12) to the extent included in federal taxable income, an amount, not to exceed \$10,000, equal to an individual's unreimbursed expenses for travel, lodging, and lost wages net of sick pay related to the individual's donation of one or more of the individual's organs to another person for human organ transplantation. For purposes of determining the extent to which expenses are included in federal taxable income, expenses qualifying under this paragraph are the first expenses considered in determining the medical expense deduction allowed under section 213 of the Internal Revenue Code. For purposes of this clause, "organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow, and "human organ transplantation" means the medical procedure by which transfer of a human organ is made from the body of one person to the body of another person. An individual may claim the subtraction in this clause for each instance of organ donation for transplantation, during the taxable year in which the expenses or lost wages occur;

(13) the amount of compensation paid to members of the Minnesota National Guard or other reserve components of the United States military for active service performed in Minnesota, excluding compensation for services performed under the Active Guard Reserve (AGR) program. For purposes of this clause, "active service" means (i) state active service as defined in section 190.05, subdivision 5a, clause (1); (ii) federally funded state active service as defined in section 190.05, subdivision 5b; or (iii) federal active service as defined in section 190.05, subdivision 5c, but "active service" excludes services performed exclusively for purposes of basic combat training, advanced individual training, annual training, and periodic inactive duty training; special training periodically made available to reserve members; and service performed in accordance with section 190.08, subdivision 3; and

(14) the amount of compensation paid to members of the armed forces of the United States or United Nations for active duty performed outside Minnesota.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 5. Minnesota Statutes 2004, 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 exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;

(9) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;

(10) 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;

(11) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g);

(12) the amount of any environmental tax paid under section 59(a) of the Internal Revenue Code;

(13) 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;

(14) the amount of net income excluded under section 114 of the Internal Revenue Code;

(15) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue

Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 614 of Public Law 107-147; and

(16) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed; and

(17) the amount of expenses disallowed under section 290.10, subdivision 2.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 6. Minnesota Statutes 2004, section 290.05, subdivision 1, is amended to read:

Subdivision 1. [EXEMPT ENTITIES.] The following corporations, individuals, estates, trusts, and organizations shall be exempted from taxation under this chapter, provided that every such person or corporation claiming exemption under this chapter, in whole or in part, must establish to the satisfaction of the commissioner the taxable status of any income or activity:

(a) corporations, individuals, estates, and trusts engaged in the business of mining or producing iron ore and other ores the mining or production of which is subject to the occupation tax imposed by section 298.01; but if any such corporation, individual, estate, or trust engages in any other business or activity or has income from any property not used in such business it shall be subject to this tax computed on the net income from such property or such other business or activity. Royalty shall not be considered as income from the business of mining or producing iron ore within the meaning of this section;

(b) the United States of America, the state of Minnesota or any political subdivision of either agencies or instrumentalities, whether engaged in the discharge of governmental or proprietary functions; and

(c) any insurance company; and

(d) a corporation engaged in the business of operating a personal rapid transit system, as defined in section 297A.61, subdivision 37, in this state, independent of any government subsidies, but if the corporation engages in any other business or activity or has income from any property not used in the business of operating a personal rapid transit system, it is subject to this tax computed on the net income from the property or business or activity.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2008.

Sec. 7. Minnesota Statutes 2004, 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 \$25,680, 5.35 percent;
- (2) On all over \$25,680, but not over \$102,030, 7.05 percent;
- (3) On all over \$102,030, ~~7.85~~ 8.0 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 \$17,570, 5.35 percent;
- (2) On all over \$17,570, but not over \$57,710, 7.05 percent;
- (3) On all over \$57,710, ~~7.85~~ 8.0 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 \$21,630, 5.35 percent;
- (2) On all over \$21,630, but not over \$86,910, 7.05 percent;
- (3) On all over \$86,910, ~~7.85~~ 8.0 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), (5), and (6), and reduced by the subtraction under section 290.01, subdivision 19b, clause (11), and the Minnesota assignable portion of the subtraction for United States government interest under section 290.01, subdivision 19b, clause (1), 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), (5), and (6), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1) and (11).

[EFFECTIVE DATE.] This section is effective only if sections 13 and 14 of this article are enacted for taxable years beginning after December 31, 2004.

Sec. 8. Minnesota Statutes 2004, section 290.06, subdivision 28, is amended to read:

Subd. 28. **[CREDIT REFUNDS FOR TRANSIT PASSES.]** ~~A taxpayer~~ (a) An employer may take a credit against the tax due under this chapter claim a refund equal to 30 percent of the expense incurred by the taxpayer employer to provide transit passes, for use in Minnesota, to employees of the taxpayer.

(b) As used in this subdivision, the following terms have the meanings given:

(1) "employer" means an individual or entity subject to tax under this chapter or an entity that is exempt from taxation under section 290.05, but excluding entities enumerated in section 290.05, subdivision 1, paragraph (b); and

(2) "transit pass" has the meaning given in section 132(f)(5)(A) of the Internal Revenue Code.

(c) If the taxpayer employer purchases the transit passes from the transit system operator, and resells them to the employees, the credit refund is based on the amount of the difference between the price paid for the passes by the employer and the amount charged to employees.

(d) The commissioner shall prescribe the forms for and the manner in which the refund may be claimed. The commissioner must provide for paying refunds at least quarterly. The commissioner may set a minimum amount of qualifying expenses that must be incurred before a refund may be claimed.

(e) An amount sufficient to pay the refunds required by this subdivision is appropriated to the commissioner of revenue.

[EFFECTIVE DATE.] This section is effective for transit passes purchased after December 31, 2005.

Sec. 9. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision to read:

Subd. 32. [CARSHARING CREDIT.] (a) For purposes of this subdivision, a "carsharing organization" means an organization that:

- (1) is described in section 501(c) of the Internal Revenue Code;
- (2) is comprised of members who purchase the use of a motor vehicle from the organization;
- (3) owns or leases a fleet of motor vehicles that are available to members of the organization to pay for the use of a vehicle on an hourly or per trip basis; and
- (4) does not assign exclusive rights of use of specific vehicles to individual members or allow individual members to keep a vehicle in the member's sole possession.

(b) A taxpayer may take a credit against the tax due under this chapter for the expenses incurred by the taxpayer to purchase a membership and pay monthly dues to a carsharing organization or to provide memberships and pay monthly dues to a carsharing organization for employees of the taxpayer. The amount of the credit is equal to the lesser of the actual cost of the membership fee and the monthly dues, or \$390. If an employer purchases the membership or pays the monthly dues to the nonprofit carsharing organization and resells the membership to its employees or charges the monthly dues to its employees, the credit allowed to the employer is the amount of the difference between the amount paid by the employer and the amount charged to the employee.

(c) A taxpayer who owns a parking facility that charges customers an amount to park vehicles at the facility and provides dedicated parking space at no charge to a nonprofit carsharing organization to park the motor vehicles that are used by the members of the organization on an hourly or per-trip basis, may take a credit against the tax due under this chapter for the value of the dedicated parking space provided to the nonprofit carsharing organization. The value of the dedicated parking space is equal to the lowest amount charged to customers who pay to park at the facility calculated on an hourly, daily, or other long-term rate that results in the lowest total cost.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2005.

Sec. 10. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision to read:

Subd. 33. [REGIONAL INVESTMENT CREDIT.] (a) A credit is allowed against the tax imposed by this chapter for investment in a qualifying regional angel investment network fund. The credit equals 25 percent of the taxpayer's investment made in the fund for the taxable year, but not to exceed the lesser of:

- (1) the liability for tax under this chapter; or
- (2) the amount of the certificate under paragraph (c) provided to the taxpayer by the fund.

(b) For purposes of this subdivision, a regional angel investment network fund means a pool investment fund that:

(1) is organized as a limited liability company and consists of members who are accredited investors within the meaning of Regulation D of the Securities and Exchange Commission, Code of Federal Regulations, title 17, section 230.501(a); and

(2) primarily makes equity investments in emerging and expanding small businesses as defined by the Small Business Administration, or cooperative associations as defined in chapter 308B, that are located in local communities in Minnesota outside of the metropolitan area as defined in section 473.121, subdivision 2, and does not make investments in residential real estate.

(c) Regional angel investment network funds may apply to the commissioner of employment and economic development for certification as a qualifying regional angel investment network fund. The application must be in the form and made under procedures specified by the commissioner of employment and economic development. The commissioner of employment and economic development may certify up to ten qualifying funds and provide certificates entitling investors in the funds to credits under this subdivision of up to \$250,000 for each fund. The commissioner of employment and economic development must not issue a total amount of certificates for all funds of more than \$10,000,000. In awarding certificates under this paragraph, the commissioner of employment and economic development shall generally award them to qualified applicants in the order in which the applications are received, but shall also seek to certify funds that are broadly dispersed across the entire state outside of the metropolitan area, as defined in section 473.121, subdivision 2.

(d) The commissioner of revenue may require a taxpayer to provide a copy of the credit certificate under paragraph (c) to verify the taxpayer's entitlement to a credit under this subdivision.

(e) If the amount of the credit under this subdivision for any taxable year exceeds the limitation under paragraph (a), clause (1), the excess is a credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this paragraph may not exceed the taxpayer's liability for tax for the taxable year.

[EFFECTIVE DATE.] This section is effective the day following final enactment, for taxable years beginning after December 31, 2005. It applies to investments made after the fund has been certified by the commissioner of employment and economic development.

Sec. 11. Minnesota Statutes 2004, section 290.0674, subdivision 2, is amended to read:

Subd. 2. [LIMITATIONS.] (a) For claimants with income not greater than \$33,500, the maximum credit allowed is \$1,000 per multiplied by the number of claimant's qualifying child and \$2,000 per family children in grades kindergarten through grade 12. No credit is allowed for education-related expenses for claimants with income greater than \$37,500. The maximum credit per child claimant is reduced by \$1 for each \$4 of household income over \$33,500, and the maximum credit per family is reduced by \$2 for each \$4 of household income over \$33,500, but in no case is the credit less than zero.

For purposes of this section "income" has the meaning given in section 290.067, subdivision 2a. In the case of a married claimant, a credit is not allowed unless a joint income tax return is filed.

(b) For a nonresident or part-year resident, the credit determined under subdivision 1 and the maximum credit amount in paragraph (a) must be allocated using the percentage calculated in section 290.06, subdivision 2c, paragraph (e).

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2005.

Sec. 12. [290.0676] [CREDIT FOR HISTORIC STRUCTURE REHABILITATION.]

Subdivision 1. [DEFINITIONS.] (a) As used in this section, the terms defined in this subdivision have the meanings given.

(b) "Certified historic structure" means a property located in Minnesota and listed individually on the National Register of Historic Places or a historic property designated by either a certified local government or a heritage preservation commission created under the National Historic Preservation Act of 1966 and whose designation is approved by the state historic preservation officer.

(c) "Eligible property" means a certified historic structure or a structure in a certified historic district that is offered or used for residential or business purposes.

(d) "Structure in a certified historic district" means a structure located in Minnesota that is certified by the State Historic Preservation Office as contributing to the historic significance of a certified historic district listed on the National Register of Historic Places or a local district that has been certified by the United States Department of the Interior.

Subd. 2. [CREDIT ALLOWED.] A taxpayer who incurs costs for the rehabilitation of eligible property may take a credit against the tax imposed under this chapter in an amount equal to ten percent of the total costs of rehabilitation. Costs of rehabilitation include, but are not limited to, qualified rehabilitation expenditures as defined under section 47(c)(2)(A) of the Internal Revenue Code, provided that the costs of rehabilitation must exceed 50 percent of the total basis in the property at the time the rehabilitation activity begins and the rehabilitation must meet standards consistent with the standards of the Secretary of the Interior for rehabilitation as determined by the State Historic Preservation Office of the Minnesota Historical Society.

Subd. 3. [CARRYBACK AND CARRYFORWARD.] If the amount of the credit under subdivision 2 exceeds the tax liability under this chapter for the year in which the cost is incurred, the amount that exceeds the tax liability may be carried back to any of the three preceding taxable years or carried forward to each of the ten taxable years succeeding the taxable year in which the expense was incurred. The entire amount of the credit must be carried to the earliest taxable year to which the amount may be carried. The unused portion of the credit must be carried to the following taxable year.

Subd. 4. [PARTNERSHIPS; MULTIPLE OWNERS; TRANSFERS.] (a) Credits granted to a partnership, a limited liability company taxed as a partnership, or multiple owners of property shall be passed through to the partners, members, or owners, respectively, pro rata or pursuant to an executed agreement among the partners, members, or owners documenting an alternate distribution method.

(b) Taxpayers eligible for credits may transfer, sell, or assign the credits in whole or part. Any assignee may use acquired credits to offset up to 100 percent of the taxes otherwise imposed by this chapter. The assignee shall perfect such transfer by notifying the Department of Revenue in writing within 30 calendar days following the effective date of the transfer in such form and manner as shall be prescribed by the Department of Revenue. The proceeds of any sale or assignment of a credit shall be exempt from taxation under this chapter.

Subd. 5. [PROCESS.] To claim the credit, the taxpayer must apply to the State Historic Preservation Office of the Minnesota Historical Society before a historic rehabilitation project begins. The State Historic Preservation Office shall determine the amount of eligible rehabilitation costs and whether the rehabilitation meets the standards of the United States Department of the Interior. The State Historic Preservation Office shall issue certificates verifying eligibility for and the amount of credit. The taxpayer shall attach the certificate to any income tax return on which the credit is claimed. The State Historic Preservation Office of the Minnesota Historical Society may collect fees for applications for the historic preservation tax credit. Fees shall be set at an amount that does not exceed the costs of administering the tax credit program.

Subd. 6. [MORTGAGE CERTIFICATES; CREDIT FOR LENDING INSTITUTIONS.] (a) The taxpayer may elect, in lieu of the credit otherwise allowed under this section, to receive a historic rehabilitation mortgage credit certificate.

(b) For purposes of this subdivision, a historic rehabilitation mortgage credit is a certificate that is issued to the taxpayer according to procedures prescribed by the State Historic Preservation

Office with respect to the certified rehabilitation and which meets the requirements of this paragraph. The face amount of the certificate must be equal to the credit that would be allowable under subdivision 2 to the taxpayer with respect to the rehabilitation. The certificate may only be transferred by the taxpayer to a lending institution, including a nondepository home mortgage lending institution, in connection with a loan:

(1) that is secured by the building with respect to which the credit is issued; and

(2) the proceeds of which may not be used for any purpose other than the acquisition or rehabilitation of the building.

(c) In exchange for the certificate, the lending institution must provide to the taxpayer an amount equal to the face amount of the certificate discounted by the amount by which the federal income tax liability of the lending institution is increased due to its use of the certificate in the manner provided in this section. That amount must be applied, as directed by the taxpayer, in whole or in part, to reduce:

(1) the principal amount of the loan;

(2) the rate of interest on the loan; or

(3) the taxpayer's cost of purchasing the building, but only in the case of a qualified historic home that is located in a poverty-impacted area as designated by the State Historic Preservation Office.

The lending institution may take as a credit against the tax due under this chapter an amount equal to the amount specified in the certificate. If the amount of the discount retained by the lender exceeds the amount by which the lending institution's federal income tax liability is increased due to the use of a mortgage credit certificate, the excess shall be refunded to the borrower with interest at the rate prescribed by the State Historic Preservation Office. The lending institution may carry forward all unused credits under this subdivision until exhausted. Nothing in this subdivision requires a lending institution to accept a historic rehabilitation certificate from any person.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 13. Minnesota Statutes 2004, 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 charitable contribution deduction under section 170 of the Internal Revenue Code ~~to the extent that the deduction exceeds 1.0 percent of adjusted gross income, as defined in section 62 of the Internal Revenue Code;~~

(ii) the medical expense deduction;

(iii) the casualty, theft, and disaster loss deduction; ~~and~~

(iv) the impairment-related work expenses of a disabled person; and

(v) the amount of the exemption allowed the taxpayer under section 151(c) of the Internal Revenue Code;

(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);

(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); and

(6) the amount of addition required by section 290.01, subdivision 19a, clause (7);

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;

(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 (10) and (11) to (12).

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 6.4 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.

[EFFECTIVE DATE.] This section is effective only if section 7 of this article is enacted for taxable years beginning after December 31, 2004.

Sec. 14. Minnesota Statutes 2004, section 290.091, subdivision 3, is amended to read:

Subd. 3. [EXEMPTION AMOUNT.] (a) For purposes of computing the alternative minimum tax, the exemption amount is ~~the exemption determined under section 55(d) of the Internal Revenue Code, as amended through December 31, 1992, except that alternative minimum taxable income as determined under this section must be substituted in the computation of the phase-out under section 55(d)(3)~~ \$66,300 for married individuals filing joint returns; and \$33,150 for married individuals filing separate returns, single individuals, and head of household filers.

(b) The exemption amount determined under this subdivision is reduced by an amount equal to 25 percent of the amount by which the alternative minimum income exceeds \$248,600 for married individuals filing joint returns; and \$124,300 for married individuals filing separate returns, single individuals, and head of household filers.

(c) For taxable years beginning after December 31, 2006, the exemption amounts under paragraph (a), and the income amounts in paragraph (b), must be adjusted for inflation. The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code except that for the purposes of this subdivision the percentage increase must be determined from the year starting September 1, 2005, and ending August 31, 2006, as the base year for adjusting for inflation for the tax year beginning after December 31, 2006. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

[EFFECTIVE DATE.] This section is effective only if section 7 of this article is enacted for taxable years beginning after December 31, 2004.

Sec. 15. Minnesota Statutes 2004, section 290.10, is amended to read:

290.10 [NONDEDUCTIBLE ITEMS.]

Subdivision 1. [EXPENSES, INTEREST, AND TAXES.] Except as provided in section 290.17, subdivision 4, paragraph (i), in computing the net income of a taxpayer no deduction shall in any case be allowed for expenses, interest and taxes connected with or allocable against the production or receipt of all income not included in the measure of the tax imposed by this chapter, except that for corporations engaged in the business of mining or producing iron ore, the mining of which is subject to the occupation tax imposed by section 298.01, subdivision 4, this shall not prevent the deduction of expenses and other items to the extent that the expenses and other items are allowable under this chapter and are not deductible, capitalizable, retainable in basis, or taken into account by allowance or otherwise in computing the occupation tax and do not exceed the amounts taken for federal income tax purposes for that year. Occupation taxes imposed under chapter 298, royalty taxes imposed under chapter 299, or depletion expenses may not be deducted under this clause.

Subd. 2. [FINES, PENALTIES, DAMAGES, AND EXPENSES.] (a) No deduction from taxable income for a trade or business expense under section 162(a) of the Internal Revenue Code shall be allowed for any fine, penalty, damages, or expenses paid to:

(1) the government of the United States, a state, a territory or possession of the United States, the District of Columbia, or the Commonwealth of Puerto Rico;

(2) the government of a foreign country; or

(3) a political subdivision of, or corporation or other entity serving as an agency or instrumentality of, any government described in clause (1) or (2).

(b) For purposes of this subdivision, "fine, penalty, damages, or expenses" include, but are not limited to, any amount:

(1) paid pursuant to a conviction or a plea of guilty or nolo contendere for any crime in a criminal proceeding;

(2) paid as a civil penalty imposed by federal, state, or local law, including tax penalties and interest;

(3) paid in settlement of the taxpayer's actual or potential liability for a civil or criminal fine or penalty;

(4) forfeited as collateral posted in connection with a proceeding that could result in imposition of a fine or penalty; or

(5) legal fees and related expenses paid or incurred in the prosecution or civil action arising from a violation of the law imposing the fine or civil penalty, court costs assessed against the taxpayer, or stenographic and printing charges, compensatory damages, punitive damages, or restitution.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 16. [290.433] [GLOBAL WAR ON TERRORISM CHECKOFF.]

Every individual who files an income tax return or property tax refund claim, and every corporation that files an income tax return, may designate on their return that \$1 or more shall be added to the tax or deducted from the refund that would otherwise be payable by or to that individual or corporation and paid into an account to be established for the purpose of paying bonuses to residents of this state who are veterans of the global war on terrorism. The commissioner shall, on the income tax returns and the property tax refund claim form, notify filers of their right to designate that a portion of their tax or refund shall be paid into the account for veterans of the global war on terrorism. The amounts designated under this section shall be annually appropriated to the commissioner of the Department of Veterans Affairs to pay bonuses to veterans of the global war on terrorism as determined by law. All interest earned on money accrued shall be credited to the account by the commissioner of finance.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004, and for property tax refund claims for property taxes payable after December 31, 2004.

Sec. 17. Minnesota Statutes 2004, section 290.92, subdivision 4b, is amended to read:

Subd. 4b. [WITHHOLDING BY PARTNERSHIPS.] (a) A partnership shall deduct and withhold a tax as provided in paragraph (b) for nonresident individual partners based on their distributive shares of partnership income for a taxable year of the partnership.

(b) The amount of tax withheld is determined by multiplying the partner's distributive share allocable to Minnesota under section 290.17, paid or credited during the taxable year by the highest rate used to determine the income tax liability for an individual under section 290.06, subdivision 2c, except that the amount of tax withheld may be determined by the commissioner if the partner submits a withholding exemption certificate under subdivision 5.

(c) The commissioner may reduce or abate the tax withheld under this subdivision if the partnership had reasonable cause to believe that no tax was due under this section.

(d) Notwithstanding paragraph (a), a partnership is not required to deduct and withhold tax for a nonresident partner if:

(1) the partner elects to have the tax due paid as part of the partnership's composite return under section 289A.08, subdivision 7;

(2) the partner has Minnesota assignable federal adjusted gross income from the partnership of less than \$1,000; or

(3) the partnership is liquidated or terminated, the income was generated by a transaction related to the termination or liquidation, and no cash or other property was distributed in the current or prior taxable year; or

(4) the distributive shares of partnership income are attributable to:

(i) income required to be recognized because of discharge of indebtedness;

(ii) income recognized because of a sale, exchange, or other disposition of real estate, depreciable property, or property described in section 179 of the Internal Revenue Code; or

(iii) income recognized on the sale, exchange, or other disposition of any property that has been the subject of a basis reduction pursuant to section 108, 734, 743, 754, or 1017 of the Internal Revenue Code

to the extent that the income does not include cash received or receivable or, if there is cash received or receivable, to the extent that the cash is required to be used to pay indebtedness by the partnership or a secured debt on partnership property; or

(5) the partnership is a publicly traded partnership, as defined in section 7704(b) of the Internal Revenue Code.

(e) For purposes of subdivision 6a, and sections 289A.09, subdivision 2, 289A.20, subdivision 2, paragraph (c), 289A.50, 289A.56, 289A.60, and 289A.63, a partnership is considered an employer.

(f) To the extent that income is exempt from withholding under paragraph (d), clause (4), the commissioner has a lien in an amount up to the amount that would be required to be withheld with respect to the income of the partner attributable to the partnership interest, but for the application of paragraph (d), clause (4). The lien arises under section 270.69 from the date of assessment of the tax against the partner, and attaches to that partner's share of the profits and any other money due or to become due to that partner in respect of the partnership. Notice of the lien may be sent by mail to the partnership, without the necessity for recording the lien. The notice has the force and effect of a levy under section 270.70, and is enforceable against the partnership in the manner provided by that section. Upon payment in full of the liability subsequent to the notice of lien, the partnership must be notified that the lien has been satisfied.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 18. [DETERMINATION OF ECONOMIC IMPACT.]

The Minnesota Historical Society shall annually determine the economic impact to the state from the rehabilitation of eligible property for which credits are provided under section 12 and report on the impact to the committees on taxes of the senate and house of representatives.

Sec. 19. [STUDY; CORPORATE FRANCHISE TAX.]

The commissioners of the Departments of Finance and Revenue shall conduct a comprehensive study to identify the reasons for the decline in corporate tax receipts. The study shall include an analysis of the current and future effect of existing corporate tax provisions, both independently and interactively with other provisions; how tax provisions are changing business practices; and the impact of outsourcing or relocation of business operations and jobs. On or before February 1, 2006, the commissioners shall report to the chairpersons of the house and senate tax committees the results of the study and shall include recommendations for changes to the tax laws that would reduce tax incentives for businesses to outsource or relocate business operations or jobs.

ARTICLE 2

FEDERAL UPDATE

Section 1. Minnesota Statutes 2004, 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 ~~June 15, 2003~~ December 31, 2004.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2004, 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 the federal effective dates of changes to the Internal Revenue Code and 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 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 104-188, the provisions of Public Law 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 105-34, the provisions of section 6010 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law 105-206, the provisions of section 4003 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law 105-277, and the provisions of section 318 of the Consolidated Appropriation Act of 2001, Public Law 106-554, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1996 2004, shall be in effect for taxable years beginning after December 31, 1996. The provisions of Public Law 109-1, shall be effective for tax years beginning after December 31, 2003.

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 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 105-206, the provisions of section 3001 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law 105-277, the provisions of section 3001 of the Miscellaneous Trade and Technical Corrections Act of 1999, Public Law 106-36, and the provisions of section 316 of the Consolidated Appropriation Act of 2001, Public Law 106-554, 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 105-206, the provisions of section 9010 of the Transportation Equity Act for the 21st Century, Public Law 105-178, the provisions of sections 1004, 4002, and 5301 of the Omnibus Consolidation and Emergency Supplemental Appropriations Act, 1999, Public Law 105-277, the provision of section 303 of the Ricky Ray Hemophilia Relief Fund Act of 1998, Public Law 105-369, the provisions of sections 532, 534, 536, 537, and 538 of the Ticket to Work and Work Incentives Improvement Act of 1999, Public Law 106-170, the provisions of the Installment Tax Correction Act of 2000, Public Law 106-573, and the provisions of section 309 of the Consolidated Appropriation Act of 2001, Public Law 106-554, 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 provisions of the FSC Repeal and Extraterritorial Income Exclusion Act of 2000, Public Law 106-519, and the provision of section 412 of the Job Creation and Worker Assistance Act of 2002, Public Law 107-147, shall become effective at the time it became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1999, shall be in effect for taxable years beginning after December 31, 1999. The provisions of sections 306 and 401 of the Consolidated Appropriation Act of 2001, Public Law 106-554, and the provision of section 632(b)(2)(A) of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16, and provisions of sections 101 and 402 of the Job Creation and Worker Assistance Act of 2002, Public Law 107-147, shall become effective at the same time it became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 2000, shall be in effect for taxable years beginning after December 31, 2000. The provisions of sections 659a and 671 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16, the provisions of sections 104, 105, and 111 of the Victims of Terrorism Tax Relief Act of 2001, Public Law 107-134, and the provisions of sections 201, 403, 413, and 606 of the Job Creation and Worker Assistance Act of 2002, Public Law 107-147, shall become effective at the same time it became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through March 15, 2002, shall be in effect for taxable years beginning after December 31, 2001.

The provisions of sections 101 and 102 of the Victims of Terrorism Tax Relief Act of 2001, Public Law 107-134, shall become effective at the same time it becomes effective for federal purposes.

The Internal Revenue Code of 1986, as amended through June 15, 2003, shall be in effect for taxable years beginning after December 31, 2002. The provisions of section 201 of the Jobs and Growth Tax Relief and Reconciliation Act of 2003, H.R. 2, if it is enacted into law, are effective at the same time it became effective for federal purposes.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19a 19 to 19g 19f 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.

Sec. 3. Minnesota Statutes 2004, section 290.01, subdivision 19a, is amended to read:

Subd. 19a. [ADDITIONS TO FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be added to federal taxable income:

(1)(i) interest income on obligations of any state other than Minnesota or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota exempt from federal income taxes under the Internal Revenue Code or any other federal statute; and

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, except the portion of the exempt-interest dividends derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, governmental agencies or instrumentalities, but only if the portion of the exempt-interest dividends from such Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest dividends that are paid by the regulated investment company as defined in section 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code, making the payment; and

(iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal government

described in section 7871(c) of the Internal Revenue Code shall be treated as interest income on obligations of the state in which the tribe is located;

(2) the amount of income or sales and use taxes paid or accrued within the taxable year under this chapter and income or sales and use taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code of 1986, as amended through June 15, 2003. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income or sales and use tax is the last itemized deduction disallowed;

(3) the capital gain amount of a lump sum distribution to which the special tax under section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes paid to any other state or any province or territory of Canada, to the extent allowed as a deduction in determining federal adjusted gross income. For the purpose of this paragraph, income taxes do not include the taxes imposed by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

(5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10;

(6) 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; and

(7) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed;

(8) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

(9) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code;

(10) to the extent deducted in computing federal taxable income, the amount by which the standard deduction allowed under section 63(c) of the Internal Revenue Code exceeds the standard deduction allowable under section 63(c) of the Internal Revenue Code of 1986, as amended through December 31, 2003;

(11) the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans; and

(12) the deduction or exclusion allowed under section 223 of the Internal Revenue Code for contributions to health savings accounts.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004, except the changes in clause (2) are effective for tax years beginning after December 31, 2003.

Sec. 4. Minnesota Statutes 2004, 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 amount used to claim 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 363A. 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 purchased or leased for use 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) income as provided under section 290.0802;

(5) to the extent included in federal adjusted gross income, income realized on disposition of property exempt from tax under section 290.491;

(6) 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, sections 12601 to 12604;

(7) 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 over \$500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code ~~over \$500~~ and under the provisions of Public Law 109-1;

(8) 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;

(9) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit. For purposes of this clause, "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit;

(10) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition

made by the taxpayer under subdivision 19a, clause (7), minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero; and

(11) job opportunity building zone income as provided under section 469.316;

(12) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause (17), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (17), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

(13) to the extent included in federal taxable income, compensation paid to a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Service Member Civil Relief Act, Public Law 108-189, section 101(2), and compensation paid for state active service as defined in section 190.05, subdivision 5a, clauses (1) and (3), or federally funded state active service as defined in section 190.05, subdivision 5b. This subtraction does not apply to retirement income as defined in section 290.17, subdivision 2, paragraph (a), clause (3); and

(14) distributions from a health savings account to the extent the distributions are for the return of amounts added back under subdivision 19a, clause (12), but only to the extent that the amount of the distribution would have been deductible under section 213 of the Internal Revenue Code for that taxable year. For the purposes of this clause, distributions are considered to be made from contributions subject to the add-back.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004, except the change to clause (7) is effective for tax years beginning after December 31, 2003.

Sec. 5. Minnesota Statutes 2004, 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 exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;

(9) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;

(10) 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;

(11) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g);

(12) the amount of any environmental tax paid under section 59(a) of the Internal Revenue Code;

(13) 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;

(14) the amount of net income excluded under section 114 of the Internal Revenue Code;

(15) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 614 of Public Law 107-147; and

(16) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed;

(17) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003; and

(18) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 6. Minnesota Statutes 2004, 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) 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;

(10) 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;

(11) 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;

(12) 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;

(13) 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;

(14) 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;

(15) the amount of any refund of environmental taxes paid under section 59A of the Internal Revenue Code;

(16) 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;

(17) for a corporation whose foreign sales corporation, as defined in section 922 of the Internal Revenue Code, constituted a foreign operating corporation during any taxable year ending before January 1, 1995, and a return was filed by August 15, 1996, claiming the deduction under section 290.21, subdivision 4, for income received from the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of income excluded under section 114 of the Internal Revenue Code, provided the income is not income of a foreign operating company;

(18) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 614 of Public Law 107-147; and

(19) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (16), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause (16). The resulting delayed depreciation cannot be less than zero; and

(20) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (17), an amount equal to one-fifth of the amount of the addition.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 7. Minnesota Statutes 2004, 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 ~~June 15, 2003~~ December 31, 2004.

[EFFECTIVE DATE.] This section is effective the day following final enactment except the changes incorporated by federal changes are effective at the same times as the changes were effective for federal purposes.

Sec. 8. Minnesota Statutes 2004, section 290.032, subdivision 1, is amended to read:

Subdivision 1. **[IMPOSITION.]** There is hereby imposed as an addition to the annual income tax for a taxable year of a taxpayer in the classes described in section 290.03 a tax with respect to any distribution received by such taxpayer that is treated as a lump sum distribution under section 402(d) of the Internal Revenue Code 1401(c)(2) of the Small Business Job Protection Act, Public Law 104-188 and that is subject to tax for such taxable year under section 402(d) of the Internal Revenue Code 1401(c)(2) of the Small Business Job Protection Act, Public Law 104-188.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 1999.

Sec. 9. Minnesota Statutes 2004, section 290.032, subdivision 2, is amended to read:

Subd. 2. [COMPUTATION.] The amount of tax imposed by subdivision 1 shall be computed in the same way as the tax imposed under section 402(d) of the Internal Revenue Code of 1986, as amended through December 31, 1995, except that the initial separate tax shall be an amount equal to five times the tax which would be imposed by section 290.06, subdivision 2c, if the recipient was an unmarried individual, and the taxable net income was an amount equal to one-fifth of the excess of

(i) the total taxable amount of the lump sum distribution for the year, over

(ii) the minimum distribution allowance, and except that references in section 402(d) of the Internal Revenue Code of 1986, as amended through December 31, 1995, to paragraph (1)(A) thereof shall instead be references to subdivision 1, and the excess, if any, of the subtraction base amount over federal taxable income for a qualified individual as provided under section 290.0802, subdivision 2.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 1999.

Sec. 10. Minnesota Statutes 2004, 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 \$25,680, 5.35 percent;
- (2) On all over \$25,680, but not over \$102,030, 7.05 percent;
- (3) On all over \$102,030, 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 \$17,570, 5.35 percent;
- (2) On all over \$17,570, but not over \$57,710, 7.05 percent;
- (3) On all over \$57,710, 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 \$21,630, 5.35 percent;
- (2) On all over \$21,630, but not over \$86,910, 7.05 percent;
- (3) On all over \$86,910, 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), (5), and (6), (7), (8), and (9), and reduced by the subtraction under section 290.01, subdivision 19b, clause (11), and the Minnesota assignable portion of the subtraction for United States government interest under section 290.01, subdivision 19b, clause (1), and the subtractions under clauses (10), (11), (12), and (13), 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), (5), and (6), (7), (8), and (9), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1) and (10), (11), (12), and (13).

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 11. Minnesota Statutes 2004, section 290.067, subdivision 1, is amended to read:

Subdivision 1. [AMOUNT OF CREDIT.] (a) A taxpayer may take as a credit against the tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the dependent care credit for which the taxpayer is eligible pursuant to the provisions of section 21 of the Internal Revenue Code subject to the limitations provided in subdivision 2 except that in determining whether the child qualified as a dependent, income received as a Minnesota family investment program grant or allowance to or on behalf of the child must not be taken into account in determining whether the child received more than half of the child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of the Internal Revenue Code do not apply.

(b) If a child who has not attained the age of six years at the close of the taxable year is cared for at a licensed family day care home operated by the child's parent, the taxpayer is deemed to have paid employment-related expenses. If the child is 16 months old or younger at the close of the taxable year, the amount of expenses deemed to have been paid equals the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code. If the child is older than 16 months of age but has not attained the age of six years at the close of the taxable year, the amount of expenses deemed to have been paid equals the amount the licensee would charge for the care of a child of the same age for the same number of hours of care.

(c) If a married couple:

- (1) has a child who has not attained the age of one year at the close of the taxable year;
- (2) files a joint tax return for the taxable year; and

(3) does not participate in a dependent care assistance program as defined in section 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i) the combined earned income of the couple or (ii) the amount of the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code will be deemed to be the employment related expense paid for that child. The earned income limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These deemed amounts apply regardless of whether any employment-related expenses have been paid.

(d) If the taxpayer is not required and does not file a federal individual income tax return for the tax year, no credit is allowed for any amount paid to any person unless:

(1) the name, address, and taxpayer identification number of the person are included on the return claiming the credit; or

(2) if the person is an organization described in section 501(c)(3) of the Internal Revenue Code and exempt from tax under section 501(a) of the Internal Revenue Code, the name and address of the person are included on the return claiming the credit.

In the case of a failure to provide the information required under the preceding sentence, the preceding sentence does not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information required.

In the case of a nonresident, part-year resident, or a person who has earned income not subject to tax under this chapter including earned income excluded pursuant to section 290.01, subdivision 19b, clause (11), the credit determined under section 21 of the Internal Revenue Code must be allocated based on the ratio by which the earned income of the claimant and the claimant's spouse from Minnesota sources bears to the total earned income of the claimant and the claimant's spouse.

For residents of Minnesota, the exclusion of combat pay under section 112 of the Internal Revenue Code and the subtraction for military pay under section 290.01, subdivision 19b, clause (13), are not considered "earned income not subject to tax under this chapter."

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 12. Minnesota Statutes 2004, section 290.067, subdivision 2a, is amended to read:

Subd. 2a. [INCOME.] (a) For purposes of this section, "income" means the sum of the following:

- (1) federal adjusted gross income as defined in section 62 of the Internal Revenue Code; and
- (2) the sum of the following amounts to the extent not included in clause (1):
 - (i) all nontaxable income;
 - (ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;
 - (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;
 - (iv) cash public assistance and relief;
 - (v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, supplemental security income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;
 - (vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;
 - (vii) workers' compensation;
 - (viii) nontaxable strike benefits;
 - (ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;
 - (x) a lump sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;
 - (xi) contributions made by the claimant to an individual retirement account, including a

qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code; and

- (xii) nontaxable scholarship or fellowship grants;
- (xiii) the amount of deduction allowed under section 199 of the Internal Revenue Code; and
- (xiv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" means federal adjusted gross income reflected in the fiscal year ending in the next calendar year. Federal adjusted gross income may not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(b) "Income" does not include:

- (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;
- (2) amounts of any pension or annuity that were exclusively funded by the claimant or spouse if the funding payments were not excluded from federal adjusted gross income in the years when the payments were made;
- (3) surplus food or other relief in kind supplied by a governmental agency;
- (4) relief granted under chapter 290A;
- (5) child support payments received under a temporary or final decree of dissolution or legal separation; and
- (6) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2003.

Sec. 13. Minnesota Statutes 2004, 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 1.9125 percent of the first \$4,620 of earned income. The credit is reduced by 1.9125 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$5,770, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals 8.5 percent of the first \$6,920 of earned income and 8.5 percent of earned income over \$12,080 but less than \$13,450. The credit is reduced by 5.73 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$15,080, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals ten percent of the first \$9,720 of earned income and 20 percent of earned income over \$14,860 but less than \$16,800. The credit is reduced by 10.3 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$17,890, 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, including income excluded under section 290.01, subdivision 19b, clause (11), 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. For the purposes of this paragraph, the exclusion of combat pay under section 112 of the Internal Revenue Code and the subtraction for military pay under section 290.01, subdivision 19b, clause (13), are not considered "earned income not subject to tax under this chapter."

(g) For tax years beginning after December 31, 2001, and before December 31, 2004, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$1,000 for married taxpayers filing joint returns.

(h) For tax years beginning after December 31, 2004, and before December 31, 2007, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$2,000 for married taxpayers filing joint returns.

(i) For tax years beginning after December 31, 2007, and before December 31, 2010, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$3,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2008, the \$3,000 is adjusted annually for inflation under subdivision 7.

(j) 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 tax years beginning after December 31, 2004.

Sec. 14. Minnesota Statutes 2004, 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, to the extent included in Minnesota taxable income:

- (1) earned income as defined in section 32(c)(2) of the Internal Revenue Code;
 - (2) income received from a retirement pension, profit-sharing, stock bonus, or annuity plan; and
 - (3) 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 minus the sum of (i) the amount for one exemption under section 151(d) of the Internal Revenue Code and (ii) one-half the amount of the standard deduction under section 63(c)(2)(A) and (4) of the Internal Revenue Code of 1986, as amended through December 31, 2003.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 15. Minnesota Statutes 2004, 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 charitable contribution deduction under section 170 of the Internal Revenue Code to the extent that the deduction exceeds 1.0 percent of adjusted gross income, as defined in section 62 of the Internal Revenue Code;

(ii) the medical expense deduction;

(iii) the casualty, theft, and disaster loss deduction; and

(iv) the impairment-related work expenses of a disabled person;

(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);

(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); and

(6) the amount of addition required by section 290.01, subdivision 19a, ~~clause~~ clauses (7), (8), and (9);

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;

(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 (10) ~~and~~, (11), (12), and (13).

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 6.4 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.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 16. Minnesota Statutes 2004, section 290A.03, subdivision 3, is amended to read:

Subd. 3. [INCOME.] (1) "Income" means the sum of the following:

(a) federal adjusted gross income as defined in the Internal Revenue Code; and

(b) the sum of the following amounts to the extent not included in clause (a):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, supplemental security income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

(vii) workers' compensation;

(viii) nontaxable strike benefits;

(ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

(x) a lump sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code; and

(xii) nontaxable scholarship or fellowship grants;

(xiii) the amount of deduction allowed under section 199 of the Internal Revenue Code; and

(xiv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(2) "Income" does not include:

(a) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

(b) amounts of any pension or annuity which was exclusively funded by the claimant or spouse

and which funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

- (c) surplus food or other relief in kind supplied by a governmental agency;
- (d) relief granted under this chapter;
- (e) child support payments received under a temporary or final decree of dissolution or legal separation; or
- (f) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16.

(3) The sum of the following amounts may be subtracted from income:

- (a) for the claimant's first dependent, the exemption amount multiplied by 1.4;
- (b) for the claimant's second dependent, the exemption amount multiplied by 1.3;
- (c) for the claimant's third dependent, the exemption amount multiplied by 1.2;
- (d) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;
- (e) for the claimant's fifth dependent, the exemption amount; and
- (f) if the claimant or claimant's spouse was disabled or attained the age of 65 on or before December 31 of the year for which the taxes were levied or rent paid, the exemption amount.

For purposes of this subdivision, the "exemption amount" means the exemption amount under section 151(d) of the Internal Revenue Code for the taxable year for which the income is reported.

[EFFECTIVE DATE.] This section is effective for property tax refunds based on household income for 2004 and thereafter.

Sec. 17. Minnesota Statutes 2004, 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 ~~June 15, 2003~~ December 31, 2004.

[EFFECTIVE DATE.] This section is effective for property tax refunds based on property taxes payable on or after December 31, 2004, and rent paid on or after December 31, 2003.

Sec. 18. [PREEMPTION.]

If a bill styled as S.F. No. 1209 is enacted during the 2005 legislative session, and includes federal update provisions, the provisions of that act relating to federal updates are repealed.

ARTICLE 3 SALES TAX

Section 1. Minnesota Statutes 2004, section 289A.11, subdivision 1, is amended to read:

Subdivision 1. [RETURN REQUIRED.] Except as provided in section 289A.18, ~~subdivision subdivisions 4 and 4a~~, for the month in which taxes imposed by chapter 297A are payable, or for which a return is due, a return for the preceding reporting period must be filed with the commissioner in the form and manner the commissioner prescribes. A person making sales at retail at two or more places of business may file a consolidated return subject to rules prescribed by the commissioner. In computing the dollar amount of items on the return, the amounts are rounded off to the nearest whole dollar, disregarding amounts less than 50 cents and increasing amounts of 50 cents to 99 cents to the next highest dollar.

~~Notwithstanding this subdivision, a person who is not required to hold a sales tax permit under~~

~~chapter 297A and who makes annual purchases of less than \$18,500 that are subject to the use tax imposed by section 297A.63, may file an annual use tax return on a form prescribed by the commissioner. If a person who qualifies for an annual use tax reporting period is required to obtain a sales tax permit or makes use tax purchases in excess of \$18,500 during the calendar year, the reporting period must be considered ended at the end of the month in which the permit is applied for or the purchase in excess of \$18,500 is made and a return must be filed for the preceding reporting period.~~

[EFFECTIVE DATE.] This section is effective for purchases made on and after July 1, 2005.

Sec. 2. Minnesota Statutes 2004, section 289A.18, subdivision 4, is amended to read:

Subd. 4. [SALES AND USE TAX RETURNS.] (a) Sales and use tax returns must be filed on or before the 20th day of the month following the close of the preceding reporting period, except ~~that annual use tax returns provided for under section 289A.11, subdivision 1, must be filed by April 15 following the close of the calendar year~~ subdivision 4a, in the case of individuals. Annual use tax returns of businesses, including sole proprietorships, and annual sales tax returns must be filed by February 5 following the close of the calendar year.

(b) Returns for the June reporting period filed by retailers required to remit their June liability under section 289A.20, subdivision 4, paragraph (b), are due on or before August 20.

(c) If a retailer has an average sales and use tax liability, including local sales and use taxes administered by the commissioner, equal to or less than \$500 per month in any quarter of a calendar year, and has substantially complied with the tax laws during the preceding four calendar quarters, the retailer may request authorization to file and pay the taxes quarterly in subsequent calendar quarters. The authorization remains in effect during the period in which the retailer's quarterly returns reflect sales and use tax liabilities of less than \$1,500 and there is continued compliance with state tax laws.

(d) If a retailer has an average sales and use tax liability, including local sales and use taxes administered by the commissioner, equal to or less than \$100 per month during a calendar year, and has substantially complied with the tax laws during that period, the retailer may request authorization to file and pay the taxes annually in subsequent years. The authorization remains in effect during the period in which the retailer's annual returns reflect sales and use tax liabilities of less than \$1,200 and there is continued compliance with state tax laws.

(e) The commissioner may also grant quarterly or annual filing and payment authorizations to retailers if the commissioner concludes that the retailers' future tax liabilities will be less than the monthly totals identified in paragraphs (c) and (d). An authorization granted under this paragraph is subject to the same conditions as an authorization granted under paragraphs (c) and (d).

(f) A taxpayer who is a materials supplier may report gross receipts either on:

- (1) the cash basis as the consideration is received; or
- (2) the accrual basis as sales are made.

As used in this paragraph, "materials supplier" means a person who provides materials for the improvement of real property; who is primarily engaged in the sale of lumber and building materials-related products to owners, contractors, subcontractors, repairers, or consumers; who is authorized to file a mechanics lien upon real property and improvements under chapter 514; and who files with the commissioner an election to file sales and use tax returns on the basis of this paragraph.

(g) Notwithstanding paragraphs (a) to (f), a seller that is not a Model 1, 2, or 3 seller, as those terms are used in the Streamlined Sales and Use Tax Agreement, that does not have a legal requirement to register in Minnesota, and that is registered under the agreement, must file a return by February 5 following the close of the calendar year in which the seller initially registers, and must file subsequent returns on February 5 on an annual basis in succeeding years. Additionally, a return must be submitted on or before the 20th day of the month following any month by which sellers have accumulated state and local tax funds for the state in the amount of \$1,000 or more.

[EFFECTIVE DATE.] This section is effective for purchases on and after July 1, 2005.

Sec. 3. Minnesota Statutes 2004, section 289A.18, is amended by adding a subdivision to read:

Subd. 4a. [USE TAX RETURNS FOR INDIVIDUALS.] Individuals who are subject to the use tax imposed under section 297A.63 may file and pay use tax owed on purchases for personal use under their Social Security number as follows:

(1) on the individual income tax return for the calendar year in which the purchases are made;

(2) on the form for making payments of the individual income tax estimated payments under section 289A.25 for the calendar quarter in which the purchases are made; or

(3) on the individual use tax return, in the form prescribed by the commissioner, for purchases made in a calendar quarter, to be filed on or before the 20th day of the month following the close of the preceding quarter.

[EFFECTIVE DATE.] This section is effective for purchases made on and after July 1, 2005, and for income tax returns required to be filed for tax years beginning after December 31, 2004.

Sec. 4. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision to read:

Subd. 37. [PERSONAL RAPID TRANSIT SYSTEM.] "Personal rapid transit system" means a transportation system of small, computer-controlled vehicles, transporting one to three passengers on elevated guideways in a transportation network operating on demand and nonstop directly to any stations in the network. The system shall provide service on a regular and continuing basis and operate independent of any government subsidies.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2008.

Sec. 5. Minnesota Statutes 2004, section 297A.67, is amended by adding a subdivision to read:

Subd. 32. [GEOTHERMAL EQUIPMENT.] The loop field collection system and the heat pump of a geothermal heating and cooling system is exempt.

[EFFECTIVE DATE.] This section is effective for sales and purchases occurring after June 30, 2005.

Sec. 6. Minnesota Statutes 2004, section 297A.67, is amended by adding a subdivision to read:

Subd. 33. [BIOMASS FUEL STOVES.] Stoves designed to burn fuel pellets made from biomass materials are exempt.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2005.

Sec. 7. Minnesota Statutes 2004, section 297A.68, subdivision 5, is amended to read:

Subd. 5. [CAPITAL EQUIPMENT.] (a) Capital equipment is exempt. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

"Capital equipment" means machinery and equipment purchased or leased, and used in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining, or refining tangible personal property to be sold ultimately at retail if the machinery and equipment are essential to the integrated production process of manufacturing, fabricating, mining, or refining. Capital equipment also includes machinery and equipment used to electronically transmit results retrieved by a customer of an on-line computerized data retrieval system.

(b) Capital equipment includes, but is not limited to:

- (1) machinery and equipment used to operate, control, or regulate the production equipment;
- (2) machinery and equipment used for research and development, design, quality control, and testing activities;
- (3) environmental control devices that are used to maintain conditions such as temperature, humidity, light, or air pressure when those conditions are essential to and are part of the production process;
- (4) materials and supplies used to construct and install machinery or equipment;
- (5) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to machinery or equipment;
- (6) materials used for foundations that support machinery or equipment;
- (7) materials used to construct and install special purpose buildings used in the production process;
- (8) ready-mixed concrete equipment in which the ready-mixed concrete is mixed as part of the delivery process regardless if mounted on a chassis and leases of ready-mixed concrete trucks; and
- (9) machinery or equipment used for research, development, design, or production of computer software.

(c) Capital equipment does not include the following:

- (1) motor vehicles taxed under chapter 297B;
- (2) machinery or equipment used to receive or store raw materials;
- (3) building materials, except for materials included in paragraph (b), clauses (6) and (7);
- (4) machinery or equipment used for nonproduction purposes, including, but not limited to, the following: plant security, fire prevention, first aid, and hospital stations; support operations or administration; pollution control; and plant cleaning, disposal of scrap and waste, plant communications, space heating, cooling, lighting, or safety;
- (5) farm machinery and aquaculture production equipment as defined by section 297A.61, subdivisions 12 and 13;
- (6) machinery or equipment purchased and installed by a contractor as part of an improvement to real property; or
- (7) any other item that is not essential to the integrated process of manufacturing, fabricating, mining, or refining.

(d) For purposes of this subdivision:

(1) "Equipment" means independent devices or tools separate from machinery but essential to an integrated production process, including computers and computer software, used in operating, controlling, or regulating machinery and equipment; and any subunit or assembly comprising a component of any machinery or accessory or attachment parts of machinery, such as tools, dies, jigs, patterns, and molds.

(2) "Fabricating" means to make, build, create, produce, or assemble components or property to work in a new or different manner.

(3) "Integrated production process" means a process or series of operations through which tangible personal property is manufactured, fabricated, mined, or refined. For purposes of this clause, (i) manufacturing begins with the removal of raw materials from inventory and ends when the last process prior to loading for shipment has been completed; (ii) fabricating begins with the

removal from storage or inventory of the property to be assembled, processed, altered, or modified and ends with the creation or production of the new or changed product; (iii) mining begins with the removal of overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and ends when the last process before stockpiling is completed; and (iv) refining begins with the removal from inventory or storage of a natural resource and ends with the conversion of the item to its completed form.

(4) "Machinery" means mechanical, electronic, or electrical devices, including computers and computer software, that are purchased or constructed to be used for the activities set forth in paragraph (a), beginning with the removal of raw materials from inventory through completion of the product, including packaging of the product.

(5) "Machinery and equipment used for pollution control" means machinery and equipment used solely to eliminate, prevent, or reduce pollution resulting from an activity described in paragraph (a).

(6) "Manufacturing" means an operation or series of operations where raw materials are changed in form, composition, or condition by machinery and equipment and which results in the production of a new article of tangible personal property. For purposes of this subdivision, "manufacturing" includes the generation of electricity or steam to be sold at retail.

(7) "Mining" means the extraction of minerals, ores, stone, or peat.

(8) "On-line data retrieval system" means a system whose cumulation of information is equally available and accessible to all its customers.

(9) "Primarily" means machinery and equipment used 50 percent or more of the time in an activity described in paragraph (a).

(10) "Refining" means the process of converting a natural resource to an intermediate or finished product, including the treatment of water to be sold at retail.

(11) This subdivision does not apply to telecommunications equipment as provided in subdivision 35, and does not apply to wire, cable, fiber, poles, or conduit for telecommunications services.

[EFFECTIVE DATE.] This section is effective for purchases made after July 31, 2005, and before July 1, 2008.

Sec. 8. Minnesota Statutes 2004, section 297A.68, subdivision 19, is amended to read:

Subd. 19. [PETROLEUM PRODUCTS.] The following petroleum products are exempt:

(1) products upon which a tax has been imposed and paid under chapter 296A, and for which no refund has been or will be allowed because the buyer used the fuel for nonhighway use;

(2) products that are used in the improvement of agricultural land by constructing, maintaining, and repairing drainage ditches, tile drainage systems, grass waterways, water impoundment, and other erosion control structures;

(3) products purchased by a transit system receiving financial assistance under section 174.24, 256B.0625, subdivision 17, or 473.384;

(4) products purchased by an ambulance service licensed under chapter 144E;

(5) products used in a passenger snowmobile, as defined in section 296A.01, subdivision 39, for off-highway business use as part of the operations of a resort as provided under section 296A.16, subdivision 2, clause (2); or

(6) products purchased by a state or a political subdivision of a state for use in motor vehicles exempt from registration under section 168.012, subdivision 1, paragraph (b); or

(7) products purchased for use as fuel for a commuter rail system operating under sections 174.80 to 174.90. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

[EFFECTIVE DATE.] This section is effective for purchases made after June 30, 2005, and terminates when the commissioner of revenue determines that the cost of the exemption under this subdivision to that point in time totals \$20,000.

Sec. 9. Minnesota Statutes 2004, section 297A.68, is amended by adding a subdivision to read:

Subd. 40. [MOVIES AND TELEVISION; INPUTS TO PRODUCTION.] The sale of tangible personal property primarily used or consumed directly in the preproduction, production, and postproduction of movies and television shows that are produced for domestic and international commercial distribution are exempt. "Preproduction" and "production" include all the activities related to the preparation of shooting and the shooting of movies and television shows, including film processing. Equipment rented for preproduction and production activities are exempt. "Postproduction" includes all activities related to editing and finishing of the movie or television show. This exemption does not apply to tangible personal property or services used primarily in administration, general management, or marketing. Machinery and equipment purchased for use in producing movies and television shows, fuel, electricity, gas, or steam used for space heating and lighting, food, lodging, and any property or service for the personal use of any individual are not exempt under this subdivision.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2005.

Sec. 10. Minnesota Statutes 2004, section 297A.68, is amended by adding a subdivision to read:

Subd. 41. [PERSONAL RAPID TRANSIT SYSTEM.] (a) Machinery, equipment, and supplies purchased or leased, and used by the purchaser or lessee in this state directly in the provision of a personal rapid transit system as defined in section 297A.61, subdivision 37, are exempt. Machinery, equipment, and supplies that qualify for this exemption include, but are not limited to, the following:

- (1) vehicles, guideways, and related parts used directly in the transit system;
- (2) computers and equipment used primarily for operating, controlling, and regulating the system;
- (3) machinery, equipment, furniture, and fixtures necessary for the functioning of system stations;
- (4) machinery, equipment, implements, tools, and supplies used to maintain vehicles, guideways, and stations; and
- (5) electricity and other fuels used in the provision of the transit service, including heating, cooling, and lighting of system stations.

(b) This exemption does not include machinery, equipment, and supplies used for support and administration operations.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2008.

Sec. 11. Minnesota Statutes 2004, section 297A.70, subdivision 8, is amended to read:

Subd. 8. [REGIONWIDE PUBLIC SAFETY RADIO COMMUNICATION SYSTEM; PRODUCTS AND SERVICES.] Products and services including, but not limited to, end user equipment used for construction, ownership, operation, maintenance, and enhancement of the backbone system of the regionwide public safety radio communication system established under

sections 403.21 to 403.34, are exempt. For purposes of this subdivision, backbone system is defined in section 403.21, subdivision 9. This subdivision is effective for purchases, sales, storage, use, or consumption occurring before August 1, 2005, in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington for use in the first and second phases of the system, as defined in section 403.21, subdivisions 3, 10, and 11, and that portion of the third phase of the system that is located in the southeast district of the State Patrol and the counties of Benton, Sherburne, Stearns, and Wright.

[EFFECTIVE DATE.] This section is effective for sales after June 30, 2005, and terminates when the commissioner of revenue determines that the cost of the exemption under this subdivision to that point in time totals \$5,470,000.

Sec. 12. Minnesota Statutes 2004, section 297A.70, is amended by adding a subdivision to read:

Subd. 17. [DONATED MEALS.] Meals that are normally sold at retail in the ordinary business activities of the taxpayer are exempt if the meals are donated to a nonprofit group as defined in subdivision 4 for fund-raising purposes.

[EFFECTIVE DATE.] This section is effective for donations made after June 30, 2005.

Sec. 13. Minnesota Statutes 2004, section 297A.71, is amended by adding a subdivision to read:

Subd. 33. [COMMUTER RAIL MATERIAL, SUPPLIES, AND EQUIPMENT.] Materials and supplies consumed in, and equipment incorporated in the construction, equipment, or improvement of a commuter rail transportation system operated under sections 174.80 and 174.90 are exempt. This exemption includes railroad cars and engines and related equipment.

[EFFECTIVE DATE.] This section is effective for purchases made after June 30, 2005, and terminates when the commissioner of revenue determines that the cost of the exemption for sales to that point in time totals \$8,600,000.

Sec. 14. Minnesota Statutes 2004, section 297A.71, is amended by adding a subdivision to read:

Subd. 34. [WASTE RECOVERY FACILITY.] Materials and supplies used or consumed in, and equipment incorporated into, the construction, improvement, or expansion of a waste-to-energy resource recovery facility are exempt if the facility uses biomass or mixed municipal solid waste as a primary fuel to generate steam or electricity.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2005.

Sec. 15. Minnesota Statutes 2004, section 297A.71, is amended by adding a subdivision to read:

Subd. 35. [PERSONAL RAPID TRANSIT SYSTEM.] Materials and supplies used or consumed in, and equipment incorporated into the construction, expansion, or improvement of a personal rapid transit system as defined in section 297A.61, subdivision 37, are exempt.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2005, and terminates when the commissioner of revenue determines that the cost of the exemption under this subdivision to that point in time totals \$200,000.

Sec. 16. Minnesota Statutes 2004, section 297A.71, is amended by adding a subdivision to read:

Subd. 36. [ST. MARY'S DULUTH CLINIC HEALTH SYSTEM.] Materials and supplies used or consumed in and equipment incorporated into the construction of the hospital portion of the St. Mary's Duluth Clinic Health System are exempt.

[EFFECTIVE DATE.] This section is effective for purchases made on or after March 1, 2004, and on or before December 31, 2006. For purchases made on or after March 1, 2004, and before the day following final enactment of this act, for which the sales tax was paid, the commissioner of revenue shall refund the tax. Except as otherwise provided in this paragraph, the provisions of section 297A.75, subdivisions 2, 3, 4, and 5, apply to a refund under this paragraph. The applicant must be the owner of the St. Mary's Duluth Clinic Health System. If the tax was paid by the contractor, subcontractor, or builder, the contractor, subcontractor, or builder must furnish to the owner a statement indicating the cost of the exempt items and the taxes paid on the items.

Sec. 17. Minnesota Statutes 2004, section 297A.71, is amended by adding a subdivision to read:

Subd. 37. [MUNICIPAL UTILITIES.] Materials and supplies used or consumed in, and equipment incorporated into, the construction, improvement, or expansion of electric generation and related facilities used pursuant to a joint power purchase agreement to meet the biomass energy mandate in section 216B.2424 are exempt if the owner or owners of the facilities are a municipal electric utility or utilities or a joint venture of municipal electric utilities. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded under section 297A.75.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after January 1, 2005.

Sec. 18. Minnesota Statutes 2004, section 297A.71, is amended by adding a subdivision to read:

Subd. 38. [CHATFIELD WASTEWATER TREATMENT FACILITY.] Materials and supplies used in and equipment incorporated into the construction, improvement, or expansion of a wastewater treatment facility owned by the city of Chatfield are exempt. This exemption is effective for purchases made before December 31, 2007.

[EFFECTIVE DATE.] This section is effective for sales and purchases made on or after June 1, 2005.

Sec. 19. Minnesota Statutes 2004, section 297A.75, subdivision 1, is amended to read:

Subdivision 1. [TAX COLLECTED.] The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

- (1) capital equipment exempt under section 297A.68, subdivision 5;
- (2) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;
- (3) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;
- (4) building materials for correctional facilities under section 297A.71, subdivision 3;
- (5) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;
- (6) chair lifts, ramps, elevators, and associated building materials exempt under section 297A.71, subdivision 12;
- (7) building materials for the Long Lake Conservation Center exempt under section 297A.71, subdivision 17;
- (8) materials, supplies, fixtures, furnishings, and equipment for a county law enforcement and family service center under section 297A.71, subdivision 26; and

(9) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;

(10) fuel purchased for commuter rail systems under section 297A.68, subdivision 19, clause (7); and

(11) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 37.

[EFFECTIVE DATE.] Clause (10) is effective for purchases made after June 30, 2005, and clause (11) is effective for purchases made after December 31, 2004.

Sec. 20. Minnesota Statutes 2004, section 297A.75, subdivision 2, is amended to read:

Subd. 2. [REFUND; ELIGIBLE PERSONS.] Upon application on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the exempt items must be paid to the applicant. Only the following persons may apply for the refund:

(1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;

(2) for subdivision 1, clauses (4), (7), and (8), the applicant must be the governmental subdivision;

(3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits provided in United States Code, title 38, chapter 21;

(4) for subdivision 1, clause (6), the applicant must be the owner of the homestead property; and

(5) for subdivision 1, clause (9), the owner of the qualified low-income housing project;

(6) for subdivision 1, clause (10), the operator of the commuter rail system; and

(7) for subdivision 1, clause (11), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities.

[EFFECTIVE DATE.] Clause (6) is effective for purchases made after June 30, 2005. Clause (7) is effective for purchases made after December 31, 2004.

Sec. 21. Minnesota Statutes 2004, section 297A.75, subdivision 3, is amended to read:

Subd. 3. [APPLICATION.] (a) The application must include sufficient information to permit the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor, or builder, under subdivision 1, clause (4), (5), (6), (7), (8), ~~or~~ (9), or (11), the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items unless otherwise specifically provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

(b) An applicant may not file more than two applications per calendar year for refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after December 31, 2004.

Sec. 22. Minnesota Statutes 2004, section 297A.83, subdivision 1, is amended to read:

Subdivision 1. [PERSONS APPLYING.] (a) A retailer required to collect and remit sales taxes under section 297A.66 shall file with the commissioner an application for a permit.

(b) A retailer making retail sales from outside this state to a destination within this state who is not required to obtain a permit under paragraph (a) may nevertheless voluntarily file an application for a permit.

(c) The commissioner may require any person or class of persons obligated to file a use tax return under section 289A.11, subdivision 3, to file an application for a permit, except an individual allowed to file and pay use tax under section 289A.18, subdivision 4a, is not required to obtain a permit.

[EFFECTIVE DATE.] This section is effective for purchases on and after July 1, 2005.

Sec. 23. Minnesota Statutes 2004, section 297A.87, subdivision 2, is amended to read:

Subd. 2. [SELLER'S PERMIT OR ALTERNATE STATEMENT.] (a) The operator of an event under subdivision 1 shall obtain one of the following from a person who wishes to do business as a seller at the event:

(1) evidence that the person holds a valid seller's permit under section 297A.84; or

(2) a written statement that the person is not offering for sale any item that is taxable under this chapter; or

(3) a written statement that this is the only selling event that the person will be participating in for that calendar year, that the person will be participating for three or fewer days, and that the person will make \$500 or less in total sales in the calendar year. The written statement shall include the person's name, address, and telephone number.

(b) The operator shall require the evidence or statement as a prerequisite to participating in the event as a seller.

[EFFECTIVE DATE.] This section is effective for selling events occurring after June 30, 2005.

Sec. 24. Minnesota Statutes 2004, section 297A.87, subdivision 3, is amended to read:

Subd. 3. [OCCASIONAL SALE PROVISIONS NOT APPLICABLE UNDER LIMITED CIRCUMSTANCES.] The isolated and occasional sale provisions provision under section 297A.67, subdivision 23, or applies, provided that the seller only participates for three or fewer days in one event per calendar year, makes \$500 or less in sales in the calendar year, and provides the written statement required in subdivision 2, paragraph (a), clause (3). The isolated and occasional sales provision under section 297A.68, subdivision 25, ~~do~~ does not apply to a seller at an event under this section.

[EFFECTIVE DATE.] This section is effective for selling events occurring after June 30, 2005.

Sec. 25. Minnesota Statutes 2004, 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.67, subdivision 11;

(2) purchase or use of any motor vehicle by any person who was a resident of another state or country 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 and the motor vehicle was registered in the person's name in the other state or country;

(3) purchase or use of any motor vehicle by any person making a valid election to be taxed under the provisions of section 297A.90;

(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, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code of 1986, as amended through December 31, 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, except a public school, university, or library, 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;

(12) purchase of a motor vehicle for use by a transit provider exclusively to provide transit service is exempt if the transit provider is either (i) receiving financial assistance or reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29, 473.388, or 473.405;

(13) purchase or use of a motor vehicle by a qualified business, as defined in section 469.310, located in a job opportunity building zone, if the motor vehicle is principally garaged in the job opportunity building zone and is primarily used as part of or in direct support of the person's operations carried on in the job opportunity building zone. The exemption under this clause applies to sales, if the purchase was made and delivery received during the duration of the job opportunity building zone. The exemption under this clause also applies to any local sales and use tax;

(14) purchase or use after June 30, 2005, and before July 1, 2008, of a motor vehicle by a state agency or political subdivision, provided that the motor vehicle has a fuel efficiency greater than 45 miles per gallon in highway use, and greater than 35 miles per gallon in city use, as certified by the United States Environmental Protection Agency.

[EFFECTIVE DATE.] This section is effective for sales and transfers made after June 30, 2005, and before July 1, 2008.

Sec. 26. Minnesota Statutes 2004, section 477A.016, is amended to read:

477A.016 [NEW TAXES PROHIBITED.]

No county, city, town or other taxing authority shall increase a present tax or impose a new tax on sales or income.

[EFFECTIVE DATE.] This section is effective on and after July 1, 2005.

Sec. 27. Laws 1991, chapter 291, article 8, section 27, subdivision 4, is amended to read:

Subd. 4. [EXPIRATION OF TAXING AUTHORITY AND EXPENDITURE LIMITATION.] The authority granted by subdivisions 1 and 2 to the city to impose a sales tax and an excise tax shall expire on the earlier of (1) December 31, 2018; (2) when the principal and interest on any bonds or obligations issued to finance construction of Riverfront 2000 and related facilities have been paid; or (3) at an earlier time as the city shall, by ordinance, determine. ~~The total capital, administrative, and operating expenditures payable from bond proceeds and revenues received from the taxes authorized by subdivisions 1 and 2, excluding investment earnings on bond proceeds and revenues, shall not exceed \$25,000,000 for Riverfront 2000 and related facilities.~~

[EFFECTIVE DATE.] This section is effective upon compliance by the Mankato City Council with the provisions in section 45 and, if required under section 45, approval of the voters at a general or special election.

Sec. 28. Laws 1996, chapter 471, article 2, section 29, is amended to read:

Sec. 29. [CITY OF HERMANTOWN; SALES AND USE TAX.]

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Hermantown may, by ordinance, impose an additional sales and use tax of up to one percent on sales ~~transactions, storage, and use~~ taxable pursuant to Minnesota Statutes, chapter 297A, that occur within the city.

(b) The proceeds of the first one-half of one percent of tax imposed under this section must be used to meet the costs of by the city for the following projects:

- (1) extending a sewer interceptor line;
- (2) construction of a booster pump station, reservoirs, and related improvements to the water system; and
- (3) construction of a police and fire station.

(c) Revenues received from the remaining one-half of one percent of the tax authorized under this section must be used by the city to pay all or part of the capital and administrative costs of developing, acquiring, constructing, and initially furnishing and equipping for the following projects:

- (1) construction of a city hall to be connected to the existing public safety facility;
- (2) construction of a new facility or purchase of an existing facility to be used as a public works facility;
- (3) construction, signalization, and rehabilitation of primary collector roads and commercial frontage roads, within the city; and
- (4) extension of a sewer interceptor line.

(d) Authorized expenses include, but are not limited to, acquiring property; paying construction, administrative, and operating expenses related to the development of the projects listed in paragraph (c); paying debt service on bonds or other obligations, including lease obligations, issued to finance construction, expansion, or improvement of the projects listed in paragraph (c); and other compatible uses, including but not limited to, parking, lighting, and landscaping.

Subd. 2. [REFERENDUM.] (a) If the Hermantown city council proposes to impose the sales tax authorized by this section, it shall conduct a referendum on the issue.

(b) If the Hermantown city council initially imposes the tax at a rate that is less than one percent and proposes increasing the tax rate at a later date up to the full one percent, it shall conduct a referendum on the increase.

(c) The question of imposing or increasing the tax must be submitted to the voters at a special or general election. The tax may not be imposed unless a majority of votes cast on the question of imposing the tax are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the election. This subdivision applies notwithstanding any city charter provision to the contrary.

Subd. 3. [ENFORCEMENT; COLLECTION; AND ADMINISTRATION OF TAXES.] A sales tax imposed under this section must be reported and paid to the commissioner of revenue with the state sales taxes, and be subject to the same penalties, interest, and enforcement provisions. The proceeds of the tax, less refunds and a proportionate share of the cost of collection, shall be remitted at least quarterly to the city. The commissioner shall deduct from the proceeds remitted an amount that equals the indirect statewide cost as well as the direct and indirect department costs necessary to administer, audit, and collect the tax. The amount deducted shall be deposited in the state general fund.

Subd. 3a. [BONDING AUTHORITY.] (a) The city may issue general obligation bonds under Minnesota Statutes, chapter 475, to finance the costs in subdivision 1, paragraph (c). The total amount of bonds issued for the projects under subdivision 1, paragraph (c), may not exceed \$13,000,000 in the aggregate. An election to approve the bonds is not required.

(b) The bonds are not included in computing any debt limitation applicable to the city and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

(c) The taxes authorized under this section may be pledged to and used for the payment of the bonds and any bonds issued to refund them.

Subd. 4. [TERMINATION.] The portion of the tax authorized under this section to finance the improvements described in subdivision 1, paragraph (b), terminates at the later of (1) ten years after the date of initial imposition of the tax, or (2) on the first day of the second month next succeeding a determination by the city council that sufficient funds have been received from that portion of the tax dedicated to finance the those improvements described in subdivision 1, clauses (1) to (3), and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the improvements. The portion of the tax authorized to finance the improvements described in subdivision 1, paragraph (c), terminates when the revenues raised are sufficient to finance those improvements, up to an amount equal to \$13,000,000 plus any interest, premium, and other costs associated with the bonds issued under subdivision 3a. The city council may terminate this portion of the tax earlier. Any funds remaining after completion of the improvements and retirement or redemption of the bonds may be placed in the general fund of the city.

~~Subd. 5. [LOCAL APPROVAL; EFFECTIVE DATE.] This section is effective the day after final enactment, upon compliance with Minnesota Statutes, section 645.021, subdivision 3, by the city of Hermantown.~~

[EFFECTIVE DATE.] This section is effective the day after the governing body of the city of Hermantown and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 29. Laws 1998, chapter 389, article 8, section 43, subdivision 3, is amended to read:

Subd. 3. [USE OF REVENUES.] Revenues received from the taxes authorized by subdivisions 1 and 2 must be used by the city to pay for the cost of collecting and administering the taxes and to pay for the following projects:

(1) transportation infrastructure improvements including ~~both~~ regional highway and airport improvements;

(2) improvements to the civic center complex;

(3) a municipal water, sewer, and storm sewer project necessary to improve regional ground water quality; and

(4) construction of a regional recreation and sports center and ~~associated~~ other higher education facilities available for both community and student use, ~~located at or adjacent to the Rochester center.~~

The total amount of capital expenditures or bonds for these projects that may be paid from the revenues raised from the taxes authorized in this section may not exceed ~~\$71,500,000~~ \$111,500,000. The total amount of capital expenditures or bonds for the project in clause (4) that may be paid from the revenues raised from the taxes authorized in this section may not exceed ~~\$20,000,000~~ \$28,000,000.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 30. Laws 1998, chapter 389, article 8, section 43, subdivision 4, is amended to read:

Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects. An election to approve the bonds under Minnesota Statutes, section 475.58, may be held in combination with the election to authorize imposition of the tax under subdivision 1. Whether to permit imposition of the tax and issuance of bonds may be posed to the voters as a single question. The question must state that the sales tax revenues are pledged to pay the bonds, but that the bonds are general obligations and will be guaranteed by the city's property taxes.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

The aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements may not exceed ~~\$71,500,000~~ \$111,500,000, plus an amount equal to the costs related to issuance of the bonds.

(d) The taxes may be pledged to and used for the payment of the bonds and any bonds issued to refund them, only if the bonds and any refunding bonds are general obligations of the city.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 31. Laws 1999, chapter 243, article 4, section 18, subdivision 1, is amended to read:

Subdivision 1. [SALES AND USE TAX.] (a) Notwithstanding Minnesota Statutes, section 297A.48, ~~subdivision 1a~~, 477A.016, or any other provision of law, ordinance, or city charter, if approved by the city voters at the first municipal general election held after the date of final enactment of this act or at a special election held November 2, 1999, the city of Proctor may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3, paragraph (a). The provisions of Minnesota Statutes, section ~~297A.48~~ 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

(b) The city of Proctor may impose by ordinance an additional sales and use tax of up to one-half of one percent if approved by the city voters at a general election or at a special election held for this purpose. The revenues received from this additional tax must be used for the purposes specified in subdivision 3, paragraph (b).

[EFFECTIVE DATE.] This section is effective the day following final enactment, upon compliance by the city of Proctor with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 32. Laws 1999, chapter 243, article 4, section 18, subdivision 3, is amended to read:

Subd. 3. [USE OF REVENUES.] (a) Revenues received from taxes authorized by subdivisions 1, paragraph (a), and 2 must be used by the city to pay the cost of collecting the taxes and to pay for construction and improvement of the following city facilities:

- (1) streets; and
- (2) constructing and equipping the Proctor community activity center.

Authorized expenses include, but are not limited to, acquiring property, paying construction and operating expenses related to the development of an authorized facility, and paying debt service on bonds or other obligations, including lease obligations, issued to finance the construction, expansion, or improvement of an authorized facility. The capital expenses for all projects authorized under this paragraph that may be paid with these taxes is limited to \$3,600,000, plus an amount equal to the costs related to issuance of the bonds.

(b) Revenues received from taxes authorized by subdivision 1, paragraph (b), must be used by the city to pay the cost of collecting the taxes and for construction and improvements of city streets, public utilities, sidewalks, bikeways, and trails.

[EFFECTIVE DATE.] This section is effective the day following final enactment, upon compliance by the city of Proctor with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 33. Laws 1999, chapter 243, article 4, section 18, subdivision 4, is amended to read:

Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects described in subdivision 3. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and ~~279.64~~ 275.61.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

(d) For projects described in subdivision 3, paragraph (a), the aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements, may not exceed \$3,600,000, plus an amount equal to the costs related to issuance of the bonds, including interest on the bonds. For projects described in subdivision 3, paragraph (b), the aggregate principal amount of bonds may not exceed \$7,200,000, plus an amount equal to the costs related to issuance of the bonds, including interest on the bonds.

(e) The sales and use and excise taxes authorized in this section may be pledged to and used for the payment of the bonds and any bonds issued to refund them only if the bonds and any refunding bonds are general obligations of the city.

[EFFECTIVE DATE.] This section is effective the day following final enactment, upon compliance by the city of Proctor with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 34. Laws 2001, First Special Session chapter 5, article 12, section 67, the effective date, is amended to read:

[EFFECTIVE DATE.] This section is effective for purchases and sales made after June 30, 2001, and before ~~January 1, 2003~~ July 1, 2007.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 35. Laws 2001, First Special Session chapter 5, article 12, section 82, the effective date, as amended by Laws 2002, chapter 377, article 3, section 23, is amended to read:

[EFFECTIVE DATE.] This section is effective for sales and purchases made after December 31, 2005 2007, or until the State of Minnesota is found to be out of compliance with the streamlined sales tax project only to the extent of the change in this act and for no other reason, if that finding is made before December 31, 2007.

Sec. 36. Laws 2001, First Special Session chapter 5, article 12, section 95, as amended by Laws 2002, chapter 377, article 3, section 24, and Laws 2003, First Special Session chapter 21, article 8, section 15, is amended to read:

Sec. 95. [REPEALER.]

(a) Minnesota Statutes 2000, sections 297A.61, subdivision 16; 297A.68, subdivision 21; and 297A.71, subdivision 2, are repealed effective for sales and purchases occurring after June 30, 2001, except that the repeal of section 297A.61, subdivision 16, paragraph (d), is effective for sales and purchases occurring after July 31, 2001.

~~(b) Minnesota Statutes 2000, sections 297A.62, subdivision 2, and 297A.64, subdivision 1, are repealed effective for sales and purchases made after December 31, 2005.~~

~~(e) (b) Minnesota Statutes 2000, section 297A.71, subdivision 15, is repealed effective for sales and purchases made after June 30, 2002.~~

~~(d) (c) Minnesota Statutes 2000, section 289A.71, subdivision 16, is repealed effective for sales and purchases occurring after December 31, 2002.~~

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 37. Laws 2002, chapter 377, article 3, section 4, the effective date, is amended to read:

~~**[EFFECTIVE DATE.]** With the exception of clause (2), item (ii), This section is effective for sales and purchases made after June 30, 2002. Clause (2), item (ii), is effective for sales and purchases made after June 30, 2002, and before January 1, 2006.~~

Sec. 38. Laws 2002, chapter 377, article 12, section 16, subdivision 1, is amended to read:

Subdivision 1. [NONPROFIT CORPORATION MAY BE ESTABLISHED.] The city of Thief River Falls may incorporate or authorize the incorporation of a nonprofit corporation to operate a community or regional center in the city. A nonprofit corporation incorporated under this section is exempt from payment of sales and use tax on materials, equipment, and supplies consumed or incorporated into the construction of the community or regional center. The exemption under this section applies to purchases by the nonprofit corporation, a contractor, subcontractor, or builder. A contractor, subcontractor, or builder that does not pay sales tax on purchases for construction of the community or regional center shall not charge sales or use tax to the nonprofit corporation. The nonprofit corporation may file a claim for refund for any sales taxes paid on the construction costs of the community or regional center, and the commissioner of revenue shall pay the refunded amount directly to the nonprofit corporation.

[EFFECTIVE DATE.] This section is effective retroactively for purchases made on and after July 1, 2002.

Sec. 39. [CITY OF ALBERT LEA; SALES AND USE TAX.]

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Albert Lea may, by ordinance, impose a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [USE OF REVENUES.] The proceeds of the tax imposed under this section shall be used to pay for lake improvement projects as detailed in the Shell Rock River watershed plan.

Subd. 3. [REFERENDUM.] If the Albert Lea City Council proposes to impose the tax authorized by this section, the question of imposing the tax must be submitted to the voters at the next general election.

Subd. 4. [TERMINATION OF TAXES.] The taxes imposed under this section expire at the earlier of (1) ten years after the taxes are first imposed, or (2) when the city council first determines that the amount of revenues raised to pay for the projects under subdivision 2, shall meet or exceed the sum of \$15,000,000. Any funds remaining after completion of the projects may be placed in the general fund of the city.

[EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Albert Lea with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 40. [CITY OF BAXTER; TAXES AUTHORIZED.]

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the approval of the voters on November 2, 2004, and pursuant to Minnesota Statutes, section 297A.99, the city of Baxter may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Baxter may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. [USE OF REVENUES.] Revenues received from the taxes authorized by subdivisions 1 and 2 must be used to pay the cost of collecting and administering the tax and to finance the acquisition and betterment of water and waste water facilities, a fire substation, and the Paul Bunyan Bridge over Excelsior Road, as approved by the voters at the referendum authorizing the tax. Authorized costs include, but are not limited to, acquiring property and paying construction, legal, and engineering costs related to the projects.

Subd. 4. [BONDS.] The city of Baxter, pursuant to the approval of the voters at the referendum authorizing the imposition of the taxes in this section, may issue general obligation bonds of the city, in one or more series, in the aggregate principal amount not to exceed \$15,000,000 to finance the projects listed in subdivision 3. The debt represented by the bonds is not included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of and interest on the bonds is not subject to any levy limitation or included in computing or applying any levy limitation applicable to the city.

Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under subdivisions 1 and 2 expire at the earlier of 12 years after the imposition of the tax or when the city council first determines that the amount of revenues raised from the taxes to pay for the projects equals or exceeds \$15,000,000 plus any interest on bonds issued for the projects under subdivision 4. Any funds remaining after expiration of the taxes and retirement of the bonds shall be placed in a capital project fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

[EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Baxter with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 41. [CITY OF BEAVER BAY; TAXES AUTHORIZED.]

Subdivision 1. [SALES AND USE TAXES.] Notwithstanding Minnesota Statutes, section

477A.016, or any other provision of law or ordinance, if approved by the voters of the city at the next general election held after the date of final enactment of this act, the city of Beaver Bay may impose by ordinance a sales and use tax at a rate of up to one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [USE OF REVENUES.] The revenues received from taxes authorized by subdivision 1 must be used to pay the bonded indebtedness on the city community building and to provide funding for recreational facilities, the upgrading of the water and sewer system, upgrading and replacement of fire equipment, and improvement of streets.

Subd. 3. [TERMINATION OF TAXES.] The authority granted under subdivision 1 to the city of Beaver Bay to impose sales and use taxes expires when the city council determines that the amount of revenue received to pay the costs of the projects described in subdivision 2 shall meet or exceed \$1,500,000. Any funds remaining after completion of the projects may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

[EFFECTIVE DATE.] This section is effective the day after the governing body of the city of Beaver Bay and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 42. [CITY OF BEMIDJI.]

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the approval of the city voters at the general election held on November 5, 2002, the city of Bemidji may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [USE OF REVENUES.] Revenues received from the tax authorized by subdivision 1 must be used for the cost of collecting and administering the tax and to pay all or part of the capital or administrative costs of the acquisition, construction, and improvement of parks and trails within the city, as provided for in the city of Bemidji's parks, open space, and trail system plan, adopted by the Bemidji City Council on November 21, 2001. Authorized expenses include, but are not limited to, acquiring property, paying construction expenses related to the development of these facilities and improvements, and securing and paying debt service on bonds or other obligations issued to finance acquisition, construction, improvement, or development of parks and trails within the city of Bemidji.

Subd. 3. [BONDS.] Pursuant to the approval of the city voters at the general election held on November 5, 2002, the city of Bemidji may issue, without an additional election, general obligation bonds of the city in an amount not to exceed \$9,826,000 to pay capital and administrative expenses for the acquisition, construction, improvement, and development of parks and trails as specified in subdivision 2. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of any interest on the bonds must not be subject to any levy limitations or be included in computing or applying any levy limitation applicable to the city.

Subd. 4. [TERMINATION OF TAX.] The tax imposed under subdivision 1 expires when the Bemidji City Council determines that the amount described in subdivision 3 has been received from the tax to finance the capital and administrative costs for acquisition, construction, improvement, and development of parks and trails and to repay or retire at maturity the principal, interest, and premium due on any bonds issued for the park and trail improvements under subdivision 3. Any funds remaining after completion of the park and trail improvements and retirement or redemption of the bonds may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

[EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Bemidji with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 43. [CITY OF CLOQUET; TAXES AUTHORIZED.]

Subdivision 1. [SALES AND USE TAX.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters pursuant to Minnesota Statutes, section 297A.99, the city of Cloquet may impose by ordinance a sales and use tax of up to one-half of one percent for the purpose specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Cloquet may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. [USE OF REVENUES.] Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for the following projects:

(1) construction and implementation of riverfront task force park improvements including Veteran's Park;

(2) extension of water and sewer lines and other improvements to city infrastructure necessary for construction of a city industrial park; and

(3) costs associated with the closure of the Cloquet Municipal Landfill.

Authorized expenses include, but are not limited to, acquiring property and paying construction expenses related to these improvements, and paying debt service on bonds or other obligations issued to finance acquisition and construction of these improvements.

Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the improvements described in subdivision 3 in an amount that does not exceed \$7,000,000. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(c) The debt represented by the bonds is not included in computing any debt limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under subdivisions 1 and 2 expire at the earlier of (1) 14 years, or (2) when the city council determines that sufficient funds have been received from the taxes to finance the capital and administrative costs of the improvements described in subdivision 3, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 4, including interest on the bonds. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

[EFFECTIVE DATE.] This section is effective the day after the governing body of the city of Cloquet and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 44. [CITY OF CLEARWATER.]

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the approval of the city voters at the next general election or at a special election held for this purpose, the city of Clearwater may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [USE OF REVENUES.] Revenues received from the tax authorized by subdivision 1 must be used for the cost of collecting and administering the tax and to pay all or part of the capital or administrative costs of the development, acquisition, construction, and improvement of parks, trails, parkland, open space, and land and buildings for a regional community and recreation center. Authorized expenses include, but are not limited to, acquiring property, paying construction expenses related to the development of these facilities and improvements, and securing and paying debt service on bonds or other obligations issued to finance acquisition, construction, improvement, or development.

Subd. 3. [BONDS.] Pursuant to the approval of the city voters to impose the tax authorized in subdivision 1, the city of Clearwater may issue without an additional election general obligation bonds of the city in an amount not to exceed \$3,000,000 to pay capital and administrative expenses for the acquisition, construction, improvement, and development of the projects specified in subdivision 2. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal or any interest on the bonds must not be subject to any levy limitations or be included in computing or applying any levy limitation applicable to the city.

Subd. 4. [TERMINATION OF TAX.] The tax imposed under subdivision 1 expires when the Clearwater City Council determines that the amount described in subdivision 3 has been received from the tax to finance the capital and administrative costs for acquisition, construction, improvement, and development of the projects specified in subdivision 2 and to repay or retire at maturity the principal, interest, and premium due on any bonds issued for the projects under subdivision 3. Any funds remaining after completion of the projects specified in subdivision 2 and retirement or redemption of the bonds may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

[EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Clearwater with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 45. [REVERSE REFERENDUM; CHANGE IN MANKATO SALES TAX EXPIRATION DATE.]

For the change in section 27 to be effective, the Mankato City Council must pass a resolution stating that they intend to implement the change in the expiration date of the local sales tax authorized under section 27. The resolution must indicate when the sales tax would expire under the law before any change, and when it will expire under the authorized change in the law. The resolution must be published for two successive weeks in the official newspaper of the city or, if there is no official newspaper, in a newspaper of general circulation in the city, together with a notice fixing a date for a public hearing on the matter. The hearing must be held at least two weeks but no more than four weeks after the first publication of the resolution. Following the public hearing, the city may determine to take no further action or adopt a resolution confirming its intention to extend the expiration date of the sales tax. That resolution must also be published in the official newspaper of the city or, if there is no official newspaper, in a newspaper of general circulation in the city. If within 30 days of publication of the resolution a petition signed by voters equal in number to at least ten percent of the votes cast in the city in the last general election requesting a vote on the resolution is filed with the county, the resolution is not effective until it has been submitted to the voters at a general or special election and a majority of votes cast on the question of approving the resolution are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the election. The notices, hearing, and any required referendum must be held before December 31, 2005.

Notwithstanding any other law or charter provision, the taxes imposed under Laws 1991, chapter 291, article 8, section 27, shall not expire before December 31, 2005. However, if the city has not met the requirements in this section for adopting the change in the effective date allowed in section 1, the tax shall expire after December 31, 2005, as soon as is feasible under Minnesota Statutes, section 297A.99, subdivision 12.

[EFFECTIVE DATE.] This section is effective the day after compliance by the city of Mankato with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 46. [CITY OF MEDFORD; SALES AND USE TAX.]

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Medford may, by ordinance, impose a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise specifically provided, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [USE OF REVENUES.] The proceeds of the tax imposed under this section must be used to pay up to \$5,000,000 in costs related to improving the city's wastewater system and wastewater treatment plant.

Subd. 3. [REFERENDUM.] If the Medford City Council proposes to impose the tax authorized by this section, the question of imposing the tax must be submitted to the voters at the next general election. The tax may not be imposed unless the majority of votes cast on the question of imposing the tax are in the affirmative. The commissioner of revenue shall prepare a suggested form of the question to be presented at the election. The question must state that the sales tax revenues would be pledged to pay any bonds issued under subdivision 4 and that these bonds are guaranteed by the city's property taxes.

Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects authorized under subdivision 2. The total amount of bonds issued for the projects listed in subdivision 2 may not exceed \$5,000,000 in aggregate. An election to approve the bonds, as required under Minnesota Statutes, section 475.58, is not required.

(b) The issuance of the bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay the principal of and interest on the bonds is not subject to any levy limitation.

(d) The taxes authorized under this section may be pledged to and used for the payment of the bonds and any bonds issued to refund them only if the bonds and any refunding bonds are general obligations of the city.

Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under this section expire at the earlier of (1) 20 years after the taxes are first imposed, or (2) when the city council first determines that the amount of revenues raised to pay for the projects under subdivision 2 shall meet or exceed the sum of \$5,000,000, plus an amount equal to the costs related to the issuance of bonds under subdivision 4. Any funds remaining after completion of the projects and retirement or redemption of the bonds may be placed in the general funds of the city.

[EFFECTIVE DATE.] This section is effective the day after compliance with the governing body of the city of Medford with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 47. [CITY OF PARK RAPIDS.]

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to

the approval of the city voters at the next general election or at a special election held for this purpose, the city of Park Rapids may impose by ordinance a sales and use tax of one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [USE OF REVENUES.] Revenues received from the tax authorized by subdivision 1 must be used for the cost of collecting and administering the tax and to pay all or part of the capital or administrative costs of the development, acquisition, construction, and improvement of the following projects:

(1) two-thirds of the cost of construction and operation of a community center that may include a senior citizen center, fitness center, swimming pool, meeting rooms, indoor track, and racquetball, basketball, and tennis courts, provided that an amount equal to one-third of the cost of construction is received from private sources;

(2) capital improvement projects including, but not limited to, installation of water, sewer, storm sewer, street improvements, new city water tower and well, costs related to improvements to marked trunk highway 34; and

(3) park improvements.

Authorized expenses include, but are not limited to, acquiring property, paying construction expenses related to the development of these facilities and improvements, and securing and paying debt service on bonds or other obligations issued to finance acquisition, construction, improvement, or development.

Subd. 3. [BONDS.] Pursuant to the approval of the city voters to impose the tax authorized in subdivision 1, the city of Park Rapids may issue without an additional election general obligation bonds of the city to pay capital and administrative expenses for the acquisition, construction, improvement, and development of the projects specified in subdivision 2. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal or any interest on the bonds must not be subject to any levy limitations or be included in computing or applying any levy limitation applicable to the city.

Subd. 4. [TERMINATION OF TAX.] The tax imposed under subdivision 1 expires the earlier of July 1, 2023, or when the city council determines that sufficient revenues have been received to retire the bonds in subdivision 3. Any funds remaining after completion of the projects specified in subdivision 2 and retirement or redemption of the bonds may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

[EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Park Rapids with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 48. [CITY OF PROCTOR; LODGING TAX.]

The city of Proctor may use up to ten percent of the revenues received from the lodging tax imposed by the city under Minnesota Statutes, section 469.190, for preservation of the Caboose and the Baldwin Locomotive, Class M3 Mallet, Number 225, donated to the city by the Duluth, Missabe and Iron Range Railway Company, and the F-101F aircraft, serial number 59-0407, donated to the city by the Department of the Air Force.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 49. [ST. CLOUD AREA CITIES; SALES AND USE TAX AUTHORIZED.]

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] (a) Notwithstanding Minnesota Statutes, sections 297A.99, subdivision 3, paragraph (d), and 477A.016, or any other provision of law, ordinance, or city charter, the following cities may, by ordinance, impose a sales and use tax of one half of one percent for the purposes specified in subdivision 2:

(1) the city of St. Cloud, pursuant to the approval of the city voters at the general election held on November 2, 2004;

(2) the city of St. Joseph, pursuant to the approval of the city voters at the general election on November 2, 2004;

(3) the city of Waite Park, pursuant to the approval of the city voters at the general election held on November 4, 2003, and any additional approval by the voters of that city at the next general election;

(4) the city of Sartell, pursuant to the approval of the city voters at the general election held on November 2, 1999, and any additional approval at the next general election; and

(5) the cities of Sauk Rapids and St. Augusta, pursuant to the approval of the voters of that city at the next general election.

(b) The provisions of Minnesota Statutes, section 297A.99, except subdivision 3, paragraph (d), govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [USE OF REVENUES.] (a) Revenues received from the tax authorized under subdivision 1 must be used for collecting and administering the taxes and to pay all or part of the capital and administrative costs of the acquisition, construction, and improvement of a new regional library located in the city of St. Cloud. Authorized expenses include, but are not limited to, acquiring property, paying construction expenses related to the development of the library, and securing and paying debt service issued to finance construction or improvement of the authorized facility. The total amount that may be spent on this project may not exceed \$30,000,000 plus any debt service costs.

(b) If revenues collected from the taxes imposed under subdivision 1 are greater than the amount needed to meet obligations under paragraph (a) in any year, the surplus may be returned to the cities in a manner agreed upon by the participating cities under an applicable joint powers agreement. Cities must use revenues received under this paragraph to fund projects that have been approved by the voters at the referendum authorizing the tax. Authorized expenses include, but are not limited to, acquiring property, paying construction expenses related to the development of the authorized facility, and securing and paying debt service issued to finance construction or improvement of the authorized facility.

(c) Notwithstanding any provisions to the contrary contained in a referendum authorizing the imposition of the tax, projects that may be funded from revenues distributed under paragraph (b) are limited to the following:

(1) the St. Cloud Regional Airport;

(2) regional transportation improvements;

(3) community and aquatics centers;

(4) regional public libraries; and

(5) acquisition and improvement of regional park land, trails, and open space.

(d) The cities of Waite Park and Sartell may use revenues from the tax imposed in subdivision 1 to fund the library under paragraph (a) without additional approval by city voters; however, each city must seek approval of its voters to fund any other project not approved by the voters at the referendum held on November 4, 2003, and November 2, 1999, respectively.

Subd. 3. [ALLOCATION OF SALES AND USE TAX REVENUES TO CITIES.] Revenues collected from the taxes authorized by subdivision 1, after paying the cost of collecting and administering the tax, shall be allocated to cities imposing the tax as follows:

(1) the first \$900,000 of revenues collected annually, indexed annually to the Consumer Price

Index, to the city of St. Cloud for the construction and relocation of a regional library located in the city; and

(2) the revenues collected from the taxes imposed under subdivision 1 that exceed the amount needed to meet the obligations under clause (1) in any year shall be returned to the cities pursuant to a joint powers agreement allocating sales tax revenues among the cities.

Subd. 4. [CITY BONDING AUTHORIZED.] The city imposing a tax under subdivision 1 may issue general obligation bonds to pay the costs of the projects specified in subdivision 2, pursuant to the approval of the projects by the city voters at the election authorizing the imposition of the tax. The bonds issued for each project are limited to the amount authorized to be spent on the project in the referendum. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal or any interest on the bonds must not be subject to any levy limitations or be included in computing or applying any levy limitation applicable to the city.

Subd. 5. [TERMINATION OF TAX.] The tax imposed in a city under subdivision 1 expires when the city council determines that sufficient funds have been collected from the tax to retire or redeem the bonds and obligations authorized under subdivision 2, but no later than 17 years after the date the tax is first imposed. Any funds remaining after completion of the projects specified in subdivision 2 and retirement or redemption of the bonds may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

[EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city with Minnesota Statutes, section 645.021, subdivision 3, for sales and purchases made on and after January 1, 2006.

Sec. 50. [SALES AND USE TAX COMPLIANCE GAP.]

The commissioner must reduce the amount of the compliance gap in the payment of sales and use tax by 25 percent before December 31, 2007; and must reduce the compliance gap in the payment of sales and use tax by an additional 25 percent before December 31, 2009. The commissioner must establish an effective method to allow individuals who purchase taxable products or services and have not paid the tax at the time of the purchase to pay the tax. The commissioner must advise residents of this state how to pay sales and use tax.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 51. [CITY OF WASECA; SALES AND USE TAX.]

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Waseca may, by ordinance, impose a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [USE OF REVENUES.] The proceeds of the tax imposed under this section must be used to pay for up to \$1,820,000 in costs related to one or more of the following capital projects as described in the referendum in subdivision 3:

- (1) water quality and lake improvements;
- (2) community center improvements;
- (3) an industrial incubator; and
- (4) downtown improvements, including a theatre and blighted property acquisition.

Subd. 3. [REFERENDUM.] If the Waseca city council proposes to impose the tax authorized

by this section, the question of imposing the tax must be submitted to the voters at the next general election. The tax may not be imposed unless the majority of votes cast on the question of imposing the tax are in the affirmative. The specific projects to be funded by the tax must be identified at least 90 days before the referendum is held and included in the question presented at the election. The question must state that the sales tax revenues would be pledged to pay any bonds issued under subdivision 4 and that these bonds are guaranteed by the city's property taxes.

Subd. 4. [BONDING AUTHORITY.] The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects authorized under subdivision 2 and approved under subdivision 3. The total amount of bonds issued for the projects approved in subdivision 3 may not exceed \$1,820,000 in aggregate. An election to approve the bonds, as required under Minnesota Statutes, section 475.58, is not required.

Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under this section expire at the earlier of (1) ten years after the taxes are first imposed, or (2) when the city council first determines that the amount of revenues raised is sufficient to finance the capital projects approved under subdivision 3 and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued under subdivision 4. Any funds remaining after completion of the projects may be placed in the general funds of the city.

[EFFECTIVE DATE.] This section is effective the day after compliance with the governing body of the city of Waseca with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 52. [CITY OF WILLMAR.]

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the approval of the city voters at the general election held on November 2, 2004, the city of Willmar may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [USE OF REVENUES.] Revenues received from the tax authorized by subdivision 1 must be used for the cost of collecting and administering the tax and to pay all or part of the capital or administrative costs of the development, acquisition, construction, and improvement of the following projects:

- (1) completion and expansion of the airport/industrial park;
- (2) hiking and biking trails;
- (3) connection of the Blue Line and Civic Center buildings; and
- (4) purchase of that portion of the Willmar Regional Treatment Center campus located west of Marked Trunk Highway 71.

Authorized expenses include, but are not limited to, acquiring property, paying construction expenses related to the development of these facilities and improvements, and securing and paying debt service on bonds or other obligations issued to finance acquisition, construction, improvement, or development of these projects.

Subd. 3. [BONDS.] The city of Willmar may issue without an additional election general obligation bonds of the city in an amount not to exceed \$8,000,000 to pay capital and administrative expenses for the acquisition, construction, improvement, and development of the projects listed in subdivision 2. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal or any interest on the bonds, and must not be subject to any levy limitations or be included in computing or applying any levy limitation applicable to the city.

Subd. 4. [TERMINATION OF TAX.] The tax imposed under subdivision 1 expires at the later of (1) seven years after the date the tax is first imposed, or (2) when the Willmar City Council determines that the amount described in subdivision 3 has been received from the tax to finance the capital and administrative costs, and to repay or retire at maturity the principal, interest, and premium due on any bonds issued under subdivision 3. Any funds remaining after completion of the projects listed in subdivision 2 and retirement or redemption of the bonds may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

[EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Willmar with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 53. [CITY OF WINONA; TAXES AUTHORIZED.]

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters pursuant to Minnesota Statutes, section 297A.99, the city of Winona may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Winona may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. [USE OF REVENUES.] Revenues received from the taxes authorized by subdivisions 1 and 2 must be used to pay all or part of the capital costs of transportation, cultural, or library projects located within the city, including securing or paying debt service on bonds issued under subdivision 4, for the transportation, cultural, or library projects and to pay the cost of collecting and administering the tax. Authorized costs include, but are not limited to, acquiring property and paying construction and engineering costs related to the projects.

Subd. 4. [BONDS.] The city of Winona, if approved by voters pursuant to Minnesota Statutes, section 297A.99, may issue general obligation bonds of the city, in one or more series, in the aggregate principal amount not to exceed \$20,000,000 to pay capital and administrative costs of the transportation, cultural, or library projects. The debt represented by the bonds is not included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of and interest on the bonds is not subject to any levy limitation or included in computing or applying any levy limitation applicable to the city.

Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under subdivisions 1 and 2 expire at the later of 15 years after the imposition of the tax or when the Winona city council determines that sufficient funds have been received from the taxes to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the projects under subdivision 4. Any funds remaining after expiration of the taxes and retirement of the bonds may be placed in a capital project fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

[EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Winona with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 54. [USE TAX ENFORCEMENT.]

The commissioner shall establish a use tax enforcement unit within the Department of Revenue to conduct direct compliance activities that will increase payment of use tax. The commissioner shall inform and educate taxpayers about the requirement to pay use tax. The commissioner shall also conduct an information campaign targeted to higher income individuals, attorneys,

accountants, and tax preparers to advise individuals and tax professionals of the obligation to report and pay use tax.

[EFFECTIVE DATE.] This section is effective July 1, 2005.

Sec. 55. [REPEALER.]

Minnesota Statutes 2004, section 297A.99, subdivision 13, is repealed effective July 1, 2005.

ARTICLE 4 PROPERTY TAXES

Section 1. Minnesota Statutes 2004, section 103C.331, subdivision 16, is amended to read:

Subd. 16. [BUDGET.] The district board shall annually present a budget consisting of an itemized statement of district expenses for the ensuing calendar year to the boards of county commissioners of the counties in which the district is located. The county boards may levy an annual tax on all taxable real property in the district or annually authorize district levies, as provided in section 103C.332, for the amount that the boards determine is necessary to meet the requirements of the district. The amount levied shall be collected and distributed to the district as prescribed by chapter 276. The amount may be spent by the district board for a district purpose authorized by law.

Sec. 2. [103C.332] [DISTRICT FUNDS AND LEVIES.]

Subdivision 1. [GENERAL FUND.] (a) A district shall create a general fund consisting of:

(1) an ad valorem tax levy, authorized by a county board under section 103C.331, subdivision 16, that may not exceed 0.048 percent of taxable market value, or \$750,000, whichever is less; and

(2) revenue received from the county for administration of the district under section 103C.331, subdivision 16.

(b) The money in the fund shall be used for general administrative expenses. The supervisors may make an annual levy for the general fund as provided in subdivision 6.

Subd. 2. [IMPLEMENTATION AND PROJECT MATCH FUND.] A district shall create an implementation fund to supply funds for the implementation of the projects of the district or to match grants from outside sources consisting of:

(1) ad valorem tax levies or fees levied or to be levied for the implementation of projects of the district or to match grants, authorized by the county board under section 103C.331, subdivision 16; and

(2) revenue received from the county under section 103C.331, subdivision 16, for the implementation of projects of the district or to match grants.

Subd. 3. [BUDGET HEARING.] (a) Before adopting a budget when levies are authorized by the county board under section 103C.331, subdivision 16, the supervisors shall hold a public hearing on the proposed budget.

(b) The supervisors shall publish a notice of the hearing with a summary of the proposed budget in one or more newspapers of general circulation in each county consisting of part of the district. The notice and summary shall be published once each week for two successive weeks before the hearing. The last publication shall be at least two days before the hearing.

Subd. 4. [BUDGET ADOPTION.] On or before September 1 of each year, the supervisors shall adopt a budget for the next year and decide on the total amount necessary to be raised from ad valorem tax levies to meet the district's budget.

Subd. 5. [CERTIFICATION TO AUDITOR.] After adoption of the budget and no later than September 1, the district shall certify to the auditor of each county within the district, the county's

share of an authorized tax, which shall be an amount bearing the same proportion to the total levy as the net tax capacity of the area of the county within the district bears to the net tax capacity of the entire district. The maximum amount of a levy may not exceed the amount provided in subdivisions 1 and 2.

Subd. 6. [LEVY.] The auditor of each county in the district shall add the amount of an authorized levy made by the supervisors to the other tax levies on the property of the county within the district for collection by the county treasurer with other taxes. The county treasurer shall make settlement of the taxes collected with the treasurer of the district in the same manner as other taxes are distributed to the other political subdivisions. The levy authorized by this section is in addition to other county taxes authorized by law.

Sec. 3. Minnesota Statutes 2004, section 123B.53, is amended by adding a subdivision to read:

Subd. 1a. [DEBT SERVICE LEVIES; CHOICE OF TAX BASE.] A school board may by resolution elect to levy the debt service for a bond issued after July 1, 2005, against the referendum market value of the district, as defined under section 126C.01, subdivision 3, rather than the net tax capacity of the district, except that for purposes of this subdivision, noncommercial 4c(1) property under section 273.13 is valued at its market value. A resolution to levy against referendum market value must be passed at an open meeting of the board, at least 60 days prior to the referendum election.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2004, section 123B.53, subdivision 4, is amended to read:

Subd. 4. [DEBT SERVICE EQUALIZATION REVENUE.] (a) The debt service equalization revenue of a district equals the sum of the first tier debt service equalization revenue and the second tier debt service equalization revenue.

(b) The first tier debt service equalization revenue of a district equals the greater of zero or the eligible debt service revenue minus the amount raised by a levy of 15 percent times the adjusted net tax capacity of the district minus the second tier debt service equalization revenue of the district.

(c) The second tier debt service equalization revenue of a district equals the greater of zero or the eligible debt service revenue, excluding alternative facilities levies under section 123B.59, subdivision 5, minus the amount raised by a levy of 25 percent times the adjusted net tax capacity of the district.

(d) Debt service equalization revenue is determined as provided under this subdivision regardless of whether the debt service is being levied against net tax capacity or referendum market value.

[EFFECTIVE DATE.] This section is effective July 1, 2005.

Sec. 5. Minnesota Statutes 2004, section 123B.55, is amended to read:

123B.55 [DEBT SERVICE LEVY.]

Subdivision 1. [LEVY AMOUNT.] A district may levy the amounts necessary to make payments for bonds issued and for interest on them, including the bonds and interest on them, issued as authorized by Minnesota Statutes 1974, section 275.125, subdivision 3, clause (7)(C); and the amounts necessary for repayment of debt service loans and capital loans, minus the amount of debt service equalization revenue of the district.

Subd. 2. [AID APPORTIONMENT.] A district's debt service equalization aid shall be apportioned between the net tax capacity debt service levy and the referendum market value debt service levy in the same proportions as eligible debt service revenues resulting from bonds issued against net tax capacity are to eligible debt service revenues resulting from bonds issued against referendum market value.

Subd. 3. [NET TAX CAPACITY DEBT SERVICE LEVY.] The levy amount determined under subdivision 1, plus the eligible debt service revenues resulting from bonds issued against net tax capacity, minus the debt service equalization aid apportioned to the net tax capacity debt service levy, must be levied against the net tax capacity of the district as determined under section 273.13 and must be included with the other net tax capacity levies certified to the county auditor under section 275.07.

Subd. 4. [REFERENDUM MARKET VALUE DEBT SERVICE LEVY.] The eligible debt service revenues resulting from bonds issued against referendum market value, minus the debt service equalization aid apportioned to the referendum market value debt service levy, must be levied against the referendum market value of the district as defined in section 126C.01, subdivision 3, and must be separately certified to the county auditor under section 275.07.

[EFFECTIVE DATE.] This section is effective beginning with taxes payable in 2006.

Sec. 6. Minnesota Statutes 2004, section 123B.71, subdivision 9, is amended to read:

Subd. 9. [INFORMATION REQUIRED.] A school board proposing to construct a facility described in subdivision 8 shall submit to the commissioner a proposal containing information including at least the following:

(1) the geographic area and population to be served, preschool through grade 12 student enrollments for the past five years, and student enrollment projections for the next five years;

(2) a list of existing facilities by year constructed, their uses, and an assessment of the extent to which alternate facilities are available within the school district boundaries and in adjacent school districts;

(3) a list of the specific deficiencies of the facility that demonstrate the need for a new or renovated facility to be provided, and a list of the specific benefits that the new or renovated facility will provide to the students, teachers, and community users served by the facility;

(4) the relationship of the project to any priorities established by the school district, educational cooperatives that provide support services, or other public bodies in the service area;

(5) a specification of how the project will increase community use of the facility and whether and how the project will increase collaboration with other governmental or nonprofit entities;

(6) a description of the project, including the specification of site and outdoor space acreage and square footage allocations for classrooms, laboratories, and support spaces; estimated expenditures for the major portions of the project; and the dates the project will begin and be completed;

(7) a specification of the source of financing the project; the scheduled date for a bond issue or school board action; a schedule of payments, including debt service equalization aid; whether the debt service will be levied against net tax capacity or referendum market value; and the effect of a bond issue on local property taxes by the property class and valuation;

(8) an analysis of how the proposed new or remodeled facility will affect school district operational or administrative staffing costs, and how the district's operating budget will cover any increased operational or administrative staffing costs;

(9) a description of the consultation with local or state road and transportation officials on school site access and safety issues, and the ways that the project will address those issues;

(10) a description of how indoor air quality issues have been considered and a certification that the architects and engineers designing the facility will have professional liability insurance;

(11) as required under section 123B.72, for buildings coming into service after July 1, 2002, a certification that the plans and designs for the extensively renovated or new facility's heating, ventilation, and air conditioning systems will meet or exceed code standards; will provide for the

monitoring of outdoor airflow and total airflow of ventilation systems; and will provide an indoor air quality filtration system that meets ASHRAE standard 52.1;

(12) a specification of any desegregation requirements that cannot be met by any other reasonable means; and

(13) a specification, if applicable, of how the facility will utilize environmentally sustainable school facility design concepts.

[EFFECTIVE DATE.] This section is effective July 1, 2005.

Sec. 7. Minnesota Statutes 2004, section 126C.17, subdivision 6, is amended to read:

Subd. 6. **[REFERENDUM EQUALIZATION LEVY.]** (a) For fiscal year 2003 and later through 2007, a district's referendum equalization levy equals the sum of the first tier referendum equalization levy and the second tier referendum equalization levy.

(b) A district's first tier referendum equalization levy equals the district's first tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident marginal cost pupil unit to \$476,000.

(c) A district's second tier referendum equalization levy equals the district's second tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident marginal cost pupil unit to \$270,000.

Sec. 8. Minnesota Statutes 2004, section 126C.17, is amended by adding a subdivision to read:

Subd. 6a. **[LOCAL EFFORT LEVEL.]** (a) For fiscal year 2008 and later, a district's local effort level equals the sum of the first tier referendum equalization level and the second tier referendum local effort level.

(b) A district's first tier referendum local effort level equals the district's first tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident marginal cost pupil unit to \$476,000.

(c) A district's second tier referendum local effort level equals the district's second tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident marginal cost pupil unit to \$270,000.

Sec. 9. Minnesota Statutes 2004, section 126C.17, is amended by adding a subdivision to read:

Subd. 6b. **[LOCAL EFFORT REVENUE.]** (a) For fiscal years 2008 and later, a school district's local effort revenue is equal to its local effort level for that year.

(b) For referenda authorized under subdivision 9 prior to June 30, 2006, a school district's local effort revenue must be levied against the district's referendum market value according to subdivision 10.

(c) For referenda authorized or renewed under subdivision 9 after June 30, 2006, that have been approved to be levied against referendum market value, the local effort revenue must be levied against the district's referendum market value according to subdivision 10.

(d) For referenda authorized or renewed under subdivision 9 after June 30, 2006, that have been approved to be imposed as a school referendum tax according to section 290.0621, the local effort revenue must be raised as a tax against income liability according to section 290.0621.

Sec. 10. Minnesota Statutes 2004, section 126C.17, subdivision 7, is amended to read:

Subd. 7. **[REFERENDUM EQUALIZATION AID.]** (a) For fiscal years 2005 through 2007, a district's referendum equalization aid equals the difference between its referendum equalization revenue and levy. For fiscal years 2008 and later, a district's referendum equalization aid equals the difference between its referendum equalization revenue and its local effort revenue.

(b) If a district's actual levy for first or second tier referendum equalization revenue in fiscal years 2005 through 2007 is less than its maximum levy limit for that tier, aid shall be proportionately reduced. If a district's actual local effort revenue for first or second tier referendum equalization revenue in fiscal years 2008 and later is less than its maximum local effort revenue limit for that tier, aid shall be proportionately reduced.

(c) Notwithstanding paragraph (a), the referendum equalization aid for a district, where the referendum equalization aid under paragraph (a) exceeds 90 percent of the referendum revenue, must not exceed 18.6 percent of the formula allowance times the district's resident marginal cost pupil units. For fiscal years 2005 through 2007, a district's referendum levy is increased by the amount of any reduction in referendum aid under this paragraph. For fiscal years 2008 and later, a district's local effort level is increased by the amount of any reduction in referendum aid under this paragraph.

Sec. 11. Minnesota Statutes 2004, section 126C.17, subdivision 9, is amended to read:

Subd. 9. [REFERENDUM REVENUE.] (a) The revenue authorized by section 126C.10, subdivision 1, may be increased in the amount approved by the voters of the district at a referendum called for the purpose. The referendum may be called by the board or shall be called by the board upon written petition of qualified voters of the district. The referendum must be conducted one or two calendar years before the increased levy authority, if approved, first becomes payable. Only one election to approve an increase may be held in a calendar year. Unless the referendum is conducted by mail under paragraph (g), the referendum must be held on the first Tuesday after the first Monday in November. The ballot must state the maximum amount of the increased revenue per resident marginal cost pupil unit, ~~the estimated referendum tax rate as a percentage of referendum market value in the first year it is to be levied, and that the revenue must be used to finance school operations.~~ The ballot may state a schedule, determined by the board, of increased revenue per resident marginal cost pupil unit that differs from year to year over the number of years for which the increased revenue is authorized. ~~If the ballot contains a schedule showing different amounts, it must also indicate the estimated referendum tax rate as a percent of referendum market value for the amount specified for the first year and for the maximum amount specified in the schedule.~~ The ballot, including a ballot on the question to revoke or reduce the increased revenue amount under paragraph (c), must abbreviate the term "per resident marginal cost pupil unit" as "per pupil unit." The ballot may state that existing referendum levy taxing authority is expiring. In this case, if the referendum authority is based on a property tax levy, the ballot may also compare the proposed levy authority to the existing expiring levy authority, and express the proposed increase as the amount, if any, over the expiring referendum levy authority. The ballot must designate the specific number of years, not to exceed ten, for which the referendum authorization applies. The notice required under section 275.60 may be modified to read, in cases of renewing existing levies:

"BY VOTING "YES" ON THIS BALLOT QUESTION, YOU MAY BE VOTING FOR A PROPERTY TAX INCREASE."

If the referendum is on a proposed income tax under section 290.0621, the notice must read:

"BY VOTING "YES" ON THIS BALLOT QUESTION, YOU MAY BE VOTING FOR AN INCOME TAX INCREASE."

The ballot may contain a textual portion with the information required in this subdivision and a question stating substantially the following:

"Shall the increase in the revenue proposed by (petition to) the board of, School District No. .., be approved?"

If approved, an amount equal to the approved revenue per resident marginal cost pupil unit times the resident marginal cost pupil units for the school year beginning in the year after the levy is certified or the income tax is imposed shall be authorized for certification for the number of years approved, if applicable, or until revoked or reduced by the voters of the district at a subsequent referendum. A referendum may be conducted on the question of converting an existing

referendum property tax levy to a school referendum income tax to be imposed under section 290.0621.

(b) The board must prepare and deliver by first class mail at least 15 days but no more than 30 days before the day of the referendum to each taxpayer a notice of the referendum and the proposed revenue increase. The board need not mail more than one notice to any taxpayer. For the purpose of giving mailed notice under this subdivision for a referendum based on a property tax levy, owners must be those shown to be 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. Every property owner whose name does not appear on the records of the county auditor or the county treasurer is deemed to have waived this mailed notice unless the owner has requested in writing that the county auditor or county treasurer, as the case may be, include the name on the records for this purpose. The notice for a referendum based on a property tax levy must project the anticipated amount of tax increase in annual dollars and annual percentage for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the school district. For the purpose of giving mailed notice under this subdivision, for a referendum based on an income tax under section 290.0621, taxpayers must be those shown to be domiciled in the school district as indicated on the space which must be provided for this information on the Minnesota individual income tax form for the taxable year ending before the calendar year when the referendum is conducted. Every individual whose domicile is in the school district whose name does not appear on the income tax return as having a domicile in the district is deemed to have waived this mailed notice unless the individual has requested in writing that the county auditor or county treasurer, as the case may be, include the individual's name on the records for this purpose. The notice must project the anticipated amount of tax increase in annual dollars and annual percentage for typical family incomes within the school district.

The notice for a referendum based on a property tax levy may state that an existing referendum levy is expiring and project the anticipated amount of increase over the existing referendum levy in the first year, if any, in annual dollars and annual percentage for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the district.

The notice must include the following statement: "Passage of this referendum will result in an increase in your property taxes." However, in cases of renewing existing levies, the notice may include the following statement: "Passage of this referendum may result in an increase in your property taxes."

The notice for a referendum based on income tax may state that an existing income tax referendum authority is expiring and project the anticipated amount of increase over the existing referendum levy in the first year, if any, in annual dollars and annual percentage for typical family incomes within the district.

The notice must include the following statement: "Passage of this referendum will result in an increase in your personal income taxes." However, in cases of renewing existing income tax referendum authorities, the notice may include the following statement: "Passage of this referendum may result in an increase in your personal income taxes."

(c) A referendum on the question of revoking or reducing the increased revenue amount authorized pursuant to paragraph (a) may be called by the board and shall be called by the board upon the written petition of qualified voters of the district. A referendum to revoke or reduce the revenue amount must state the amount per resident marginal cost pupil unit by which the authority is to be reduced. Revenue authority approved by the voters of the district pursuant to paragraph (a) must be available to the school district at least once before it is subject to a referendum on its revocation or reduction for subsequent years. Only one revocation or reduction referendum may be held to revoke or reduce referendum revenue for any specific year and for years thereafter.

(d) A petition authorized by paragraph (a) or (c) is effective if signed by a number of qualified voters in excess of 15 percent of the registered voters of the district on the day the petition is filed with the board. A referendum invoked by petition must be held on the date specified in paragraph (a).

(e) The approval of 50 percent plus one of those voting on the question is required to pass a referendum authorized by this subdivision.

(f) At least 15 days before the day of the referendum, the district must submit a copy of the notice required under paragraph (b) to the commissioner and to the county auditor of each county in which the district is located. Within 15 days after the results of the referendum have been certified by the board, or in the case of a recount, the certification of the results of the recount by the canvassing board, the district must notify the commissioner of the results of the referendum.

[EFFECTIVE DATE.] This section is effective for referenda conducted on or after July 1, 2005.

Sec. 12. Minnesota Statutes 2004, section 168A.05, subdivision 1b, is amended to read:

Subd. 1b. **[MANUFACTURED HOME; EXEMPTION.]** The provisions of subdivision 1a shall not apply to (1) a manufactured home which is sold or otherwise disposed of pursuant to section 504B.271 by the owner of a manufactured home park as defined in section 327.14, subdivision 3, or (2) a manufactured home which is sold pursuant to section 504B.265 by the owner of a manufactured home park. The department shall not require a manufactured home park owner to satisfy the delinquent or current year's personal property taxes owed as condition of the title transfer to the park owner.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 13. [174.11] **[COMMISSIONER TO NOTIFY COUNTY AUDITOR OF PROPERTY ACQUISITIONS.]**

Upon acquisition of any taxable real property, the commissioner must notify the county auditor of the county where the property is located that the property has been acquired.

Sec. 14. Minnesota Statutes 2004, section 272.02, subdivision 22, is amended to read:

Subd. 22. **[WIND ENERGY CONVERSION SYSTEMS.]** All real and personal property of a wind energy conversion system as defined in section 272.029, subdivision 2, is exempt from property tax except that the land on which the property is located remains taxable. If approved by the county where the property is located, the value of the land on which the wind energy conversion system is located shall not be increased or decreased, but shall be valued in the same manner as similar land that has not been improved with a wind energy conversion system. The land shall be classified based on the most probable use of the property if it were not improved with a wind energy conversion system.

[EFFECTIVE DATE.] This section is effective for assessment year 2005 and thereafter, for taxes payable in 2006 and thereafter.

Sec. 15. Minnesota Statutes 2004, section 272.02, subdivision 47, is amended to read:

Subd. 47. **[POULTRY LITTER BIOMASS GENERATION FACILITY; PERSONAL PROPERTY.]** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electrical generating facility that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) be designed to utilize poultry litter as a primary fuel source; and
- (2) be constructed for the purpose of generating power at the facility that will be sold pursuant to a contract approved by the Public Utilities Commission in accordance with the biomass mandate imposed under section 216B.2424.

Construction of the facility must be commenced after January 1, 2003, and before December 31, 2003 2005. 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 taxes levied in 2005, payable in 2006, and thereafter.

Sec. 16. Minnesota Statutes 2004, section 272.02, subdivision 56, is amended to read:

Subd. 56. **[ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.]** (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a combined-cycle combustion-turbine electric generation facility that exceeds 550 300 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) be designed to utilize natural gas as a primary fuel;
- (2) not be owned by a public utility as defined in section 216B.02, subdivision 4;
- (3) be located within five miles of an existing natural gas pipeline and within four miles of an existing electrical transmission substation;
- (4) be located outside the metropolitan area as defined under section 473.121, subdivision 2; and
- (5) be designed to provide energy and ancillary services and have received a certificate of need under section 216B.243.

(b) Construction of the facility must be commenced after January 1, 2004, and before January 1, 2007, except that property eligible for this exemption includes any expansion of the facility that also meets the requirements of paragraph (a), clauses (1) to (5), without regard to the date that construction of the expansion commences. 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 taxes levied in 2005, payable in 2006, and thereafter.

Sec. 17. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 68. **[ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.]** (a) 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 290 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) be designed to utilize natural gas as a primary fuel;
- (2) not be owned by a public utility as defined in section 216B.02, subdivision 4;
- (3) be located within five miles of an existing natural gas pipeline and within five miles of an existing electrical transmission substation;
- (4) be located outside the metropolitan area as defined under section 473.121, subdivision 2;
- (5) be designed to provide peaking capacity energy and ancillary services and have satisfied all of the requirements under section 216B.243; and
- (6) have received, by resolution, the approval from the governing body of the county, city, and school district in which the proposed facility is to be located for the exemption of personal property under this subdivision.

(b) Construction of the facility must be commenced after January 1, 2005, and before January 1, 2009. 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 2006, taxes payable in 2007, and thereafter.

Sec. 18. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 69. [ELECTRIC GENERATION FACILITY PERSONAL PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), and section 453.54, subdivision 20, attached machinery and other personal property which is part of an electric generation facility that exceeds 150 megawatts of installed capacity and meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) be designed to utilize natural gas as a primary fuel;
- (2) be owned and operated by a municipal power agency as defined in section 453.52, subdivision 8;
- (3) have received the certificate of need under section 216B.243;
- (4) be located outside the metropolitan area as defined under section 473.121, subdivision 2; and
- (5) be designed to be a combined-cycle facility, although initially the facility will be operated as a simple-cycle combustion turbine.

(b) To qualify under this subdivision, an agreement must be negotiated between the municipal power agency and the host city, for a payment in lieu of property taxes to the host city.

(c) Construction of the facility must be commenced after January 1, 2004, and before January 1, 2006. 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 2005, taxes payable in 2006, and thereafter.

Sec. 19. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 70. [BIOMASS ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is a part of an electric generation facility, including remote boilers that comprise part of the district heating system, generating up to 30 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) be designed to utilize a minimum 90 percent waste biomass as a fuel;
- (2) not be owned by a public utility as defined in section 216B.02, subdivision 4;
- (3) be located within a city of the first class and have its primary location at a former garbage transfer station; and
- (4) be designed to have capability to provide baseload energy and district heating.

(b) Construction of the facility must be commenced after January 1, 2004, and before January 1, 2008. 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 2005, taxes payable in 2006, and thereafter.

Sec. 20. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 71. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property that is

part of either a simple-cycle, combustion-turbine electric generation facility that equals or exceeds 150 megawatts of installed capacity, or a combined-cycle, combustion-turbine electric generation facility that equals or exceeds 225 megawatts of installed capacity, and that in either case meets the requirements of this subdivision, is exempt. At the time of construction, the facility must:

(1) be designed to utilize natural gas as a primary fuel;

(2) not be owned by a public utility as defined in section 216B.02, subdivision 4;

(3) be located in a metropolitan county defined in section 473.121, subdivision 4, that has a population greater than 190,000 and less than 225,000 in the most recent federal decennial census, within one mile of an existing natural gas pipeline, and within one mile of an existing electrical transmission substation; and

(4) be designed to provide energy and ancillary services and have received a certificate of need under section 216B.243.

(b) Construction of the facility must be commenced after January 1, 2005, and before January 1, 2008. 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 taxes levied in 2005, payable in 2006, and thereafter.

Sec. 21. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 72. [PERSONAL RAPID TRANSIT SYSTEM.] All property used in the operation and support of a personal rapid transit system as defined in section 297A.61, subdivision 37, that provides service to the public on a regular and continuing basis, is exempt, provided that it is operated independent of any government subsidies.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2005, payable in 2006, and thereafter.

Sec. 22. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 73. [QUALIFIED ELDERLY LIVING FACILITY.] An elderly living facility is exempt from taxation if it meets all of the following requirements:

(1) the facility is located in a city of the first class with a population of more than 350,000;

(2) the facility is owned and operated by a nonprofit corporation organized under chapter 317A or by a limited liability company formed under chapter 322B, the sole member of which is a nonprofit corporation organized under chapter 317A;

(3) the facility consists of no more than 60 living units;

(4) the owner of the facility is an affiliate of entities that own and operate assisted living and skilled nursing facilities that:

(i) are located across a street from the facility;

(ii) are adjacent to a church that is exempt from taxation under subdivision 6;

(iii) include a congregate dining program; and

(iv) provide assisted living or similar social and physical support;

(5) the residents of the facility must be:

(i) at least 62 years of age; or

(ii) handicapped; and

(6) at least 20 percent of the units in the facility are occupied by persons whose annual income does not exceed 50 percent of median family income for the area or, in the alternative, 40 percent of the units in the facility are occupied by persons whose annual income does not exceed 60 percent of median family income for the area.

For purposes of this subdivision, "affiliate" means any entity directly or indirectly controlling or controlled by or under direct or indirect common control with an entity. For this purpose, "control" means the power to direct management and policies through membership or ownership of voting securities.

The property is exempt under this subdivision for taxes levied in each year or partial year of the term of the facility's initial permanent financing or 25 years, whichever is later.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2005, payable in 2006, and thereafter.

Sec. 23. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 74. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] (a) 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 150 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 owned by an electric generation and transmission cooperative;
- (3) be located within five miles of parallel existing 12-inch and 16-inch natural gas pipelines and a 69-kilovolt high-voltage electric transmission line;
- (4) be designed to provide peaking, emergency backup, or contingency services;
- (5) have received a certificate of need under section 216B.243 demonstrating demand for its capacity; and
- (6) have received by resolution the approval from the governing body of the county and township in which the proposed facility is to be located for the exemption of personal property under this subdivision.

(b) Construction of the facility must be commenced after July 1, 2005, and before January 1, 2009. 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 2006 and thereafter, for taxes payable in 2007 and thereafter.

Sec. 24. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 75. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an existing simple-cycle, combustion-turbine electric generation facility that exceeds 300 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of the construction, the facility must:

- (1) be designed to utilize natural gas as a primary fuel;
- (2) be owned by a public utility as defined in section 216B.02, subdivision 4, and be located at or interconnected with an existing generating plant of the utility;
- (3) be designed to provide peaking, emergency backup, or contingency services;

(4) satisfy a resource need identified in an approved integrated resource plan filed under section 216B.2422; and

(5) have received, by resolution, the approval from the governing body of the county and the city for the exemption of personal property under this subdivision.

Construction of the facility expansion must be commenced after January 1, 2004, and before January 1, 2005. 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 beginning with assessment year 2005, for taxes payable in 2006 and thereafter.

Sec. 25. Minnesota Statutes 2004, section 272.029, subdivision 4, is amended to read:

Subd. 4. [REPORTS.] (a) An owner of a wind energy conversion system subject to tax under subdivision 3 shall file a report with the commissioner of revenue annually on or before ~~March 1~~ February 1 detailing the amount of electricity in kilowatt-hours that was produced by the wind energy conversion system for the previous calendar year. The commissioner shall prescribe the form of the report. The report must contain the information required by the commissioner to determine the tax due to each county under this section for the current year. If an owner of a wind energy conversion system subject to taxation under this section fails to file the report by the due date, the commissioner of revenue shall determine the tax based upon the nameplate capacity of the system multiplied by a capacity factor of 40 percent.

(b) On or before ~~March 31~~ February 28, the commissioner of revenue shall notify the owner of the wind energy conversion systems of the tax due to each county for the current year and shall certify to the county auditor of each county in which the systems are located the tax due from each owner for the current year.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and thereafter.

Sec. 26. Minnesota Statutes 2004, section 272.029, subdivision 6, is amended to read:

Subd. 6. [DISTRIBUTION OF REVENUES.] Revenues from the taxes imposed under subdivision 5 must be part of the settlement between the county treasurer and the county auditor under section 276.09. The revenue must be distributed by the county auditor or the county treasurer to all local taxing jurisdictions in which the wind energy conversion system is located, in the same proportion that each of the taxing jurisdiction's ~~current~~ previous year's net tax capacity based tax rate is to the ~~current~~ previous year's total local net tax capacity based rate.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2005 and thereafter.

Sec. 27. Minnesota Statutes 2004, section 273.11, subdivision 1a, is amended to read:

Subd. 1a. [LIMITED MARKET VALUE.] In the case of all property classified as agricultural homestead or nonhomestead, residential homestead or nonhomestead, timber, ~~or~~ noncommercial seasonal residential recreational, or class 1c resort property, the assessor shall compare the value with the taxable portion of the value determined in the preceding assessment except that for class 1c resort property for assessment year 2005, the assessor shall determine the limited market value as provided in subdivision 1b.

~~For assessment year 2002, the amount of the increase shall not exceed the greater of (1) ten percent of the value in the preceding assessment, or (2) 15 percent of the difference between the current assessment and the preceding assessment.~~

~~For assessment year 2003, the amount of the increase shall not exceed the greater of (1) 12 percent of the value in the preceding assessment, or (2) 20 percent of the difference between the current assessment and the preceding assessment.~~

For assessment year 2004 and thereafter, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 25 percent of the difference between the current assessment and the preceding assessment.

~~For assessment year 2005, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 33 percent of the difference between the current assessment and the preceding assessment.~~

~~For assessment year 2006, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 50 percent of the difference between the current assessment and the preceding assessment.~~

This limitation shall not apply to increases in value due to improvements. For purposes of this subdivision, the term "assessment" means the value prior to any exclusion under subdivision 16.

~~The provisions of this subdivision shall be in effect through assessment year 2006 as provided in this subdivision.~~

For purposes of this subdivision and subdivision 1b, "class 1c resort property" includes the portion of the property classified class 1a or 1b homestead, the portion of the property classified 1c, plus any remaining portion of the resort that is classified 4c under section 273.13, subdivision 25, paragraph (d), clause (1).

For purposes of the assessment/sales ratio study conducted under section 127A.48, and the computation of state aids paid under chapters 122A, 123A, 123B, 124D, 125A, 126C, 127A, and 477A, market values and net tax capacities determined under this subdivision and subdivision 16, shall be used.

[EFFECTIVE DATE.] This section is effective the day following final enactment for assessment year 2005, and thereafter.

Sec. 28. Minnesota Statutes 2004, section 273.11, is amended by adding a subdivision to read:

Subd. 1b. [CLASS 1C RESORTS; 2005 ASSESSMENT ONLY.] For assessment year 2005, the valuation increase on class 1c resort property shall not exceed the greater of (1) 15 percent of the value of its 2003 assessment, or (2) 25 percent of the difference in value between its 2005 assessment and its 2003 assessment. The valuation increase on class 1c resort property for the 2006 and subsequent assessment years shall be determined based upon the schedule contained in subdivision 1a.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 29. Minnesota Statutes 2004, section 273.11, is amended by adding a subdivision to read:

Subd. 21. [VALUATION EXCLUSION FOR SEWAGE TREATMENT SYSTEM IMPROVEMENTS.] Owners of property classified as class 1a, 1b, 1c, 2a, 4b, 4bb, or noncommercial 4c under section 273.13 may apply for a valuation exclusion under this subdivision, provided that the property is located in a county which has authorized valuation exclusions under this subdivision, and provided that the following conditions are met:

(1) a notice of noncompliance has been issued by a licensed compliance inspector with regard to the individual sewage treatment system serving the property under section 115.55, subdivision 5b;

(2) the owner of the property furnishes documentation to the satisfaction of the assessor that the property's individual sewage treatment system has been replaced or refurbished, including replacement of the individual system with a community or cluster system, between May 1, 2005, and December 31, 2007; and

(3) a certificate of compliance has been issued for the new or refurbished system under section 115.55, subdivision 5.

Application must be made to the assessor on a form prescribed by the commissioner of revenue. Property meeting the requirements of this subdivision is eligible for a valuation exclusion equal to 50 percent of the actual costs incurred, to a maximum exclusion of \$7,500, for a period of five years, after which the amount of the exclusion will be added to the estimated market value of the property. The valuation exclusion terminates upon the sale of the property. If a property owner applies for exclusion under this subdivision between January 1 and June 30 of any year, the exclusion first applies for taxes payable in the following year. If a property owner applies for exclusion under this subdivision between July 1 and December 31 of any year, the exclusion first applies for taxes payable in the second following year.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and subsequent years.

Sec. 30. Minnesota Statutes 2004, section 273.11, is amended by adding a subdivision to read:

Subd. 22. [VALUATION EXCLUSION FOR LEAD HAZARD REDUCTION.] Owners of property classified as class 1a, 1b, 1c, 2a, 4b, or 4bb under section 273.13 may apply for a valuation exclusion for lead hazard reduction, provided that the property is located in a city which has authorized valuation exclusions under this subdivision. A city which authorizes valuation exclusions under this subdivision must establish guidelines for qualifying lead hazard reduction projects and must designate an agency within the city to issue certificates of completion of qualifying projects. For purposes of this subdivision, "lead hazard reduction" has the same meaning as in section 144.9501, subdivision 17.

The property owner must obtain a certificate from the city stating that the project has been completed and stating the cost incurred by the owner in completing the project. Only projects originating after April 30, 2005, may qualify for exclusion under this subdivision. The property owner shall apply for a valuation exclusion to the assessor on a form prescribed by the commissioner of revenue.

A qualifying property is eligible for a valuation exclusion equal to 50 percent of the actual costs incurred, to a maximum exclusion of \$15,000, for a period of five years, after which the amount of the exclusion will be added to the estimated market value of the property. The valuation exclusion shall terminate upon the sale of the property. If a property owner applies for exclusion under this subdivision between January 1 and June 30 of any year, the exclusion shall first apply for taxes payable in the following year. If a property owner applies for exclusion under this subdivision between July 1 and December 31 of any year, the exclusion shall first apply for taxes payable in the second following year.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and subsequent years.

Sec. 31. Minnesota Statutes 2004, section 273.11, is amended by adding a subdivision to read:

Subd. 23. [VALUATION OF ENERGY-EFFICIENT COMMERCIAL PROPERTIES.] (a) The market value of certain energy-efficient property classified under section 273.13, subdivision 24, that is used for commercial purposes, is reduced as provided in this subdivision.

(b) To be eligible for a valuation reduction under this subdivision, property must be certified by a qualified inspector as having been constructed in a manner that will achieve a level of energy consumption that is at least 20 percent lower than the standard set in the state energy code rules. The percentage reduction in the market value of a qualifying property is determined as follows:

<u>percentage of energy consumption below energy code requirement</u>	<u>percentage of market value reduction</u>
<u>20-30</u>	<u>5</u>
<u>31-50</u>	<u>10</u>
<u>over 50</u>	<u>15</u>

The reductions will remain in effect for the first ten assessment years after the property has been certified as qualifying under this subdivision.

(c) The Department of Commerce must establish a process for determining eligibility for the valuation reduction under this subdivision, including certification of persons who are qualified to perform this function.

(d) To claim a valuation reduction under this subdivision, the owner of the commercial property must obtain a certification of the level of qualification determined under paragraph (b), which must be prepared by a person certified as provided in paragraph (c). The property owner must furnish this certification to the assessor by May 1 of the assessment year in order to qualify for the valuation reduction for taxes payable in the following year.

[EFFECTIVE DATE.] This section is effective for assessments in 2006, taxes payable in 2007, and thereafter.

Sec. 32. [273.1115] [AGGREGATE RESOURCE PRESERVATION PROPERTY TAX LAW.]

Subdivision 1. [REQUIREMENTS.] Real estate is entitled to valuation under this section only if all of the following requirements are met:

(1) the property is classified 1a, 1b, 2a, or 2b property under section 273.13, subdivisions 22 and 23;

(2) the property is at least ten contiguous acres, when the application is filed under subdivision 2;

(3) the owner has filed a completed application for deferment as specified in subdivision 2 with the county assessor in the county in which the property is located;

(4) there are no delinquent taxes on the property; and

(5) a covenant on the land restricts its use as provided in subdivision 2, clause (4).

Subd. 2. [APPLICATION.] Application for valuation deferment under this section must be filed by May 1 of the assessment year. Any application filed and granted continues in effect for subsequent years until the property no longer qualifies, provided that supplemental affidavits under subdivision 6 are timely filed. The application must be filed with the assessor of the county in which the real property is located on such form as may be prescribed by the commissioner of revenue. The application must be executed and acknowledged in the manner required by law to execute and acknowledge a deed and must contain at least the following information and any other information the commissioner deems necessary:

(1) the legal description of the area;

(2) the name and address of owner;

(3) a copy of the affidavit filed under section 273.13, subdivision 23, paragraph (h), in the case of property classified class 2b, clause (5); or in the case of property classified 1a, 1b, 2a, and 2b, clauses (1) to (3), the application must include a similar document with the same information as contained in the affidavit under section 273.13, subdivision 23, paragraph (h); and

(4) a statement of proof from the owner that the land contains a restrictive covenant limiting its use for the property's surface to that which exists on the date of the application and limiting its future use to the preparation and removal of the aggregate commercial deposit under its surface.

To qualify under this clause, the covenant must be binding on the owner or the owner's successor or assignee, and run with the land, except as provided in subdivision 4 allowing for the cancellation of the covenant under certain conditions.

Subd. 3. [DETERMINATION OF VALUE.] Upon timely application by the owner as provided

in subdivision 2, notwithstanding sections 272.03, subdivision 8, and 273.11, the value of any qualifying land described in subdivision 2 must be valued as if it were agricultural property, using a per acre valuation equal to the current year's per acre valuation of agricultural land in the county. The assessor shall not consider any additional value resulting from potential alternative and future uses of the property. The buildings located on the land shall be valued by the assessor in the normal manner.

Subd. 4. [CANCELLATION OF COVENANT.] The covenant required under subdivision 2 may be canceled in two ways:

(1) by the owner beginning with the next subsequent assessment year provided that the additional taxes as determined under subdivision 5 are paid by the owner at the time of cancellation; and

(2) by the city or town in which the property is located beginning with the next subsequent assessment year, if the city council or town board:

(i) changes the conditional use of the property;

(ii) revokes the mining permit; or

(iii) changes the zoning to disallow mining.

No additional taxes are imposed on the property under this clause.

Subd. 4a. [COUNTY TERMINATION.] Within two years of the effective date of this section, a county may, following notice and public hearing, terminate application of this section in the county. The termination is effective upon adoption of a resolution of the county board. A termination applies prospectively and does not affect property enrolled under this section prior to the termination date. A county may reauthorize application of this section by a resolution of the county board revoking the termination.

Subd. 5. [ADDITIONAL TAXES.] When real property which has been valued and assessed under this section no longer qualifies, the portion of the land classified under subdivision 1, clause (1), is subject to additional taxes. The additional tax amount is determined by:

(1) computing the difference between (i) the current year's taxes determined in accordance with subdivision 5, and (ii) an amount as determined by the assessor based upon the property's current year's estimated market value of like real estate at its highest and best use and the appropriate local tax rate; and

(2) multiplying the amount determined in clause (1) by the number of years the land was in the program under this section.

The current year's estimated market value as determined by the assessor must not exceed the market value that would result if the property was sold in an arms-length transaction and must not be greater than it would have been had the actual bona fide sale price of the property been used in lieu of that market value. The additional taxes must be extended against the property on the tax list for the current year, except that interest or penalties must not be levied on such additional taxes if timely paid.

The additional tax under this subdivision must not be imposed on that portion of the property which has actively been mined and has been removed from the program based upon the supplemental affidavits filed under subdivision 6.

Subd. 6. [SUPPLEMENTAL AFFIDAVITS; MINING ACTIVITY ON LAND.] When any portion of the property begins to be actively mined, the owner must file a supplemental affidavit within 60 days from the day any aggregate is removed stating the number of acres of the property that is actively being mined. The acres actively being mined shall be (1) valued and classified under section 273.13, subdivision 24, in the next subsequent assessment year, and (2) removed from the aggregate resource preservation property tax program under this section. The additional

taxes under subdivision 5 must not be imposed on the acres that are actively being mined and have been removed from the program under this section.

Copies of the original affidavit and all supplemental affidavits must be filed with the county assessor, the local zoning administrator, and the Department of Natural Resources, Division of Land and Minerals. A supplemental affidavit must be filed each time a subsequent portion of the property is actively mined, provided that the minimum acreage change is five acres, even if the actual mining activity constitutes less than five acres. Failure to file the affidavits timely shall result in the property losing its valuation deferment under this section, and additional taxes must be imposed as calculated under subdivision 5.

Subd. 7. [LIEN.] The additional tax imposed by this section is a lien upon the property assessed to the same extent and for the same duration as other taxes imposed upon property within this state and, when collected, must be distributed in the manner provided by law for the collection and distribution of other property taxes.

Subd. 8. [CONTINUATION OF TAX TREATMENT UPON SALE.] When real property qualifying under subdivision 1 is sold, additional taxes must not be extended against the property if the property continues to qualify under subdivision 1, and the new owner files an application with the assessor for continued deferment within 30 days after the sale.

Subd. 9. [DEFINITIONS.] For purposes of this section, "commercial aggregate deposit" and "actively mined" have the meanings given them in section 273.13, subdivision 23, paragraph (h).

[EFFECTIVE DATE.] This section is effective for taxes levied in 2005, payable in 2006, and thereafter, except that for the 2005 assessment year, the application date under subdivision 4 shall be September 1, 2005, and subdivision 4a is effective the day following final enactment.

Sec. 33. [273.1116] [HOMESTEAD RESORTS; VALUATION AND DEFERMENT.]

Subdivision 1. [REQUIREMENTS.] Real property qualifying for classification as class 1c under section 273.13, subdivision 22, paragraph (c), is entitled to valuation and tax deferment under this section, provided that if part of a resort is not classified as class 1c, only that portion of the value of the property that is classified as class 1c property qualifies under this section.

Subd. 2. [DETERMINATION OF VALUE.] Upon timely application by the owner, as provided in subdivision 4, the value of real property described in subdivision 1 must be determined by the assessor solely with reference to its classification value as class 1c property, notwithstanding sections 272.03, subdivision 8, and 273.11. The owner must furnish information on the income generated by the property and other information required by the assessor to determine the value of the property. The assessor shall not consider any added values resulting from other factors.

Subd. 3. [SEPARATE DETERMINATION OF MARKET VALUE AND TAX.] The assessor shall, however, make a separate determination of the market value of the real estate. The assessor shall record on the property assessment records the tax based upon the appropriate local tax rate applicable to the property in the taxing district.

Subd. 4. [APPLICATION.] Application for deferment of taxes and assessment under this section must be filed by May 1 of the year prior to the year in which the taxes are payable. The application must be filed with the assessor of the taxing district in which the real property is located on a form prescribed by the commissioner of revenue. The assessor may require proof by affidavit or otherwise that the property qualifies under subdivision 1. An application approved by the assessor continues in effect for subsequent years until the property no longer qualifies under subdivision 1.

Subd. 5. [ADDITIONAL TAXES.] When real property valued and assessed under this section no longer qualifies under subdivision 1, the portion no longer qualifying is subject to additional taxes, in the amount equal to the difference between the taxes determined in accordance with subdivision 2, and the amount determined under subdivision 3, provided, however, that the amount determined under subdivision 3 must not be greater than it would have been had the actual

bona fide sale price of the real property at an arms-length transaction been used in lieu of the market value determined under subdivision 3. The additional taxes must be extended against the property on the tax list for the current year, except that no interest or penalties may be levied on the additional taxes if timely paid, and except that the additional taxes must only be levied with respect to the last seven years that the property has been valued and assessed under this section.

Subd. 6. [LIEN.] The tax imposed by this section is a lien on the property assessed to the same extent and for the same duration as other taxes imposed on property within this state. The tax must be annually extended by the county auditor and when payable must be collected and distributed in the manner provided by law for the collection and distribution of other property taxes.

Subd. 7. [SPECIAL LOCAL ASSESSMENTS.] The payment of special local assessments levied after June 30, 2005, for improvements made to any real property described in subdivision 2, together with the interest thereon must, on timely application under subdivision 4, be deferred as long as the property qualifies under subdivision 1. If special assessments against the property have been deferred under this subdivision, the governmental unit shall file with the county recorder in the county in which the property is located a certificate containing the legal description of the affected property and of the amount deferred. When the property no longer qualifies under subdivision 1, 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. Penalty must not be levied on the special assessments if timely paid.

Subd. 8. [CONTINUATION OF TAX TREATMENT UPON SALE.] When real property qualifying under subdivision 1 is sold, no additional taxes or deferred special assessments plus interest may be extended against the property if:

- (1) the property continues to qualify pursuant to subdivision 1; and
- (2) the new owner files an application for continued deferment within 30 days after the sale.

Subd. 9. [APPLICABILITY OF SPECIAL ASSESSMENT PROVISIONS.] This section applies to special local assessments levied after June 30, 2005, and payable in the years thereafter, but shall not apply to any special assessments levied at any time by a county or district court under the provisions of chapter 116A.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2005, payable in 2006, and thereafter. For applications for taxes payable in 2006 only, the application deadline in subdivision 4 is extended to August 1, 2005.

Sec. 34. Minnesota Statutes 2004, section 273.112, subdivision 3, is amended to read:

Subd. 3. [REQUIREMENTS.] Real estate shall be entitled to valuation and tax deferment under this section only if it is:

(a) actively and exclusively devoted to golf, skiing, lawn bowling, croquet, polo, or archery or firearms range recreational use or other recreational uses carried on at the establishment;

(b) five acres in size or more, except in the case of a lawn bowling or croquet green or an archery or firearms range;

(c)(1) operated by private individuals or, in the case of a lawn bowling or croquet green, by private individuals or corporations, and open to the public; or

(2) operated by firms or corporations for the benefit of employees or guests; or

(3) operated by private clubs having a membership of 50 or more or open to the public, provided that the club does not discriminate in membership requirements or selection on the basis of sex or marital status; and

(d) made available for use in the case of real estate devoted to golf without discrimination on the basis of sex during the time when the facility is open to use by the public or by members, except that use for golf may be restricted on the basis of sex no more frequently than one, or part of one, weekend each calendar month for each sex and no more than two, or part of two, weekdays each week for each sex.

If a golf club membership allows use of golf course facilities by more than one adult per membership, the use must be equally available to all adults entitled to use of the golf course under the membership, except that use may be restricted on the basis of sex as permitted in this section. Memberships that permit play during restricted times may be allowed only if the restricted times apply to all adults using the membership. A golf club may not offer a membership or golfing privileges to a spouse of a member that provides greater or less access to the golf course than is provided to that person's spouse under the same or a separate membership in that club, except that the terms of a membership may provide that one spouse may have no right to use the golf course at any time while the other spouse may have either limited or unlimited access to the golf course.

A golf club may have or create an individual membership category which entitles a member for a reduced rate to play during restricted hours as established by the club. The club must have on record a written request by the member for such membership.

A golf club that has food or beverage facilities or services must allow equal access to those facilities and services for both men and women members in all membership categories at all times. Nothing in this paragraph shall be construed to require service or access to facilities to persons under the age of 21 years or require any act that would violate law or ordinance regarding sale, consumption, or regulation of alcoholic beverages.

For purposes of this subdivision and subdivision 7a, discrimination means a pattern or course of conduct and not linked to an isolated incident.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2005, payable in 2006, and thereafter.

Sec. 35. Minnesota Statutes 2004, section 273.123, is amended by adding a subdivision to read:

Subd. 8. [HOMESTEAD PROPERTY DAMAGED BY MOLD.] (a) The owner of homestead property not qualifying for an adjustment in valuation under subdivisions 1 to 5 must receive a reduction in the amount of taxes payable on the property if all of the following conditions are met:

(1) the owner of the property makes written application to the county assessor for tax treatment under this subdivision;

(2) the county assessor determines that the homestead dwelling is uninhabitable because all or part of it has been contaminated by mold; and

(3) the owner of the property makes written application to the county board.

(b) If all of the conditions in paragraph (a) are met, the county board must grant a reduction in the amount of property tax payable on the homestead dwelling. The reduction must be made for taxes payable in the year that the assessor determines that the requirements in paragraph (a), clause (2), have been met and in the following year.

(c) The reduction in the amount of tax payable must be calculated based upon the number of months that the homestead is uninhabitable. The amount of net tax due from the taxpayer shall be multiplied by a fraction, the numerator of which is the number of months the dwelling was occupied by that taxpayer, and the denominator of which is 12. For purposes of this subdivision, if a homestead dwelling is occupied or used for a fraction of a month, it is considered a month. "Net tax" is defined as the amount of tax after the subtraction of all of the state paid property tax credits. If the reduction is granted after all property taxes due for the year have been paid, the amount of the reduction must be refunded to the taxpayer by the county treasurer as soon as practical.

(d) Any reductions or refunds under this section are not subject to approval by the commissioner of revenue.

(e) A denial of a reduction or refund under this section by the county board may be appealed to the tax court. If the county board takes no action on the application within 60 days after its receipt, it is considered a denial.

[EFFECTIVE DATE.] This section is effective for property taxes payable in 2005 and thereafter.

Sec. 36. Minnesota Statutes 2004, 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 held by a trustee under a trust is eligible for homestead classification if the 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 residential recreational 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 residential recreational 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, 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, boarding care facility, or an elderly assisted living facility property as defined in section 273.13, subdivision 25a, 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, boarding care facility, or an elderly assisted living facility property as defined in section 273.13, subdivision 25a, 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 co-owner, 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.

(i) If a single family home, duplex, or triplex classified as either residential homestead or agricultural homestead is also used to provide licensed child care, the portion of the property used for licensed child care must be classified as homestead property.

[EFFECTIVE DATE.] This section is effective in assessment year 2005 and thereafter, for taxes payable in 2006, and thereafter.

Sec. 37. Minnesota Statutes 2004, 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, the owner's spouse, or the son or daughter of the owner or owner's spouse, or the grandson or granddaughter of the owner or the owner's spouse, is actively farming the agricultural property, either on the person's own behalf as an individual or on behalf of a partnership operating a family farm, family farm corporation, joint family farm venture, or limited liability company of which the person is a partner, shareholder, or member;

(2) both the owner of the agricultural property and the person who is actively farming the agricultural property under clause (1), are Minnesota residents;

(3) neither the owner nor the spouse of the owner claims another agricultural homestead in Minnesota; and

(4) neither the owner nor the person actively farming the property lives farther than four townships or cities, or a combination of four townships or cities, from the agricultural property, except that if the owner or the owner's spouse is required to live in employer-provided housing, the owner or owner's spouse, whichever is actively farming the agricultural property, may live more than 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) Real property held by a trustee under a trust is eligible for agricultural homestead classification under this paragraph if the qualifications in clause (i) are met, except that "owner" means the grantor of the trust.

(iii) 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) 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 family farm venture, family farm limited liability company, or partnership operating a family farm 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) a shareholder, member, or partner of that entity is actively farming the agricultural property;
- (2) that shareholder, member, or partner who is actively farming the agricultural property is a Minnesota resident;
- (3) neither that shareholder, member, or partner, nor the spouse of that shareholder, member, or partner claims another agricultural homestead in Minnesota; and
- (4) that 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.

Homestead treatment applies under this paragraph for property leased to a family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm if legal title to the property is in the name of an individual who is a member, shareholder, or partner in the entity.

(h) To be eligible for the special agricultural homestead under this subdivision, an initial full application must be submitted to the county assessor where the property is located. Owners and the persons who are actively farming the property shall be required to complete only a one-page abbreviated version of the application in each subsequent year provided that none of the following items have changed since the initial application:

- (1) the day-to-day operation, administration, and financial risks remain the same;
- (2) the owners and the persons actively farming the property continue to live within the four townships or city criteria and are Minnesota residents;
- (3) the same operator of the agricultural property is listed with the Farm Service Agency;
- (4) a Schedule F or equivalent income tax form was filed for the most recent year;
- (5) the property's acreage is unchanged; and
- (6) none of the property's acres have been enrolled in a federal or state farm program since the initial application.

The owners and any persons who are actively farming the property must include the appropriate Social Security numbers, and sign and date the application. If any of the specified information has changed since the full application was filed, the owner must notify the assessor, and must complete a new application to determine if the property continues to qualify for the special agricultural homestead. The commissioner of revenue shall prepare a standard reapplication form for use by the assessors.

[EFFECTIVE DATE.] This section is effective for assessment year 2004 and thereafter, for taxes payable in 2005 and thereafter.

Sec. 38. Minnesota Statutes 2004, section 273.13, subdivision 22, is amended to read:

Subd. 22. [CLASS 1.] (a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. In the case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first \$500,000 of market value of class 1a property has a net class rate of one percent of its market value; and the market value of class 1a property that exceeds \$500,000 has a class rate of 1.25 percent of its market value.

(b) Class 1b property includes homestead real estate or homestead manufactured homes used for the purposes of a homestead by

(1) any person who is blind as defined in section 256D.35, or the blind person and the blind person's spouse; or

(2) any person, hereinafter referred to as "veteran," who:

(i) served in the active military or naval service of the United States; and

(ii) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair; and

(iii) has acquired a special housing unit with special fixtures or movable facilities made necessary by the nature of the veteran's disability, or the surviving spouse of the deceased veteran for as long as the surviving spouse retains the special housing unit as a homestead; or

(3) any person who is permanently and totally disabled.

Property is classified and assessed under clause (3) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph.

Property is classified and assessed pursuant to clause (1) only if the commissioner of revenue certifies to the assessor that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$32,000 market value of class 1b property has a net class rate of .45 percent of its market value. The remaining market value of class 1b property has a class rate using the rates for class 1a or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is commercial use real property that abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort even if the title to the homestead is held by the corporation, partnership, or limited liability company. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. The first \$500,000 \$600,000 of market value of class 1c property has a class rate of ~~one~~ 0.55 percent, the market value that exceeds \$600,000 but does not exceed \$1,600,000 has a class rate of one percent, and the remaining market value of class 1c property has a class rate of one percent, with the following limitation: the area of the property must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth, measured away from the lakeshore. If any portion of the class 1c resort property is classified as class 4c under subdivision 25, the entire property must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for class 1c treatment under this paragraph 1.25 percent.

(d) Class 1d property includes structures that meet all of the following criteria:

(1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;

(2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;

(3) the structure meets all applicable health and safety requirements for the appropriate season; and

(4) the structure is not salable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

The market value of class 1d property has the same class rates as class 1a property under paragraph (a).

[EFFECTIVE DATE.] This section is effective for taxes levied in 2005, payable in 2006, and thereafter.

Sec. 39. Minnesota Statutes 2004, section 273.13, subdivision 23, is amended to read:

Subd. 23. [CLASS 2.] (a) Class 2a property is agricultural land including any improvements that is homesteaded. The market value of the house and garage and immediately surrounding one acre of land has the same class rates as class 1a property under subdivision 22. The value of the remaining land including improvements up to and including \$600,000 market value has a net class rate of 0.55 percent of market value. The remaining property over \$600,000 market value has a class rate of one percent of market value.

(b) Class 2b property is (1) real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products; (2) real estate that is not improved with a structure and is used exclusively for growing trees for timber, lumber, and wood and wood products, if the owner has participated or is participating in a cost-sharing program for afforestation, reforestation, or timber stand improvement on that particular property, administered or coordinated by the commissioner of natural resources; (3) real estate that is nonhomestead agricultural land; or (4) a landing area or public access area of a privately owned public use airport; or (5) land with a commercial aggregate deposit that is not actively being mined and is not otherwise classified as class 2a or 2b, clauses (1) to (3). Class 2b property has a net class rate of one percent of market value.

(c) Agricultural land as used in this section means contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes. "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products. "Agricultural purposes" also includes enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 if the property was classified as agricultural (i) under this subdivision for the assessment year 2002 or (ii) in the year prior to its enrollment. Contiguous acreage on the same parcel, or contiguous acreage on an immediately adjacent parcel under the same ownership, may also qualify as agricultural land, but only if it is pasture, timber, waste, unusable wild land, or land included in state or federal farm programs. Agricultural classification for property shall be determined excluding the house, garage, and immediately surrounding one acre of land, and shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

(d) Real estate, excluding the house, garage, and immediately surrounding one acre of land, of less than ten acres which is exclusively and intensively used for raising or cultivating agricultural products, shall be considered as agricultural land.

Land shall be classified as agricultural even if all or a portion of the agricultural use of that property is the leasing to, or use by another person for agricultural purposes.

Classification under this subdivision is not determinative for qualifying under section 273.111.

The property classification under this section supersedes, for property tax purposes only, any locally administered agricultural policies or land use restrictions that define minimum or maximum farm acreage.

(e) The term "agricultural products" as used in this subdivision includes production for sale of:

(1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains, bees, and apiary products by the owner;

(2) fish bred for sale and consumption if the fish breeding occurs on land zoned for agricultural use;

(3) the commercial boarding of horses if the boarding is done in conjunction with raising or cultivating agricultural products as defined in clause (1);

(4) property which is owned and operated by nonprofit organizations used for equestrian activities, excluding racing;

(5) game birds and waterfowl bred and raised for use on a shooting preserve licensed under section 97A.115;

(6) insects primarily bred to be used as food for animals;

(7) trees, grown for sale as a crop, and not sold for timber, lumber, wood, or wood products, except that short rotation woody crops that are cultivated using agricultural practices on land that had previously been assessed as agricultural land to produce timber or forest products are agricultural products; and

(8) maple syrup taken from trees grown by a person licensed by the Minnesota Department of Agriculture under chapter 28A as a food processor.

(f) If a parcel used for agricultural purposes is also used for commercial or industrial purposes, including but not limited to:

(1) wholesale and retail sales;

(2) processing of raw agricultural products or other goods;

(3) warehousing or storage of processed goods; and

(4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3), the assessor shall classify the part of the parcel used for agricultural purposes as class 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use. The grading, sorting, and packaging of raw agricultural products for first sale is considered an agricultural purpose. A greenhouse or other building where horticultural or nursery products are grown that is also used for the conduct of retail sales must be classified as agricultural if it is primarily used for the growing of horticultural or nursery products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products. Use of a greenhouse or building only for the display of already grown horticultural or nursery products does not qualify as an agricultural purpose.

The assessor shall determine and list separately on the records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.

(g) To qualify for classification under paragraph (b), clause (4), a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of paragraph (b), clause (4), "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

(i) the land is properly cleared and regularly maintained for the primary purposes of the landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;

(ii) the land is part of the airport property; and

(iii) the land is not used for commercial or residential purposes.

The land contained in a landing area under paragraph (b), clause (4), must be described and certified by the commissioner of transportation. The certification is effective until it is modified, or until the airport or landing area no longer meets the requirements of paragraph (b), clause (4). For purposes of paragraph (b), clause (4), "public access area" means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival and departure building in connection with the airport.

(h) To qualify for classification under paragraph (b), clause (5), the property must be at least ten contiguous acres in size and the owner of the property must record with the county recorder of the county in which the property is located an affidavit containing:

(1) a legal description of the property;

(2) a disclosure that the property contains a commercial aggregate deposit that is not actively being mined;

(3) documentation that the conditional use under the county or local zoning ordinance of this property is for mining; and

(4) documentation that a permit has been issued by the local unit of government or the mining activity is allowed under local ordinance. The disclosure must include a statement from a registered professional geologist, engineer, or soil scientist delineating the deposit and certifying that it is a commercial aggregate deposit.

For purposes of this section and section 273.1115, "commercial aggregate deposit" means a deposit that will yield crushed stone or sand and gravel that is suitable for use as a construction aggregate; and "actively mined" means the removal of top soil and overburden in preparation for excavation or excavation of a commercial deposit.

(i) When any portion of the property under this subdivision or section 273.13, subdivision 22, begins to be actively mined, the owner must file a supplemental affidavit within 60 days from the day any aggregate is removed stating the number of acres of the property that is actively being mined. The acres actively being mined must be (1) valued and classified under section 273.13, subdivision 24, in the next subsequent assessment year, and (2) removed from the aggregate resource preservation property tax program under section 273.1115, if the land was enrolled in that program. Copies of the original affidavit and all supplemental affidavits must be filed with the county assessor, the local zoning administrator, and the Department of Natural Resources, Division of Land and Minerals. A supplemental affidavit must be filed each time a subsequent portion of the property is actively mined, provided that the minimum acreage change is five acres, even if the actual mining activity constitutes less than five acres.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2005, payable in 2006, and thereafter.

Sec. 40. Minnesota Statutes 2004, 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. The market value of class 4a property has a class rate of 1.8 percent for taxes payable in 2002, 1.5 percent for taxes payable in 2003, and 1.25 percent for taxes payable in 2004 and thereafter,

except that class 4a property consisting of a structure for which construction commenced after June 30, 2001, has a class rate of 1.25 percent of market value for taxes payable in 2003 and subsequent years.

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential recreational property;

(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; and

(4) unimproved property that is classified residential as determined under subdivision 33.

The market value of class 4b property has a class rate of 1.5 percent for taxes payable in 2002, and 1.25 percent for taxes payable in 2003 and thereafter.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential recreational property; 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 property has the same class rates as class 1a property under subdivision 22.

Property that has been classified as seasonal residential recreational 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 residential recreational 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) postsecondary 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;

(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;

(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; and

(8) a 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 abuts a public airport; and

(ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; and

(9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:

(i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;

(ii) meals are provided to persons who rent rooms, the cost of which is incorporated in the basic room rate;

(iii) meals are not provided to the general public except for special events on fewer than seven days in the calendar year preceding the year of the assessment; and

(iv) the owner is the operator of the property.

The market value subject to the 4c classification under this clause is limited to five rental units. Any rental units on the property in excess of five, must be valued and assessed as class 3a. The portion of the property used for purposes of a homestead by the owner must be classified as class 1a property under subdivision 22.

Class 4c property has a class rate of 1.5 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, (iii) commercial-use seasonal residential recreational property has a class rate of one percent for the first \$500,000 of market value, which includes any market value receiving the one percent rate under subdivision 22, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a class rate of one percent, (v) the market value of property described in clauses (2) and (6) has a class rate of 1.25 percent, and (vi) that portion of the market value of property in clause (8) qualifying for class 4c property has a class rate of 1.25 percent.

(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.0715. Class 4d includes land in proportion to the total market value of the building that is qualifying low-income rental housing.

Class 4d property has a class rate of 0.55 percent for taxes payable in 2007 and thereafter.

Sec. 41. [273.1321] [VALUATION OF LOW-INCOME RENTAL PROPERTY; CAPITALIZED VALUE OF NET OPERATING INCOME.]

Subdivision 1. [REQUIREMENT.] Low-income rental property classified as class 4d under Minnesota Statutes 2000, section 273.13, subdivision 25, is entitled to valuation under this section if at least 75 percent of the units in the rental housing property meet any of the following qualifications:

(1) the units are subject to a housing assistance payments contract under section 8 of the United States Housing Act of 1937, as amended;

(2) the units are rent-restricted and income-restricted units of a qualified low-income housing project receiving tax credits under section 42(g) of the Internal Revenue Code of 1986, as amended;

(3) the units are financed by the Rural Housing Service of the United States Department of Agriculture and receive payments under the rental assistance program pursuant to section 521(a) of the Housing Act of 1949, as amended; or

(4) the units are subject to rent and income restrictions under the terms of financial assistance provided to the rental housing property by a federal, state, or local unit of government as evidenced by a document recorded against the property.

The restrictions must require assisted units to be occupied by residents whose household income at the time of initial occupancy does not exceed 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development. The restriction must also require the rents for assisted units to not exceed 30 percent of 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development.

Subd. 2. [DETERMINATION OF VALUE.] (a) The value of any rental housing property meeting the qualifications of subdivision 1 shall be determined, upon timely application by the owner in the manner provided in subdivision 3, on the basis of the restricted use of the property, notwithstanding sections 272.03, subdivision 8, and 273.11, by capitalizing the net operating income prior to the payment of debt service.

(b) Net operating income prior to payment of debt service must be the amounts shown in a financial statement prepared by an independent certified public accountant or firm. The financial statement must show the revenues, expenses, cash flows, assets, liabilities, and net assets for the property for which an application is made under this section.

(c) The capitalization rate applied to net operating income shall be established jointly by the commissioner and the Housing Finance Agency based on market data and industry standards. The commissioner and the Housing Finance Agency shall jointly establish separate rates based on types of rental housing properties and their locations.

Subd. 3. [APPLICATION.] (a) Application for assessment under this section must be filed by February 28 of the levy year, or at a later date the Housing Finance Agency deems practicable. The application must be filed with the Housing Finance Agency, on a form prescribed by the agency, and must contain the information required by the Housing Finance Agency.

(b) Each application must include:

(1) the property tax identification number;

(2) evidence that the property meets the requirements of subdivision 1; and

(3) a true and correct copy of the financial statement related to the property.

(c) The applicant must pay an application fee to be set by the Housing Finance Agency. The application fee charged by the agency must approximately equal the costs of processing and reviewing the applications. The fee must be deposited in the housing development fund.

Subd. 4. [CERTIFICATION.] By June 1 of each levy year, the Housing Finance Agency must certify to local assessors the valuation, as determined under this section, of rental properties that apply and are qualified for valuation under this section. In making the certification, the Housing Finance Agency may rely on the application and supporting information supplied by the property owner.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2006, payable in 2007, and thereafter.

Sec. 42. [273.1322] [VACANT COMMERCIAL-INDUSTRIAL PROPERTIES.]

Subdivision 1. [AUTHORITY.] A city may establish, by ordinance, a program to encourage redevelopment, provide for better utilization of commercial-industrial property, and eliminate

blighting influences by revoking the eligibility of individual commercial-industrial properties to receive the credit authorized under section 273.1398, subdivision 4. The program may revoke eligibility only if the property has been vacant, as defined in subdivision 3, clauses (1) to (3), for three or more consecutive years prior to the current assessment year, or under subdivision 3, clause (4), for five or more consecutive years prior to the current assessment year.

Subd. 2. [MINIMUM REQUIREMENTS.] The program must provide:

- (1) standards for determining whether a property is vacant;
- (2) written assessment notice by the city or county to the property owner informing the owner that the property's eligibility will be revoked;
- (3) opportunity for the property owner to appeal the revocation at the board of equalization;
- (4) timely notice to the county assessor of the property's eligibility revocation, if the city has a city assessor and the city assessor has revoked the property's eligibility; and
- (5) any other provisions the city determines are necessary or appropriate to the operation of the program to achieve its purposes.

Subd. 3. [DEFINITION OF VACANT.] A program established under this section may provide that a property is vacant if the property is:

- (1) condemned, dangerous, or having multiple building code violations;
- (2) condemned and illegally occupied;
- (3) either occupied or unoccupied, during which time the enforcement officer for the municipality has issued multiple orders to correct nuisance conditions; or
- (4) unoccupied and not utilized for a commercial or industrial purpose.

Subd. 4. [NOTICE TO PROPERTY OWNER.] The municipality shall give notice to the property owner requiring that any conditions in subdivision 3, clauses (1) to (3), be remedied, and that the property be occupied and used for a commercial or industrial purpose for at least 180 days during the next 12-month period, or else the property may cease to be eligible for the credit under section 273.1398, subdivision 4.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2007 and thereafter.

Sec. 43. Minnesota Statutes 2004, section 273.1384, subdivision 3, is amended to read:

Subd. 3. [CREDIT REIMBURSEMENTS.] (a) The county auditor shall determine the tax reductions allowed under this section within the county for each taxes payable year and shall certify that amount to the commissioner of revenue as a part of the abstracts of tax lists submitted by the county auditors under section 275.29.

(b) In the case of class 1a, class 1c, or class 2a homestead property which is located within a city, the county auditor shall determine whether the net tax on each parcel is less than the applicable percentage of its taxable market value provided in this paragraph for the year. For taxes payable in 2007 and 2008, if the net tax on the property is less than 0.7 percent of its taxable market value, the county auditor shall reduce the reimbursement to the county and the city for the credit allowed under subdivision 1 by the amount of the difference. For taxes payable in 2009 and 2010, if the net tax on the property is less than 0.8 percent of its taxable market value, the county auditor shall reduce the reimbursement to the county and the city for the credit allowed under subdivision 1 by the amount of the difference. For taxes payable in 2011 and 2012, if the net tax on the property is less than 0.9 percent of its taxable market value, the county auditor shall reduce the reimbursement to the county and the city for the credit allowed under subdivision 1 by the amount of the difference. For taxes payable in 2013 and thereafter, if the net tax on the property is less than one percent of its taxable market value, the county auditor shall reduce the reimbursement to the county and the city for the credit allowed under subdivision 1 by the amount of the difference. The market value credit reimbursement cannot be less than zero.

(c) Any prior year adjustments shall also be certified on the abstracts of tax lists. The commissioner shall review the certifications for accuracy, and may make such changes as are deemed necessary, or return the certification to the county auditor for correction. If there is no reduction of the reimbursements under paragraph (b), the credits under this section must be used to proportionately reduce the net tax capacity-based property tax payable to each local taxing jurisdiction as provided in section 273.1393. If there is a reduction under paragraph (b), the reimbursements paid to the city and county must be reduced in proportion to the amount of their levies.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2006, payable in 2007, and thereafter.

Sec. 44. [273.323] [EFFECTIVE DATE FOR RULES FOR VALUATION OF ELECTRIC AND TRANSMISSION PIPELINE UTILITY PROPERTY.]

Rules adopted by the commissioner that prescribe the method of valuing property of electric and transmission pipeline utilities may not take effect before the end of the regular legislative session in the calendar year following adoption of the rules.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 45. Minnesota Statutes 2004, section 275.065, subdivision 3, is amended to read:

Subd. 3. [NOTICE OF PROPOSED PROPERTY TAXES.] (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer at the address listed on the county's current year's assessment roll, a notice of proposed property taxes.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority proposes to collect for taxes payable the following year. In the case of a town, or in the case of the state general tax, the final tax amount will be its proposed tax. In the case of taxing authorities required to hold a public meeting under subdivision 6, the notice must clearly state that each taxing authority, including regional library districts established under section 134.201, and including the metropolitan taxing districts as defined in paragraph (i), but excluding all other special taxing districts and towns, will hold a public meeting to receive public testimony on the proposed budget and proposed or final property tax levy, or, in case of a school district, on the current budget and proposed property tax levy. It must clearly state the time and place of each taxing authority's meeting, a telephone number for the taxing authority that taxpayers may call if they have questions related to the notice, and an address where comments will be received by mail.

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year as each appears in the records of the county assessor on November 1 of the current year; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) the items listed below, shown separately by county, city or town, and state general tax, net of the residential and agricultural homestead credit under section 273.1384, voter approved school levy, other local school levy, and the sum of the special taxing districts, and as a total of all taxing authorities:

(i) the actual tax for taxes payable in the current year; and

(ii) the proposed tax amount.

If the county levy under clause (2) includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount.

In the case of a town or the state general tax, the final tax shall also be its proposed tax unless the town changes its levy at a special town meeting under section 365.52. If a school district has certified under section 126C.17, subdivision 9, that a referendum will be held in the school district at the November general election, the county auditor must note next to the school district's proposed amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. In the case of the city of Minneapolis, the levy for the Minneapolis Library Board and the levy for Minneapolis Park and Recreation shall be listed separately from the remaining amount of the city's levy. In the case of the city of St. Paul, the levy for the St. Paul Library Agency must be listed separately from the remaining amount of the city's levy. In the case of Ramsey County, any amount levied under section 134.07 may be listed separately from the remaining amount of the county's levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease between the total taxes payable in the current year and the total proposed taxes, expressed as a percentage.

For purposes of this section, the amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount.

(e) The notice must clearly state that the proposed or final taxes do not include the following:

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda and school district levy referenda;

(3) a levy limit increase approved by the voters by the first Tuesday after the first Monday in November of the levy year as provided under section 275.73;

(4) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

(5) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

(6) the contamination tax imposed on properties which received market value reductions for contamination.

(f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead, and satisfactory documentation is provided to the county assessor by the applicable deadline, and the property qualifies for the homestead classification in that assessment year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

(h) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:

(1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or

(2) post a copy of the notice in a conspicuous place on the premises of the property.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

(i) For purposes of this subdivision, subdivisions 5a and 6, "metropolitan special taxing districts" means the following taxing districts in the seven-county metropolitan area that levy a property tax for any of the specified purposes listed below:

(1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;

(2) Metropolitan Airports Commission under section 473.667, 473.671, or 473.672; and

(3) Metropolitan Mosquito Control Commission under section 473.711.

For purposes of this section, any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be included with the appropriate county's levy and shall be discussed at that county's public hearing.

[EFFECTIVE DATE.] This section is effective for notices for property taxes levied in 2005, payable in 2006, and thereafter.

Sec. 46. Minnesota Statutes 2004, section 275.065, is amended by adding a subdivision to read:

Subd. 9. [AITKIN COUNTY AND SCHOOL DISTRICT HEARING.] Notwithstanding any other law, Aitkin County and Independent School District No. 1, and the city of Aitkin, or any two of them, may hold their initial public hearing jointly. The hearing must be held on the second Tuesday of December each year. The advertisement required in subdivision 5a may be a joint advertisement. The hearing is otherwise subject to the requirements of this section.

[EFFECTIVE DATE.] This section is effective for hearings conducted in 2005 and subsequent years.

Sec. 47. Minnesota Statutes 2004, section 275.065, is amended by adding a subdivision to read:

Subd. 10. [NOBLES COUNTY; JOINT INITIAL PUBLIC HEARING.] Notwithstanding any other law, Nobles County, the city of Worthington, and Independent School District No. 518, Worthington, or any two of them, may hold their initial public hearing jointly. The hearing must be held on the second Tuesday of December each year. The advertisement required in subdivision 5a may be a joint advertisement. The hearing is otherwise subject to the requirements of this section.

[EFFECTIVE DATE.] This section is effective for hearings conducted in 2005 and subsequent years.

Sec. 48. Minnesota Statutes 2004, 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;
- (21) Middle Mississippi River Watershed Management Organization under sections 103B.211 and 103B.241;
- (22) emergency medical services special taxing districts under section 144F.01;
- (23) a county levying under the authority of section 103B.241, 103B.245, or 103B.251;
- (24) Southern St. Louis County Special Taxing District; Chris Jensen Nursing Home under Laws 2003, First Special Session chapter 21, article 4, section 12; and
- (25) soil and water conservation districts under chapter 103C; and
- (26) 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.

Sec. 49. Minnesota Statutes 2004, 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) property taxes approved by voters which are levied against the referendum market value as provided under section 275.61;

(6) 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 2001, or (ii) it is a new matching requirement that did not exist prior to 2002;

(7) 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, subdivision 2;

(8) 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;

(9) to pay an abatement under section 469.1815;

(10) to pay any costs attributable to increases in the employer contribution rates under chapter 353 that are effective after June 30, 2001;

(11) 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 (f), 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, except to pay operating or maintenance costs of a new regional jail facility under sections 641.262 to 641.264 which will not replace an existing jail facility, 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;

(12) to pay for operation of a lake improvement district, as authorized under section 103B.555. 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;

(13) 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;

(14) to pay for court administration costs as required under section 273.1398, subdivision 4b, less the (i) county's share of transferred fines and fees collected by the district courts in the county

for calendar year 2001 and (ii) the aid amount certified to be paid to the county in 2004 under section 273.1398, subdivision 4c; however, for taxes levied to pay for these costs in the year in which the court financing is transferred to the state, the amount under this clause is limited to the amount of aid the county is certified to receive under section 273.1398, subdivision 4a; and

(15) to fund a police or firefighters relief association as required under section 69.77 to the extent that the required amount exceeds the amount levied for this purpose in 2001; and

(16) to pay for the maintenance and support of a city or county society for the prevention of cruelty to animals under section 343.11. If the city or county uses this special levy, any amount levied by the city or county in the previous levy year for the purposes specified in this clause and included in the city's or county's previous year's levy limit computed under section 275.71, must be deducted from the levy limit base under section 275.71, subdivision 2, in determining the city's or county's current year levy limit.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2005, payable in 2006, and thereafter.

Sec. 50. Minnesota Statutes 2004, section 276.04, subdivision 2, is amended to read:

Subd. 2. **[CONTENTS OF TAX STATEMENTS.]** (a) The treasurer shall provide for the printing of the tax statements. The commissioner of revenue shall prescribe the form of the property tax statement and its contents. The statement must contain a tabulated statement of the dollar amount due to each taxing authority and the amount of the state tax from the parcel of real property for which a particular tax statement is prepared. The dollar amounts attributable to the county, the state tax, the voter approved school tax, the other local school tax, the township or municipality, and the total of the metropolitan special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated. The amounts due all other special taxing districts, if any, may be aggregated. If the county levy under this paragraph includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount. In the case of Ramsey County, if the county levy under this paragraph includes an amount for public library service under section 134.07, the amount attributable for that purpose may be separately stated from the remaining county levy amount. The amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

(b) The property tax statements for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements for real property.

(c) Real and personal property tax statements must contain the following information in the order given in this paragraph. The information must contain the current year tax information in the right column with the corresponding information for the previous year in a column on the left:

- (1) the property's estimated market value under section 273.11, subdivision 1;
- (2) the property's taxable market value after reductions under section 273.11, subdivisions 1a and 16;
- (3) the property's gross tax, calculated by adding the property's total property tax to the sum of the aids enumerated in clause (4);
- (4) a total of the following aids:
 - (i) education aids payable under chapters 122A, 123A, 123B, 124D, 125A, 126C, and 127A;

- (ii) local government aids for cities, towns, and counties under chapter 477A; and
- (iii) disparity reduction aid under section 273.1398;
- (5) for homestead residential and agricultural properties, the credits under section 273.1384;
- (6) any credits received under sections 273.119; 273.123; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; and
- (7) the net tax payable in the manner required in paragraph (a).

(d) If the county uses envelopes for mailing property tax statements and if the county agrees, a taxing district may include a notice with the property tax statement notifying taxpayers when the taxing district will begin its budget deliberations for the current year, and encouraging taxpayers to attend the hearings. If the county allows notices to be included in the envelope containing the property tax statement, and if more than one taxing district relative to a given property decides to include a notice with the tax statement, the county treasurer or auditor must coordinate the process and may combine the information on a single announcement.

The commissioner of revenue shall certify to the county auditor the actual or estimated aids enumerated in clause (4) that local governments will receive in the following year. The commissioner must certify this amount by January 1 of each year.

[EFFECTIVE DATE.] This section is effective for property tax statements for taxes payable in 2006 and thereafter.

Sec. 51. [278.021] [PETITIONS INVOLVING LOW-INCOME RENTAL HOUSING PROPERTY.]

Notwithstanding section 278.02, in the case of real property that meets the definition of qualifying low-income housing rental property established in Minnesota Statutes 2000, section 273.126, the petition may include any and all such parcels of real property in which the petitioner has an estate, right, title, interest, or lien, except that all such parcels included in the petition must be located in the same county. Contiguous qualifying low-income rental housing property overlapping county boundaries may be included in the same petition.

Sec. 52. Minnesota Statutes 2004, section 278.03, subdivision 1, is amended to read:

Subdivision 1. [REAL PROPERTY.] ~~In the case of real property,~~ If the proceedings instituted by the filing of the petition have not been completed before the 16th day of May next following the filing or, in the case of class 1c property or class 4c resort property before the 16th day of June for taxes payable in 2006 and 2007 only, the petitioner shall pay to the county treasurer 50 percent of the tax levied for such year against the property involved, unless permission to continue prosecution of the petition without such payment is obtained as herein provided. If the proceedings instituted by the filing of the petition have not been completed by the next October 16, or, in the case of class 1b agricultural homestead, class 2a agricultural homestead, and class 2b(2) agricultural nonhomestead property, November 16, the petitioner shall pay to the county treasurer 50 percent of the unpaid balance of the taxes levied for the year against the property involved if the unpaid balance is \$2,000 or less and 80 percent of the unpaid balance if the unpaid balance is over \$2,000, unless permission to continue prosecution of the petition without payment is obtained as herein provided. The petitioner, upon ten days' notice to the county attorney and to the county auditor, given at least ten days prior to the 16th day of May or, in the case of class 1c or class 4c resort property, the 16th day of June for taxes payable in 2006 and 2007 only, or the 16th day of October, or, in the case of class 1b agricultural homestead, class 2a agricultural homestead, and class 2b(2) agricultural nonhomestead property, the 16th day of November, may apply to the court for permission to continue prosecution of the petition without payment; and, if it is made to appear

- (1) that the proposed review is to be taken in good faith;
- (2) that there is probable cause to believe that the property may be held exempt from the tax levied or that the tax may be determined to be less than 50 percent of the amount levied; and

(3) that it would work a hardship upon petitioner to pay the taxes due,

the court may permit the petitioner to continue prosecution of the petition without payment, or may fix a lesser amount to be paid as a condition of continuing the prosecution of the petition.

Failure to make payment of the amount required when due shall operate automatically to dismiss the petition and all proceedings thereunder unless the payment is waived by an order of the court permitting the petitioner to continue prosecution of the petition without payment. The petition shall be automatically reinstated upon payment of the entire tax plus interest and penalty if the payment is made within one year of the dismissal. The county treasurer shall, upon request of the petitioner, issue duplicate receipts for the tax payment, one of which shall be filed by the petitioner in the proceeding.

Sec. 53. Minnesota Statutes 2004, section 279.01, subdivision 1, is amended to read:

Subdivision 1. [DUE DATES; PENALTIES.] Except as provided in ~~subdivision 3 or 4~~ this section, on May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, a penalty shall accrue and thereafter be charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer. The penalty shall be at a rate of two percent on homestead property until May 31 and four percent on June 1. The penalty on nonhomestead property shall be at a rate of four percent until May 31 and eight percent on June 1. This penalty shall not accrue until June 1 of each year, or 21 days after the postmark date on the envelope containing the property tax statements, whichever is later, on commercial use real property used for seasonal residential recreational purposes and classified as class 1c or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. Any property owner of such class 3a property who pays the first half of the tax due on the property after May 15 and before June 1, or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, shall attach an affidavit to the payment attesting to compliance with the income provision of this subdivision. Thereafter, for both homestead and nonhomestead property, on the first day of each month beginning July 1, up to and including October 1 following, an additional penalty of one percent for each month shall accrue and be charged on all such unpaid taxes provided that if the due date was extended beyond May 15 as the result of any delay in mailing property tax statements no additional penalty shall accrue if the tax is paid by the extended due date. If the tax is not paid by the extended due date, then all penalties that would have accrued if the due date had been May 15 shall be charged. When the taxes against any tract or lot exceed \$50, one-half thereof may be paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later; and, if so paid, no penalty shall attach; the remaining one-half shall be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of two percent shall accrue thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the first day of November an additional penalty of four percent shall accrue and on the first day of December following, an additional penalty of two percent shall accrue and be charged on all such unpaid taxes. Thereafter, for nonhomestead property, on the first day of November and December following, an additional penalty of four percent for each month shall accrue and be charged on all such unpaid taxes. If one-half of such taxes shall not be paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, the same may be paid at any time prior to October 16, with accrued penalties to the date of payment added, and thereupon no penalty shall attach to the remaining one-half until October 16 following.

This section applies to payment of personal property taxes assessed against improvements to leased property, except as provided by section 277.01, subdivision 3.

A county may provide by resolution that in the case of a property owner that has multiple tracts or parcels with aggregate taxes exceeding \$50, payments may be made in installments as provided in this subdivision.

The county treasurer may accept payments of more or less than the exact amount of a tax installment due. If the accepted payment is less than the amount due, payments must be applied

first to the penalty accrued for the year the payment is made. Acceptance of partial payment of tax does not constitute a waiver of the minimum payment required as a condition for filing an appeal under section 278.03 or any other law, nor does it affect the order of payment of delinquent taxes under section 280.39.

Sec. 54. Minnesota Statutes 2004, section 279.01, is amended by adding a subdivision to read:

Subd. 5. [SEASONAL RESIDENTIAL RECREATIONAL PROPERTY USED FOR COMMERCIAL PURPOSES.] For taxes payable in 2006 and 2007 only, in the case of class 1c property and class 4c seasonal residential recreational property used for commercial purposes, no penalties shall accrue to the first one-half property tax payment as provided in this section if paid by June 15. On June 16, a penalty shall accrue and thereafter be charged upon all unpaid taxes. On class 1c property the penalty is at a rate of two percent until June 31, and four percent on July 1. On class 4c seasonal residential recreational property used for commercial purposes, the penalty is four percent until June 31 and eight percent on July 1. Thereafter, for both class 1c and class 4c seasonal residential recreational property used for commercial purposes, on the first day of September and on the first day of October, an additional penalty of one percent shall accrue and be charged on unpaid taxes. The remaining one-half property taxes must be paid and penalties accrue as provided in subdivision 1.

Sec. 55. [290.0621] [SCHOOL REFERENDUM TAX.]

Subdivision 1. [IMPOSITION.] In addition to all other taxes imposed by this chapter, a tax is imposed on individuals who are domiciled on the last day of the taxable year within the territory of a school district in which the voters approved an income tax increase at a referendum conducted under section 126C.17, subdivision 9, for that purpose in 2006 or a subsequent year. This tax does not apply to referendums on bond issues. Individuals domiciled in the district on the last day of the taxable year are subject to the tax.

Subd. 2. [RATE.] The commissioner of revenue shall annually determine the rate of the tax imposed under this section as a percentage of the state income tax liability of individuals subject to the tax by each district. The school referendum tax rate is equal to the ratio of (i) the district's local effort revenue under section 126C.17, subdivision 6b, to (ii) the state income tax liability of all individuals domiciled in the district on the last day of the previous taxable year.

Subd. 3. [REVENUE DISTRIBUTION.] Revenue raised in subdivision 1 must be placed in a special account in the general fund. The amount necessary to make payments to school districts under this section is annually appropriated from the general fund to the commissioner of education and must be paid to school districts according to section 127A.45.

Sec. 56. Minnesota Statutes 2004, section 343.11, is amended to read:

343.11 [ACQUISITION OF PROPERTY, APPROPRIATIONS.]

Every county and district society for the prevention of cruelty to animals may acquire, by purchase, gift, grant, or devise, and hold, use, or convey, real estate and personal property, and lease, mortgage, sell, or use the same in any manner conducive to its interest, to the same extent as natural persons. The county board of any county, or the council of any city, in which such societies exist, may, in its discretion, appropriate for the maintenance and support of such societies in the transaction of the work for which they are organized, any sums of money not otherwise appropriated, not to exceed in any one year the sum of \$4,800 or the sum of 50 cents \$1 per capita based upon the county's or city's population as of the most recent federal census, whichever is greater; provided, that no part of the appropriation shall be expended for the payment of the salary of any officer of the society.

[EFFECTIVE DATE.] This section is effective January 1, 2006.

Sec. 57. [462A.0715] [SECTION 8, TAX CREDIT, AND RURAL HOUSING SERVICE UNITS.]

(a) The agency may deem units as meeting the requirements of section 273.126 and this section, if the units meet the requirements provided in section 273.1321, subdivision 1.

(b) The agency may certify these deemed units under subdivision 1 based on a simplified application procedure that verifies the unit's qualifications under paragraph (a).

Sec. 58. Minnesota Statutes 2004, section 473F.08, is amended by adding a subdivision to read:

Subd. 3c. [UNCOMPENSATED CARE REIMBURSEMENT.] (a) As used in this subdivision, the following terms have the meanings given in this paragraph.

(1) "Uncompensated care" means the sum of (i) the amount that would have been charged by a facility for rendering free or discounted care to persons who cannot afford to pay and for which the facility did not expect payment and (ii) the amount that had been charged by a facility for rendering care to persons and billed to that person or a third-party payer for which the facility expected but did not receive payment. Uncompensated care does not include contractual write-offs.

(2) A "qualifying hospital" means a hospital in the area that is:

(i) owned or operated by a local unit of government, or formerly owned by a university or is a private nonprofit hospital that leases its building from the county in which it is located; and

(ii) has a licensed bed capacity greater than 400.

(b) A county that contains a qualifying hospital is eligible for reimbursement of that portion of gross charges for uncompensated care determined by multiplying the hospital's gross charges during the base year by the percentage of uncompensated care provided by the hospital during the base year minus one-half of one percent of those gross charges, dividing the result by two, and adjusting to cost by multiplying that result by the hospital's cost-to-charge ratio during the base year. By July 15, 2006, and each subsequent year, the county shall notify its county auditor, as well as the administrative auditor, of the amount of qualifying uncompensated care provided, adjusted to cost using the hospital's cost-to-charge ratio, during the 12-month period ending on June 30 of the current year.

(c) The amount certified under paragraph (b) shall be certified annually by the county auditor to the administrative auditor as an addition to the county's areawide levy under subdivision 5.

(d) The administrative auditor shall pay one-half of the reimbursement to the county auditor of the county that contains the qualifying hospital on or before June 15 and the remaining one-half of the reimbursement on or before November 15. The county auditor receiving the payment shall disburse the reimbursement to the qualifying hospital within 15 days of receipt of the reimbursement.

(e) Prior to the reporting specified in paragraph (b) above, all qualifying hospitals that participate in this program shall agree upon and implement a common standard for reporting uncompensated care, and a common standard for determining eligibility for uncompensated care for all participating hospitals.

[EFFECTIVE DATE.] This section is effective for fiscal disparities contribution and distribution tax capacities for taxes payable in 2007 and 2008 only.

Sec. 59. Minnesota Statutes 2004, section 473F.08, is amended by adding a subdivision to read:

Subd. 3d. [HENNEPIN COUNTY PUBLIC DEFENDER COST REIMBURSEMENT.] (a) Hennepin County is eligible for reimbursement of costs incurred by the county under section 611.26, subdivision 3a, paragraph (c). By July 15, 2006, and each subsequent year, the county shall notify the county auditor and the administrative auditor, of the amount of that cost incurred by the county during the 12-month period ending on June 30 of the current year.

(b) The reimbursement under this subdivision for costs incurred during the 12-month period ending June 30, 2006, is equal to 25 percent of those costs. The reimbursement under this subdivision for costs incurred during the 12-month period ending June 30, 2007, is equal to 50 percent of those costs.

(c) The amount certified under paragraph (b) shall be certified annually by the Hennepin County auditor to the administrative auditor as an addition to the county's areawide levy under subdivision 5.

(d) The administrative auditor shall pay one-half of the reimbursement to the Hennepin County auditor on or before June 15 and the remaining one-half of the reimbursement on or before November 15.

[EFFECTIVE DATE.] This section is effective for fiscal disparities contribution and distribution tax capacities for taxes payable in 2007 and 2008 only.

Sec. 60. Minnesota Statutes 2004, section 477A.011, subdivision 36, is amended to read:

Subd. 36. [CITY AID BASE.] (a) Except as otherwise provided in this subdivision, "city aid base" is zero.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) Beginning in 2004, the city aid base for a city is equal to the sum of its city aid base in 2003 and the amount of additional aid it was certified to receive under section 477A.06 in 2003. For 2004 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 2003.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and by an additional \$50,000 in calendar years 2002 to 2011, 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, and by \$50,000 in calendar year 2002 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.

The city aid base for a city described in this paragraph is also increased by \$250,000 in calendar years 2006 to 2015, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$250,000 in calendar year 2006 only.

(m) The city aid base for a city with a population of 10,000 or more which is located outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to the lesser of:

(1)(i) the total population of the city, as determined by the United States Bureau of the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or

(2) \$2,500,000.

(n) The city aid base is increased by \$50,000 in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:

(1) the city is located in the seven-county metropolitan area;

(2) its population in 2000 is between 10,000 and 20,000; and

(3) its commercial industrial percentage, as calculated for city aid payable in 2001, was greater than 25 percent.

(o) The city aid base for a city is increased by \$150,000 in calendar years 2002 to 2011 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 2002 only, provided that:

- (1) the city had a population of at least 3,000 but no more than 4,000 in 1999;
- (2) its home county is located within the seven-county metropolitan area;
- (3) its pre-1940 housing percentage is less than 15 percent; and
- (4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900 per capita.

(p) The city aid base for a city is increased by \$200,000 beginning in calendar year 2003 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 2003 only, provided that the city qualified for an increase in homestead and agricultural credit aid under Laws 1995, chapter 264, article 8, section 18.

(q) The city aid base for a city is increased by \$200,000 in 2004 only and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$200,000 in calendar year 2004 only, if the city is the site of a nuclear dry cask storage facility.

(r) The city aid base for a city is increased by \$10,000 in 2004 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$10,000 in calendar year 2004 only, if the city was included in a federal major disaster designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by more than 40 percent between 1990 and 2000.

Sec. 61. Minnesota Statutes 2004, section 477A.11, subdivision 4, is amended to read:

Subd. 4. [OTHER NATURAL RESOURCES LAND.] "Other natural resources land" means:

(1) any other land presently owned in fee title by the state and administered by the commissioner, or any tax-forfeited land, other than platted lots within a city or those lands described under subdivision 3, clause (2), which is owned by the state and administered by the commissioner or by the county in which it is located; ~~and~~

~~(2) land leased by the state from the United States of America through the United States Secretary of Agriculture pursuant to Title III of the Bankhead Jones Farm Tenant Act, which land is commonly referred to as land utilization project land that is administered by the commissioner.~~

[EFFECTIVE DATE.] This section is effective for aids payable in 2006 and thereafter.

Sec. 62. Minnesota Statutes 2004, section 477A.11, is amended by adding a subdivision to read:

Subd. 5. [LAND UTILIZATION PROJECT LAND.] "Land utilization project land" means land that is leased by the state from the United States through the United States Secretary of Agriculture according to Title III of the Bankhead Jones Farm Tenant Act and that is administered by the commissioner.

Sec. 63. Minnesota Statutes 2004, section 477A.12, subdivision 1, is amended to read:

Subdivision 1. [TYPES OF LAND; PAYMENTS.] (a) 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 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, 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) \$3, as adjusted for inflation under section 477A.145, multiplied by the total number of acres of land utilization project land;

(3) 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) (4) 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) The amount determined under paragraph (a), clause (1), is payable for land that is acquired from a private owner and owned by the Department of Transportation for the purpose of replacing wetland losses caused by transportation projects, but only if the county contains more than 500 acres of such land at the time the certification is made under subdivision 2.

[EFFECTIVE DATE.] This section is effective for aids payable in 2006 and thereafter.

Sec. 64. Minnesota Statutes 2004, section 477A.12, subdivision 2, is amended to read:

Subd. 2. [PROCEDURE.] 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 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; and

(4) the number of acres of land utilization project land within each county and the net proceeds from timber sales on land utilization project lands in each county.

The commissioner of transportation shall determine and certify to the commissioner of revenue by March 1 of the payment year the number of acres of land and the appraised value of the land described in subdivision 1, paragraph (b), but only if it exceeds 500 acres.

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 and the commissioner of transportation by March 1 of the payment year.

[EFFECTIVE DATE.] This section is effective for aids payable in 2006 and thereafter.

Sec. 65. Minnesota Statutes 2004, section 477A.14, subdivision 1, is amended to read:

Subdivision 1. [GENERAL DISTRIBUTION.] Except as provided in subdivision 2 or 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, as adjusted for inflation under section 477A.145, for each acre of acquired natural resources land, each acre of land utilization project land, and each acre of land described in section 477A.12, subdivision 1, paragraph (b), and 7.5 cents, 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 is effective for aids payable in 2006 and thereafter.

Sec. 66. Laws 1998, chapter 389, article 3, section 41, is amended to read:

Sec. 41. [SPECIAL ASSESSMENT DEFERRAL AUTHORIZED.]

Notwithstanding Minnesota Statutes, chapter 429, a city may defer the payment of any special assessment levied against a property qualifying under section 38 as determined by the city. Any special assessment, the payment of which has been deferred by the city, must be paid in full or a payment agreement may be approved by the city if the ownership of property is transferred to anyone or any entity. Payment or a payment agreement must be made within 60 days of the transfer of ownership.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 67. Laws 1998, chapter 389, article 3, section 42, subdivision 2, as amended by Laws 2002, chapter 377, article 4, section 24, is amended to read:

Subd. 2. [RECAPTURE.] (a) Property or any portion thereof qualifying under section 38 is subject to additional taxes if:

(1) ownership of the property is transferred to anyone other than the spouse or child of the current owner;

(2) the current owner or the spouse or child of the current owner has not conveyed or entered into a contract before July 1, 2007, to convey for ownership or public easement rights, (i) a portion of the property to a one or more nonprofit foundation foundations or corporation operating corporations; and (ii) a portion of the property to one or more local governments; and those entities shall separately or jointly operate the property as an art park providing the services included in section 38, clauses (2) to (5), and may also use some of the property for other public purposes as determined by the local governments; or

(3) the nonprofit foundation or corporation to which a portion of the property was transferred ceases to provide the services included in section 38, clauses (2) to (5), earlier than ten years

following the effective date of the ~~conveyance~~ conveyances or of the execution of the ~~contract~~ contracts to convey.

(b) The additional taxes are imposed at the earlier of (1) the year following transfer of ownership to anyone other than the spouse or child of the current owner or a nonprofit foundation or corporation or local government operating the property as an art park and used for other public purposes, or (2) for taxes payable in 2008, or (3) in the event the nonprofit foundation or corporation to which a portion of the property was conveyed ceases to provide the required services within ten years after the conveyance, for taxes payable in the year following the year when it ceased to do so.

The county board, with the approval of the city council, shall determine the amount of the additional taxes due on the portion of property which is no longer utilized as an art park; provided, however, that the additional taxes ~~are equal to~~ must not be greater than the difference between the taxes determined on that portion of the property utilized as an art park under sections 39 and 40 and the amount determined under subdivision 1 for all years that the property qualified under section 38. ~~The additional taxes must be extended against the property on the tax list for the current year; provided, however, that~~ No interest or penalties may be levied on the additional taxes if timely paid ~~amount provided that it is paid within 30 days of the county's notice.~~

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 68. Laws 2001, First Special Session chapter 5, article 3, section 8, the effective date, is amended to read:

[EFFECTIVE DATE.] This section is effective for taxes levied in 2002, payable in 2003, through taxes levied in ~~2007~~ 2009, payable in ~~2008~~ 2010.

Sec. 69. Laws 2003, chapter 127, article 12, section 38, is amended to read:

Sec. 38. ~~[MEMBERS MUST~~ AUTHORITY TO LEVY TAXES FOR AUTHORITY.]

(a) ~~A member shall, at the request of the authority, levy a tax in any year for the benefit of the authority. The authority is a special taxing district as defined in Minnesota Statutes, section 275.066, clause (13), with the power to adopt and certify a property tax levy to the county auditor. The authority may levy a tax in any year for the benefit of the authority. The tax is, for each member, is a pro rata portion of the total amount of tax requested by the authority based on the taxable market value within a the member's jurisdiction, but in no event may the tax in any year exceed 0.01813 percent of taxable market value. For purposes of this section, "taxable market value" has the meaning as given in Minnesota Statutes, section 273.032.~~

(b) ~~The treasurer of each member city or town shall, within 15 days after receiving the property tax settlements from the county treasurer, pay to the treasurer of the authority the amount collected for this purpose. The money must be used by the authority for the purposes provided by sections 35 to 41.~~

[EFFECTIVE DATE.] This section is effective for taxes levied in 2005, payable in 2006, and thereafter.

Sec. 70. Laws 2003, First Special Session chapter 21, article 4, section 12, subdivision 11, is amended to read:

Subd. 11. **[EFFECTIVE DATE; LOCAL APPROVAL.]** This section is effective the day after the governing body of St. Louis county and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3, provided that the certificate of approval is filed with the secretary of state before January 1, 2006.

~~If effective before September 1, 2003, the first levy is the payable 2004 levy; If effective between September 1, 2003, and September 1, 2004, the first levy is the payable 2005 levy; If effective after August 31, 2004, before September 1, 2005, the first levy is the payable 2006 levy; and if effective after August 31, 2005, the first levy is the payable 2007 levy.~~

Sec. 71. [PROPERTY USED FOR EDUCATIONAL INSTRUCTION.]

Notwithstanding Minnesota Statutes, section 272.02, subdivision 38, paragraph (b), the following property is exempt from taxation for assessment year 2004, for taxes payable in 2005, if it meets all the following criteria:

- (1) is used to provide direct educational instruction for grades 7 through 10;
- (2) is located in a city of the first class that has a population greater than 250,000 and less than 350,000;
- (3) was purchased after July 1, 2004, by a nonprofit that is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code; and
- (4) is leased and operated by two nonprofit corporations organized under Minnesota Statutes, chapter 317A.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 72. [EDUCATION RESERVE ACCOUNT; APPROPRIATION.]

(a) There is created in the state treasury an education reserve account as a special revenue fund for deposit of appropriations and other receipts as provided by law.

(b) \$24,961,000 is appropriated from the general fund to the education reserve account in fiscal year 2006. Beginning with taxes payable in 2008, the commissioner of finance shall deposit in the education reserve account the increased amount of the state general levy for that year over the state general levy base amount for taxes payable in 2002, under Minnesota Statutes, section 275.025.

(c) Each year, one-half of the annual amount will be deposited in the education reserve account in the state fiscal year corresponding to the first six months of the calendar year, and the other half will be deposited in the state fiscal year corresponding to the last six months of the calendar year. The amounts in the education reserve account do not lapse or cancel each year, but remain until appropriated by law for education aid or higher education funding.

Sec. 73. [STUDY OF POLLUTION CONTROL EXEMPTION.]

The commissioner of revenue must study the application of the property tax exemption provided under Minnesota Statutes, section 272.02, subdivision 10, to personal property used for pollution control as part of an electric generation system. The commissioner must present a recommendation to the legislature by January 15, 2006, that would limit the exemption to property that is directly and exclusively used for pollution control purposes.

Sec. 74. [SAUK RIVER WATERSHED DISTRICT.]

Notwithstanding Minnesota Statutes, section 103D.905, subdivision 3, the Sauk River Watershed District may annually levy up to 0.01 percent of taxable market value for its administrative fund.

[EFFECTIVE DATE.] This section is effective, without local approval, for taxes levied in 2005, payable in 2006, and thereafter.

Sec. 75. [COMMERCIAL-INDUSTRIAL LAND VALUE TAXATION; LOCAL OPTION.]

The governing body of any municipality that has a population in excess of 70,000, or any municipality located in the taconite tax relief area defined in Minnesota Statutes, section 273.134, may by resolution adopt a system of valuing commercial-industrial property in its jurisdiction that is based on the value of the land, not including improvements. The governing body may make the election under this section if it finds that implementation of the land value system will enhance economic development in the city. An election under this section must be made by December 31, 2005. If any municipality makes the election, it must notify the commissioner of revenue of the

election and the legislature must enact during the 2006 legislative session the legislation necessary to implement the system for taxes levied in 2006, payable in 2007, and thereafter.

Sec. 76. [STUDY REQUIRED.]

By February 1, 2006, the fiscal staff of the house of representatives and senate shall conduct a study of the metropolitan revenue distribution program contained in Minnesota Statutes, chapter 473F, commonly known as the fiscal disparities program, and shall make a report by March 1, 2006, to the chairs of the house and senate tax committees consisting of the findings of the study and any recommendations resulting from the study.

The study shall primarily address the question of whether the program is achieving the purposes for which it was created. Additionally, the study shall address the following questions:

(1) How has the program affected property tax disparities across the Twin Cities metropolitan area?

(2) Is the formula for contributing tax base to the areawide pool reasonable? Should certain commercial-industrial tax base continue to be exempt from contribution to the areawide pool, such as tax base in existence prior to 1979, tax base in tax increment financing districts established before 1979, and tax base located at the Minneapolis-St. Paul International Airport? Should contribution amounts be adjusted for differences in sales ratios between communities?

(3) Is the formula for distributing tax base from the areawide pool reasonable? Should the formula reflect measures of need in addition to population? Should the distribution formula be based on tax capacity rather than market value?

(4) Does the program help promote orderly growth and encourage environmentally sound land use?

(5) Does the program reduce competition for commercial-industrial tax base between communities? Is reduced competition for commercial-industrial tax base desirable?

(6) Do local governments derive sufficient tax revenues from commercial-industrial property to cover the costs of providing services to the property, considering the tax base that must be contributed to the areawide pool?

(7) Could improvements be made in the administration of the program?

[EFFECTIVE DATE.] This section is effective July 1, 2005.

Sec. 77. [FEE STUDIES.]

Subdivision 1. [STATE AGENCY FEES.] The commissioner of each state agency that imposes any fee on individuals or businesses in this state must report to the commissioner of revenue by January 15, 2006, on the type and amount of fees imposed, amount and type of fee increases since January 1, 2003, the revenues derived from each fee for each of the most recent four fiscal years, and the use of the revenues from the fees. The commissioner of revenue shall compile this information and provide a comprehensive report on all state agency fees to the finance and tax committees of the senate and the appropriations and tax committees of the house of representatives by February 15, 2006.

Subd. 2. [SCHOOL FEES.] By January 15, 2006, the Department of Education shall provide the house and senate education finance divisions and tax committees with a report that examines the total annual fees collected under Minnesota Public School Fee Law, Minnesota Statutes, sections 123B.34 to 123B.39, in fiscal years 2002 to 2005. The report must detail all different types of fees charged to Minnesota students under the law. The report must report total fees statewide as well as by school district and charter school.

Subd. 3. [CITY FEES.] Each home rule charter or statutory city must report to the commissioner of revenue by January 15, 2006, on the type and amount of fees it imposes, amount

and type of fee increases since January 1, 2003, the revenues derived from each fee for each of the most recent four calendar years, and the use of the revenues from the fees. The commissioner of revenue shall compile this information and provide a comprehensive report on all city fees to the finance and tax committees of the senate and the appropriations and tax committees of the house of representatives by February 15, 2006.

ARTICLE 5

LOCAL DEVELOPMENT

Section 1. Minnesota Statutes 2004, section 116J.993, subdivision 3, is amended to read:

Subd. 3. [BUSINESS SUBSIDY.] "Business subsidy" or "subsidy" means a state or local government agency grant, contribution of personal property, real property, infrastructure, the principal amount of a loan at rates below those commercially available to the recipient, any reduction or deferral of any tax or any fee, any guarantee of any payment under any loan, lease, or other obligation, or any preferential use of government facilities given to a business.

The following forms of financial assistance are not a business subsidy:

- (1) a business subsidy of less than \$25,000;
- (2) assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of business, size, location, or similar general criteria;
- (3) public improvements to buildings or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
- (4) redevelopment property polluted by contaminants as defined in section 116J.552, subdivision 3;
- (5) assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance provided for designated historic preservation districts, provided that the assistance is equal to or less than 50 percent of the total cost;
- (6) assistance to provide job readiness and training services if the sole purpose of the assistance is to provide those services, except when such assistance is paid for by expenditures of tax increments under section 469.176, subdivision 4m;
- (7) assistance for housing;
- (8) assistance for pollution control or abatement, including assistance for a tax increment financing hazardous substance subdistrict as defined under section 469.174, subdivision 23;
- (9) assistance for energy conservation;
- (10) tax reductions resulting from conformity with federal tax law;
- (11) workers' compensation and unemployment insurance;
- (12) benefits derived from regulation;
- (13) indirect benefits derived from assistance to educational institutions;
- (14) funds from bonds allocated under chapter 474A, 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;
- (15) assistance for a collaboration between a Minnesota higher education institution and a business;
- (16) assistance for a tax increment financing soils condition district as defined under section 469.174, subdivision 19;

(17) redevelopment when the recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current year's estimated market value;

(18) general changes in tax increment financing law and other general tax law changes of a principally technical nature;

(19) federal assistance until the assistance has been repaid to, and reinvested by, the state or local government agency;

(20) funds from dock and wharf bonds issued by a seaway port authority;

(21) business loans and loan guarantees of \$75,000 or less; and

(22) federal loan funds provided through the United States Department of Commerce, Economic Development Administration.

Sec. 2. Minnesota Statutes 2004, section 116J.993, is amended by adding a subdivision to read:

Subd. 8. [RESIDENCE.] "Residence" means the place where an individual has established a permanent home from which the individual has no present intention of moving.

Sec. 3. Minnesota Statutes 2004, section 116J.994, subdivision 4, is amended to read:

Subd. 4. [WAGE AND JOB GOALS.] The subsidy agreement, in addition to any other goals, must include: (1) goals for the number of jobs created, which may include separate goals for the number of part-time or full-time jobs, or, in cases where job loss is specific and demonstrable, goals for the number of jobs retained; (2) wage goals for any jobs created or retained; and (3) wage goals for any jobs to be enhanced through increased wages. After a public hearing, if the creation or retention of jobs is determined not to be a goal, the wage and job goals may be set at zero. The goals for the number of jobs to be created or retained must result in job creation or retention by the recipient within the granting jurisdiction overall.

In addition to other specific goal time frames, the wage and job goals must contain specific goals to be attained within two years of the benefit date.

[EFFECTIVE DATE.] This section is effective August 1, 2005, and applies to subsidy agreements entered into on or after that date.

Sec. 4. Minnesota Statutes 2004, section 116J.994, subdivision 5, is amended to read:

Subd. 5. [PUBLIC NOTICE AND HEARING.] (a) Before granting a business subsidy that exceeds \$500,000 for a state government grantor and \$100,000 for a local government grantor, the grantor must provide public notice and a hearing on the subsidy. A public hearing and notice under this subdivision is not required if a hearing and notice on the subsidy is otherwise required by law.

(b) Public notice of a proposed business subsidy under this subdivision by a state government grantor, other than the Iron Range Resources and Rehabilitation Board, must be published in the State Register. Public notice of a proposed business subsidy under this subdivision by a local government grantor or the Iron Range Resources and Rehabilitation Board must be published in a local newspaper of general circulation. The public notice must identify the location at which information about the business subsidy, including a summary of the terms of the subsidy, is available. Published notice should be sufficiently conspicuous in size and placement to distinguish the notice from the surrounding text. The grantor must make the information available in printed paper copies and, if possible, on the Internet. The government agency must provide at least a ten-day notice for the public hearing.

(c) The public notice must include the date, time, and place of the hearing.

(d) The public hearing by a state government grantor other than the Iron Range Resources and Rehabilitation Board must be held in St. Paul.

(e) If more than one nonstate grantor provides a business subsidy to the same recipient, the nonstate grantors may designate one nonstate grantor to hold a single public hearing regarding the business subsidies provided by all nonstate grantors. For the purposes of this paragraph, "nonstate grantor" includes the iron range resources and rehabilitation board.

(f) The public notice of any public meeting about a business subsidy agreement, including those required by this subdivision and by subdivision 4, must include notice that a person with residence in or the owner of taxable property in the granting jurisdiction may file a written complaint with the grantor if the grantor fails to comply with sections 116J.993 to 116J.995, and that no action may be filed against the grantor for such failure to comply unless a written complaint is filed.

Sec. 5. Minnesota Statutes 2004, section 116J.994, subdivision 9, is amended to read:

Subd. 9. [COMPILATION AND SUMMARY REPORT.] The Department of Employment and Economic Development must publish a compilation and summary of the results of the reports for the previous two calendar years by December 1 of 2004 and every other year thereafter. The reports of the government agencies to the department and the compilation and summary report of the department must be made available to the public. The commissioner must make copies of all business subsidy reports submitted by local and state granting agencies available on the department's Web site by October 1 of the year in which they were submitted.

The commissioner must coordinate the production of reports so that useful comparisons across time periods and across grantors can be made. The commissioner may add other information to the report as the commissioner deems necessary to evaluate business subsidies. Among the information in the summary and compilation report, the commissioner must include:

- (1) total amount of subsidies awarded in each development region of the state;
- (2) distribution of business subsidy amounts by size of the business subsidy;
- (3) distribution of business subsidy amounts by time category;
- (4) distribution of subsidies by type and by public purpose;
- (5) percent of all business subsidies that reached their goals;
- (6) percent of business subsidies that did not reach their goals by two years from the benefit date;
- (7) total dollar amount of business subsidies that did not meet their goals after two years from the benefit date;
- (8) percent of subsidies that did not meet their goals and that did not receive repayment;
- (9) list of recipients that have failed to meet the terms of a subsidy agreement in the past five years and have not satisfied their repayment obligations;
- (10) number of part-time and full-time jobs within separate bands of wages; and
- (11) benefits paid within separate bands of wages.

Sec. 6. Minnesota Statutes 2004, section 116J.994, is amended by adding a subdivision to read:

Subd. 11. [ENFORCEMENT.] (a) A person with residence in or an owner of taxable property located in the jurisdiction of the grantor may bring an action for equitable relief arising out of the failure of the grantor to comply with sections 116J.993 to 116J.995. The court may award a prevailing party in an action under this subdivision costs and reasonable attorney fees.

(b) Prior to bringing an action, the party must file a written complaint with the grantor stating the alleged violation and proposing a remedy. The grantor has up to 30 days to reply to the complaint in writing and may take action to comply with sections 116J.993 to 116J.995.

(c) The written complaint under this subdivision for failure to comply with subdivisions 1 to 5, must be filed with the grantor within 180 days after approval of the subsidy agreement under subdivision 3, paragraph (d). An action under this subdivision must be commenced within 30 days following receipt of the grantor's reply, or within 180 days after approval of the subsidy agreement under subdivision 3, paragraph (d), whichever is later.

[EFFECTIVE DATE.] This section is effective August 1, 2005, and applies to subsidy agreements entered into on or after that date.

Sec. 7. Minnesota Statutes 2004, section 161.1231, is amended by adding a subdivision to read:

Subd. 11. [TRANSFER OF OWNERSHIP.] The commissioner shall, at the earliest feasible date after receiving payment, transfer ownership of the parking facilities to the city of Minneapolis. The payment must be equal to the amount of state funds spent by the commissioner for construction of the facilities. Upon assuming ownership of the facilities, the city shall operate the facilities in accordance with the rules adopted by the commissioner under subdivision 2. Upon assumption of ownership, the city shall assume the authority to collect fees for use of the facilities under subdivision 5. The commissioner shall take no action under this section that would result in federal sanctions against Minnesota or require the repayment of any state funds to the federal government. The commissioner shall deposit all money received under this subdivision in the trunk highway fund.

[EFFECTIVE DATE.] This section is effective the day after the governing body of the city of Minneapolis and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 8. Minnesota Statutes 2004, section 272.0212, subdivision 1, is amended to read:

Subdivision 1. [EXEMPTION.] All qualified property in a zone is exempt to the extent and for a period up to the duration provided by the zone designation and under sections 469.1731 to 469.1735.

[EFFECTIVE DATE.] This section is effective for development agreements approved after the day following final enactment and beginning for property taxes payable in 2006.

Sec. 9. Minnesota Statutes 2004, section 272.0212, subdivision 2, is amended to read:

Subd. 2. [LIMITS ON EXEMPTION.] (a) Property in a zone is not exempt under this section from the following:

- (1) special assessments;
- (2) ad valorem property taxes specifically levied for the payment of principal and interest on debt obligations; and
- (3) all taxes levied by a school district, except school referendum levies as defined in section 126C.17.

(b) The city may limit the property tax exemption to a shorter period than the duration of the zone or to a percentage of the property taxes payable or both.

[EFFECTIVE DATE.] This section is effective for development agreements approved after the day following final enactment and beginning for property taxes payable in 2006.

Sec. 10. Minnesota Statutes 2004, section 469.034, subdivision 2, is amended to read:

Subd. 2. [GENERAL OBLIGATION REVENUE BONDS.] (a) An authority may pledge the general obligation of the general jurisdiction governmental unit as additional security for bonds payable from income or revenues of the project or the authority. The authority must find that the pledged revenues will equal or exceed 110 percent of the principal and interest due on the bonds for each year. The proceeds of the bonds must be used for a qualified housing development project or projects. The obligations must be issued and sold in the manner and following the procedures

provided by chapter 475, except the obligations are not subject to approval by the electors and the maturities may extend to not more than 30 years from the estimated date of completion of the project. The authority is the municipality for purposes of chapter 475.

(b) The principal amount of the issue must be approved by the governing body of the general jurisdiction governmental unit whose general obligation is pledged. Public hearings must be held on issuance of the obligations by both the authority and the general jurisdiction governmental unit. The hearings must be held at least 15 days, but not more than 120 days, before the sale of the obligations.

(c) The maximum amount of general obligation bonds that may be issued and outstanding under this section equals the greater of (1) one-half of one percent of the taxable market value of the general jurisdiction governmental unit whose general obligation which includes a tax on property is pledged, or (2) \$3,000,000. In the case of county or multicounty general obligation bonds, the outstanding general obligation bonds of all cities in the county or counties issued under this subdivision must be added in calculating the limit under clause (1).

(d) "General jurisdiction governmental unit" means the city in which the housing development project is located. In the case of a county or multicounty authority, the county or counties may act as the general jurisdiction governmental unit. In the case of a multicounty authority, the pledge of the general obligation is a pledge of a tax on the taxable property in each of the counties.

(e) "Qualified housing development project" means a housing development project providing housing either for the elderly or for individuals and families with incomes not greater than 80 percent of the median family income as estimated by the United States Department of Housing and Urban Development for the standard metropolitan statistical area or the nonmetropolitan county in which the project is located, ~~and will.~~ The project must be owned for the term of the bonds either by the authority for the term of the bonds or by a limited partnership or other entity in which the authority or another entity under the sole control of the authority is the sole general partner. The partnership or other entity must receive either: (1) an allocation from the Department of Finance or an entitlement issuer of tax-exempt bonding authority for the project and a preliminary determination by the Minnesota Housing Finance Agency or the applicable suballocator of tax credits that the project will qualify for four percent low-income housing tax credits; or (2) a reservation of nine percent low-income housing tax credits from the Minnesota Housing Finance Agency or a suballocator of tax credits for the project. A qualified housing development project may admit nonelderly individuals and families with higher incomes if:

(1) three years have passed since initial occupancy;

(2) the authority finds the project is experiencing unanticipated vacancies resulting in insufficient revenues, because of changes in population or other unforeseen circumstances that occurred after the initial finding of adequate revenues; and

(3) the authority finds a tax levy or payment from general assets of the general jurisdiction governmental unit will be necessary to pay debt service on the bonds if higher income individuals or families are not admitted.

[EFFECTIVE DATE.] This section is effective for bonds issued after the day following final enactment.

Sec. 11. Minnesota Statutes 2004, section 469.169, is amended by adding a subdivision to read:

Subd. 17. **[ADDITIONAL BORDER CITY ALLOCATIONS.]** (a) In addition to tax reductions authorized in subdivisions 7 to 16, the commissioner shall allocate \$750,000 for tax reductions to border city enterprise zones in cities located on the western border of the state. The commissioner shall make allocations to zones in cities on the western border on a per capita basis. Allocations made under this subdivision may be used for tax reductions as provided in section 469.171, or for other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary in order to retain a business within or attract a business to the zone. Any portion of the allocation provided in this paragraph may alternatively be used for tax reductions under section 469.1732 or 469.1734.

(b) The commissioner shall allocate \$750,000 for tax reductions under section 469.1732 or 469.1734 to cities with border city enterprise zones located on the western border of the state. The commissioner shall allocate this amount among the cities on a per capita basis. Any portion of the allocation provided in this paragraph may alternatively be used for tax reductions as provided in section 469.171.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 12. Minnesota Statutes 2004, section 469.174, is amended by adding a subdivision to read:

Subd. 30. [URBAN RENEWAL AREA.] "Urban renewal area" means a contiguous geographic area designated within a project and within which all parcels must be eligible for inclusion in a redevelopment, renewal and renovation, or soils condition district or are currently located within a redevelopment, renewal and renovation, or soils condition district certified within ten years before or after the date of approval of the urban renewal area by the city or county, whichever is later. In determining eligibility for inclusion in a district, each parcel may only be considered as a part of one district.

[EFFECTIVE DATE.] This section is effective for urban renewal areas established on or after the date of final enactment.

Sec. 13. Minnesota Statutes 2004, section 469.175, subdivision 1, is amended to read:

Subdivision 1. [TAX INCREMENT FINANCING PLAN.] A tax increment financing plan shall contain:

- (1) a statement of objectives of an authority for the improvement of a project;
- (2) a statement as to the development program for the project, including the property within the project, if any, that the authority intends to acquire;
- (3) a list of any development activities that the plan proposes to take place within the project, for which contracts have been entered into at the time of the preparation of the plan, including the names of the parties to the contract, the activity governed by the contract, the cost stated in the contract, and the expected date of completion of that activity;
- (4) identification or description of the type of any other specific development reasonably expected to take place within the project, and the date when the development is likely to occur;
- (5) estimates of the following:
 - (i) cost of the project, including administrative expenses, except that if part of the cost of the project is paid or financed with increment from the tax increment financing district, the tax increment financing plan for the district must contain an estimate of the amount of the cost of the project, including administrative expenses, that will be paid or financed with tax increments from the district;
 - (ii) amount of bonded indebtedness to be incurred;
 - (iii) sources of revenue to finance or otherwise pay public costs;
 - (iv) the most recent net tax capacity of taxable real property within the tax increment financing district and within any subdistrict;
 - (v) the estimated captured net tax capacity of the tax increment financing district at completion; and
 - (vi) the duration of the tax increment financing district's and any subdistrict's existence;
- (6) statements of the authority's alternate estimates of the impact of tax increment financing on the net tax capacities of all taxing jurisdictions in which the tax increment financing district is located in whole or in part. For purposes of one statement, the authority shall assume that the

estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district, and for purposes of the second statement, the authority shall assume that none of the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district or subdistrict;

(7) identification and description of studies and analyses used to make the determination set forth in subdivision 3, clause (2); ~~and~~

(8) identification of all parcels to be included in the district or any subdistrict; and

(9) identification of any job training costs intended to be paid by use of tax increments, including the name of the employer whose employees will be trained and the nature and cost of the training. The plan is not required to identify the provider of the job training.

[EFFECTIVE DATE.] This section applies to districts for which the request for certification was made after July 31, 1979, and is effective for tax increment financing plans approved after June 30, 2005.

Sec. 14. Minnesota Statutes 2004, section 469.175, subdivision 4, is amended to read:

Subd. 4. [MODIFICATION OF PLAN.] (a) A tax increment financing plan may be modified by an authority.

(b) The authority may make the following modifications only upon the notice and after the discussion, public hearing, and findings required for approval of the original plan:

(1) any reduction or enlargement of geographic area of the project or tax increment financing district that does not meet the requirements of paragraph (e);

(2) increase in amount of bonded indebtedness to be incurred;

(3) a determination to capitalize interest on the debt if that determination was not a part of the original plan, or to increase or decrease the amount of interest on the debt to be capitalized;

(4) increase in the portion of the captured net tax capacity to be retained by the authority;

(5) increase in the estimate of the cost of the project, including administrative expenses, that will be paid or financed with tax increment from the district; ~~or~~

(6) designation of additional property to be acquired by the authority; or

(7) a decision to pay for job training for employees of a business located in the district that was not a part of the original plan.

(c) If an authority changes the type of district to another type of district, this change is not a modification but requires the authority to follow the procedure set forth in sections 469.174 to 469.179 for adoption of a new plan, including certification of the net tax capacity of the district by the county auditor.

(d) If a redevelopment district or a renewal and renovation district is enlarged, the reasons and supporting facts for the determination that the addition to the district meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) and (2), or subdivision 10a, must be documented.

(e) The requirements of paragraph (b) do not apply if (1) the only modification is elimination of parcels from the project or district and (2)(A) the current net tax capacity of the parcels eliminated from the district equals or exceeds the net tax capacity of those parcels in the district's original net tax capacity or (B) the authority agrees that, notwithstanding section 469.177, subdivision 1, the original net tax capacity will be reduced by no more than the current net tax capacity of the parcels eliminated from the district. The authority must notify the county auditor of any modification that reduces or enlarges the geographic area of a district or a project area.

(f) The geographic area of a tax increment financing district may be reduced, but shall not be enlarged after five years following the date of certification of the original net tax capacity by the county auditor or after August 1, 1984, for tax increment financing districts authorized prior to August 1, 1979.

[EFFECTIVE DATE.] This section is effective for districts for which the request for certification was made after July 31, 1979, and is effective for modifications made after June 30, 2005.

Sec. 15. Minnesota Statutes 2004, 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 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;
- (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 prior years of the district, 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; and

(vii) job training as permitted under section 469.176, subdivision 4m;

(15) for properties sold to developers, the total cost of the property to the authority and the price paid by the developer;

(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;

(23) the estimate, if any, contained in the tax increment financing plan of the amount of the cost of the project, including administrative expenses, that will be paid or financed with tax increment; and

(24) 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 filed in 2006 and thereafter.

Sec. 16. Minnesota Statutes 2004, section 469.176, subdivision 1c, is amended to read:

Subd. 1c. [DURATION LIMITS; PRE-1979 DISTRICTS.] (a) For tax increment financing districts created prior to August 1, 1979, no tax increment shall be paid to the authority after April 1, 2001, or the term of a nondefeased bond or obligation outstanding on April 1, 1990, secured by increments from the district or project area, whichever time is greater, provided that in no case will a tax increment be paid to an authority after August 1, 2009, from such a district. If a district's termination date is extended beyond April 1, 2001, because bonds were outstanding on April 1, 1990, with maturities extending beyond April 1, 2001, the following restrictions apply. No increment collected from the district may be expended after April 1, 2001, except to pay or repay:

- (1) bonds issued before April 1, 1990;
- (2) bonds issued to refund the principal of the outstanding bonds and pay associated issuance costs;
- (3) administrative expenses of the district required to be paid under section 469.176, subdivision 4h, paragraph (a);
- (4) transfers of increment permitted under section 469.1763, subdivision 6; and
- (5) any advance or payment made by the municipality or the authority after June 1, 2002, to pay any bonds listed in clause (1) or (2); and
- (6) amounts authorized under paragraph (d).

(b) Each year, any increments from a district subject to this subdivision must be first applied to pay obligations listed under paragraph (a), clauses (1) and (2), and administrative expenses under paragraph (a), clause (3). Any remaining increments may be used for transfers of increments permitted under section 469.1763, subdivision 6, and to make payments under paragraphs (a), clause (5), and (d).

(c) When sufficient money has been received to pay in full or defease obligations under paragraph (a), clauses (1), (2), and (5), and no spending is permitted by paragraph (d) for the year, the tax increment project or district must be decertified.

(d) In addition to the expenditures authorized under paragraph (a), clauses (1) to (5), a city may expend increments from a tax increment financing district subject to this subdivision after April 1, 2001, if all of the following conditions are met:

- (1) the captured tax capacity for all tax increment financing districts constituted less than six percent of the city's total tax capacity for taxes payable in 2003; and
- (2) the population of the city exceeds 50,000.

[EFFECTIVE DATE.] This section is effective for tax increment financing districts for which the request for certification was made before August 1, 1979.

Sec. 17. Minnesota Statutes 2004, section 469.176, is amended by adding a subdivision to read:

Subd. 4m. [USE OF INCREMENTS FOR JOB TRAINING.] Notwithstanding the limits on use of increments in subdivision 4, 4b, 4c, or 4j, increments may be expended for job training that is intended to result in new job growth within a tax increment financing district. The authority may expend increments directly for the cost of the job training or may reimburse an employer located within the district or a municipality in which the district is located for job training expenditures. Increments may be expended only for job training programs that are approved for this purpose by the local workforce council established under section 116L.666 that has jurisdiction over the workforce service area that includes the tax increment financing district. For purposes of section 469.1763, increments expended under this subdivision are considered to be expended on activities in the district.

[EFFECTIVE DATE.] This section is effective for districts for which the request for certification was made after July 31, 1979, provided that districts for which the request for certification was made before the effective date of this act must modify their plans to provide for this expenditure.

Sec. 18. Minnesota Statutes 2004, section 469.176, is amended by adding a subdivision to read:

Subd. 8. [URBAN RENEWAL AREA.] (a) An authority may create an urban renewal area only upon the notice and after the discussion, public hearing, and findings required for approval of the original project. In addition, the authority must obtain written approval from the county in which the urban renewal area is to be located. After approval by the city and county, the authority shall notify the commissioner of revenue of the approved urban renewal area.

(b) All provisions of sections 469.174 through 469.1799 apply except:

(1) the five-year rule under section 469.1763, subdivision 3, is extended to ten years;

(2) the limitation on spending increment outside of the district under section 469.1763, subdivision 2, does not apply, provided that increments may only be expended on improvements or activities within the urban renewal area, and increments from a soils condition district must be expended as provided under subdivision 4b; and

(3) the local tax rate certification required under section 469.177, subdivision 1a, does not apply.

[EFFECTIVE DATE.] This section is effective for urban renewal areas established on or after the date of final enactment.

Sec. 19. Minnesota Statutes 2004, section 469.1761, is amended by adding a subdivision to read:

Subd. 3a. **[MIXED-INCOME OCCUPANCY PROJECTS.]** (a) Notwithstanding the income requirements in subdivisions 2 and 3, or section 469.174, subdivision 11, an authority may create housing districts for developments that contain both owner-occupied and residential rental units for mixed-income occupancy. Such a district 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 specified 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 are not required to be subject to any income limitations.

(b) For purposes of this subdivision, "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 are 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 that 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 for districts for which certification is requested after July 31, 2005.

Sec. 20. Minnesota Statutes 2004, 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 total 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

total 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, except that if the only expenses for activities outside of the district under this subdivision are for the purposes described in paragraph (d), administrative expenses will be considered as expenditures for activities in 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. Expenditures that meet the requirements of this paragraph are legally permitted expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, and 4j. 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.

(e) For a district created within a biotechnology and health sciences industry zone as defined in section 469.330, subdivision 6, tax increment derived from such a district may be expended outside of the district but within the zone only for expenditures required for the construction of public infrastructure necessary to support the activities of the zone.

Sec. 21. Minnesota Statutes 2004, section 469.1792, is amended to read:

469.1792 [SPECIAL DEFICIT AUTHORITY.]

Subdivision 1. [SCOPE.] This section applies only to an authority with a preexisting district for which:

(1) the increments from the district were insufficient to pay preexisting obligations as a result of the class rate changes or the elimination of the state-determined general education property tax levy under this act, or both; or

(2)(i) the development authority has a binding contract, entered into before August 1, 2001, with a person requiring the authority to pay to the person an amount that may not exceed the increment from the district or a specific development within the district; and

(ii) the authority is unable to pay the full amount under the contract from the pledged

increments or other increments from the district that would have been due if the class rate changes or elimination of the state-determined general education property tax levy or both had not been made under Laws 2001, First Special Session chapter 5;

(3) the authority amends its tax increment financing plan to establish an affordable housing account to which increments are pledged; or

(4) the authority amends its tax increment financing plan to establish a hazardous substance, pollutant, or contaminant remediation account to which increments are pledged.

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given.

(b) "Affordable housing account" means an account in which increment is deposited solely for affordable housing activities as defined in section 469.174, subdivision 11.

(c) "Hazardous substance, pollutant, or contaminant remediation account" means an account in which increment is deposited solely for removal or remediation activities described in section 469.174, subdivisions 16 to 19.

(d) "Preexisting district" means a tax increment financing district for which the request for certification was made before August 1, 2001.

(e) (e) "Preexisting obligation" means a bond or binding contract that:

(1)(i) was issued or approved before August 1, 2001, or was issued pursuant to a binding contract entered into before July 1, 2001; or

(ii) was issued to refinance an obligation under item (i), if the refinancing does not increase the present value of the debt service; and

(2) is secured by increments from a preexisting district.

Subd. 3. [ACTIONS AUTHORIZED.] (a) An authority with a district qualifying under this section may take either or both of the following actions for any or all of its preexisting districts:

(1) the authority may elect that the original local tax rate under section 469.177, subdivision 1a, does not apply to the district; and

(2) the authority may elect the fiscal disparities contribution will be computed under section 469.177, subdivision 3, paragraph (a), regardless of the election that was made for the district or if the district is an economic development district for which the request for certification was made after June 30, 1997.

(b) The authority may take action under this subdivision only after the municipality approves the action, by resolution, after notice and public hearing in the manner provided under section 469.175, subdivision 3. To be effective for taxes payable in the following year, the resolution must be adopted and the county auditor must be notified of the adoption on or before July 1.

Subd. 4. [EXPENDITURES FROM AFFORDABLE HOUSING ACCOUNTS.] Increment from an affordable housing account may be spent by an authority anywhere within its area of operation. Notwithstanding the definition of a project under section 469.174, increments may be spent to assist housing that meets the requirements under section 469.1761. The limitation imposed by section 469.1763, subdivision 2, does not apply to any transfers of increment to the affordable housing account to the extent that the amount transferred to the account under this subdivision does not exceed ten percent of the revenue derived from tax increments paid by properties in the district in the year.

Subd. 5. [EXPENDITURES FROM HAZARDOUS SUBSTANCE, POLLUTANT, OR CONTAMINANT REMEDIATION ACCOUNT.] Increment from a hazardous substance, pollutant, or contaminant remediation account may be spent by an authority anywhere within its area of operation. Notwithstanding the definition of a project under section 469.174, increments

may be expended to remediation and removal activities that meet the requirements of section 469.176, subdivision 4b or 4e. The limitation imposed by section 469.1763, subdivision 2, does not apply to any transfers of increment to the hazardous substance, pollutant, or contaminant remediation account to the extent that the amount transferred to the account under this subdivision does not exceed ten percent of the revenue derived from tax increments paid by properties in the district in the year.

[EFFECTIVE DATE.] This section is effective for actions taken and resolutions approved after June 30, 2005.

Sec. 22. Minnesota Statutes 2004, section 469.310, subdivision 11, is amended to read:

Subd. 11. **[QUALIFIED BUSINESS.]** (a) "Qualified business" means a person carrying on a trade or business at a place of business located within a job opportunity building zone.

(b) A person that relocates a trade or business from outside a job opportunity building zone into a zone is not a qualified business, unless the business:

(1)(i) increases full-time employment in the first full year of operation within the job opportunity building zone by at least 20 percent measured relative to the operations that were relocated and maintains the required level of employment for each year the zone designation applies; or

(ii) makes a capital investment in the property located within a zone equivalent to ten percent of the gross revenues of operation that were relocated in the immediately preceding taxable year; and

(2) enters a binding written agreement with the commissioner that:

(i) pledges the business will meet the requirements of clause (1);

(ii) provides for repayment of all tax benefits enumerated under section 469.315 to the business under the procedures in section 469.319, if the requirements of clause (1) are not met for the taxable year or for taxes payable during the year in which the requirements were not met; and

(iii) contains any other terms the commissioner determines appropriate.

(c) A business is not a qualified business if at its location or locations in the zone, the business is primarily engaged in making retail sales to purchasers who are physically present at the business's zone location.

[EFFECTIVE DATE.] This section is effective the day following final enactment and applies to any business entering a business subsidy agreement for a job opportunity development zone after that date.

Sec. 23. Laws 1994, chapter 587, article 9, section 20, subdivision 1, is amended to read:

Subdivision 1. **[ESTABLISHMENT.]** The city of Brooklyn Park may establish an economic development tax increment financing district in which ~~15 percent~~ all of the revenue generated from tax increment in any year that is not expended pursuant to a pledge given or encumbrance created before January 1, 2005, is deposited in the housing development account of the authority and expended according to the tax increment financing plan.

Sec. 24. Laws 1994, chapter 587, article 9, section 20, subdivision 2, is amended to read:

Subd. 2. **[ELIGIBLE ACTIVITIES.]** The authority must identify in the plan the housing activities that will be assisted by the housing development account. Housing activities may include rehabilitation, acquisition, demolition, and financing of new or existing single family or multifamily housing. Housing activities listed in the plan need not be located within the district or project area but must be activities that meet the requirements of a qualified housing district under Minnesota Statutes, section ~~273.1399~~ or 469.1761, subdivision 2, for owner-occupied housing or section 469.174, subdivision 29, clause (1), for rental housing.

Sec. 25. Laws 1998, chapter 389, article 11, section 19, subdivision 3, is amended to read:

Subd. 3. [DURATION OF DISTRICT.] Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, no tax increment may be paid to the authority or the city after 18 years from the date of receipt by the authority of the first increment generated from the final phase of redevelopment. In no case may increments be paid to the authority after 30 years from approval of the tax increment plan. "Final phase of redevelopment" means that phase of redevelopment activity which completes the rehabilitation of the Lake Street site.

[EFFECTIVE DATE.] This section is effective upon compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 2.

Sec. 26. [ANOKA COUNTY REGIONAL RAILROAD AUTHORITY POWERS.]

Subdivision 1. [ECONOMIC DEVELOPMENT POWERS AND DUTIES.] The Anoka County Regional Railroad Authority may exercise any of the powers and duties of an economic development authority under Minnesota Statutes, sections 469.090, 469.098, and 469.101 to 469.106. The Anoka County Regional Railroad Authority may exercise the powers under Minnesota Statutes, sections 469.001 to 469.047, for the purpose of transit-oriented development, except that the Anoka County Regional Railroad Authority must not exercise the power to tax under Minnesota Statutes, section 469.033, subdivision 6. In applying Minnesota Statutes, sections 469.001 to 469.047, 469.090, 469.098, and 469.101 to 469.106, to the Anoka County Regional Railroad Authority, the county is considered to be the city and the county board is considered to be the city council.

Subd. 2. [RELATION TO LOCAL AUTHORITIES.] Nothing in subdivision 1 shall change or impair the powers or duties of a city, town, municipal housing and redevelopment authority, or municipal economic development authority.

Subd. 3. [LOCAL APPROVAL.] If any economic development project is constructed in the county pursuant to the authorization in this section, the project must be approved by the governing body of each city or town within which the project will be constructed.

[EFFECTIVE DATE.] This section is effective the day after the governing body of the Anoka County Regional Railroad Authority and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 27. [CITY OF BEMIDJI; DURATION EXTENSION FOR TAX ABATEMENT.]

Notwithstanding the limitation in Minnesota Statutes, section 469.1813, subdivision 6, the city of Bemidji may extend the duration of the tax abatement given to support development within the fairgrounds district of the city for an additional four years beyond the duration permitted under that section.

Sec. 28. [CITY OF BROOKLYN CENTER; EXTENSION OF TIME TO EXPEND TAX INCREMENT.]

For tax increment financing district number 3, established on December 19, 1994, by Brooklyn Center Resolution No. 94-273, Minnesota Statutes, section 469.1763, subdivision 3, applies to the district by permitting a period of 13 years for commencement of activities within the district.

[EFFECTIVE DATE.] This section is effective upon approval by the governing body of the city of Brooklyn Center and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 29. [CITY OF BROOKLYN PARK TAX INCREMENT FINANCING DISTRICT EXTENSION.]

Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, or any other law to the contrary, the duration limit that applies to the economic development tax increment financing district established under Laws 1994, chapter 587, article 9, section 20, is extended to December 31, 2020.

Sec. 30. [CITY OF DETROIT LAKES; REDEVELOPMENT TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [AUTHORIZATION.] At the election of the governing body of the city of Detroit Lakes, upon adoption of the tax increment financing plan for the district described in this section, the rules provided under this section apply to each such district.

Subd. 2. [DEFINITION.] In this section, "district" means a redevelopment district established by the city of Detroit Lakes or the Detroit Lakes Development Authority within the following area:

Beginning at the intersection of Washington Avenue and the Burlington Northern Santa Fe Railroad then east to the intersection of Roosevelt Avenue then south to the intersection of Highway 10/Frazer Street then west to the intersection of Frazer Street and the alley that parallels Washington Avenue then north to the point of beginning.

More than one district may be created under this act.

Subd. 3. [QUALIFICATION AS REDEVELOPMENT DISTRICT; SPECIAL RULES.] The district shall be a redevelopment district under Minnesota Statutes, section 469.174, subdivision 10. All buildings that are removed to facilitate the Highway 10 Realignment Project are deemed to be "structurally substandard." The three-year limit after demolition of the buildings to request tax increment financing certification provided in Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), clause (1), does not apply.

Subd. 4. [EXPIRATION.] The authority to approve tax increment financing plans to establish a tax increment financing redevelopment district subject to this section expires on December 31, 2014.

Subd. 5. [EFFECTIVE DATE.] This section is effective upon approval of the governing body of the city of Detroit Lakes and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 31. [CITIES OF ELGIN, EYOTA, BYRON, AND ORONOCO; TAX INCREMENT FINANCING DISTRICTS.]

Subdivision 1. [AUTHORIZATION.] Notwithstanding the mileage limitation in Minnesota Statutes, section 469.174, subdivision 27, the cities of Elgin, Eyota, Byron, and Oronoco are deemed to be small cities for purposes of Minnesota Statutes, sections 469.174 to 469.1799, as long as they do not exceed the population limit in that section.

Subd. 2. [LOCAL APPROVAL.] This section is effective for each of the cities of Elgin, Eyota, Byron, and Oronoco upon approval of that city's governing body and compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 32. [CITY OF FAIRMONT; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [AUTHORITY TO REDUCE ORIGINAL VALUE.] The city of Fairmont may elect to reduce the original tax capacity of a previously tax-exempt parcel, consisting of property formerly owned by the United States Post Office, in tax increment financing district No. 20, to the value of the land.

Subd. 2. [EFFECTIVE DATE.] This section is effective upon compliance by the city of Fairmont with the requirements of Minnesota Statutes, section 645.021.

Sec. 33. [CITY OF FERGUS FALLS; ECONOMIC DEVELOPMENT PROPERTY.]

The provisions of Minnesota Statutes, section 272.02, subdivision 39, apply to property located in the city of Fergus Falls as if the city had a population of 5,000 or less.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2005, payable in 2006, and thereafter.

Sec. 34. [CITY OF RICHFIELD; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [AUTHORIZATION.] The city of Richfield may create a tax increment financing district consisting of an area lying west of Trunk Highway 77 extending: to 16th Avenue between Crosstown Highway 62 and 66th Street; to 17th Avenue between 66th and 69th Streets; and to 18th Avenue between 69th and 72nd Streets. The city or its housing and redevelopment authority may be the authority for the purposes of Minnesota Statutes, sections 469.174 to 469.179.

Subd. 2. [DISTRICT IS REDEVELOPMENT DISTRICT.] The redevelopment tax increment district created pursuant to subdivision 1, within which housing is not a compatible use due to the presence of extraordinary low frequency noise and vibration impacts, is deemed to be a redevelopment district and is subject to Minnesota Statutes, sections 469.174 to 469.179, except that:

(1) expenditures for activities as defined in Minnesota Statutes, section 469.1763, subdivision 1, paragraph (b), anywhere in the district are deemed to be the costs of correcting conditions that allow the designation of redevelopment districts pursuant to Minnesota Statutes, section 469.174, subdivision 10; and

(2) the five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, does not apply.

[EFFECTIVE DATE.] This section is effective upon local approval by the city of Richfield in compliance with Minnesota Statutes, section 645.021.

Sec. 35. [CITY OF ST. MICHAEL; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [ESTABLISHMENT OF DISTRICT.] The city of St. Michael may establish a redevelopment tax increment financing district subject to Minnesota Statutes, sections 469.174 to 469.179, except as provided in this section. The district must be established within an area that includes the downtown and town center areas as designated by the city as well as all parcels adjacent to marked Trunk Highway 241 within the city.

Subd. 2. [SPECIAL RULES.] (a) Notwithstanding the requirements of Minnesota Statutes, section 469.174, subdivision 10, the district may be established and operated as a redevelopment district.

(b) Notwithstanding the restrictions of Minnesota Statutes, sections 469.176, subdivisions 4 and 4j, and 469.1763, subdivision 2, revenues derived from tax increments from the district created under this section may be used to meet the cost of land acquisition, removal of buildings in the right-of-way acquisition area, and other costs incurred by the city of St. Michael in the expansion and improvement of marked Trunk Highway 241 within the city.

(c) Minnesota Statutes, section 469.176, subdivision 5, does not apply to the district.

[EFFECTIVE DATE.] This section is effective the day after the governing body of the city of St. Michael complies with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 36. [ST. PAUL; HOUSING AND REDEVELOPMENT AUTHORITY.]

Subdivision 1. [HOUSING AND REDEVELOPMENT SUBDISTRICTS.] For its tax increment financing districts identified in subdivision 2, the Housing and Redevelopment Authority of the city of St. Paul may establish subdistricts up to the number set forth for each tax increment financing district in subdivision 2. The subdistricts shall be treated as set forth in subdivision 3, notwithstanding the provisions of any other law to the contrary.

Subd. 2. [DIVISION INTO SUBDISTRICTS; AUTHORITY.] The tax increment financing districts with the following Ramsey County identification numbers may be divided into a number of subdistricts not to exceed the number set forth as follows: No. 224/233, six subdistricts; No. 225, six subdistricts; No. 228, three subdistricts; and No. 234, two subdistricts.

Subd. 3. [DESIGNATION OF PARCELS.] All parcels in a tax increment financing district listed in subdivision 2 must be assigned to a subdistrict. Each subdistrict established pursuant to this section shall consist of those parcels in the tax increment financing district which are designated by the commissioners of the Housing and Redevelopment Authority of the city of St. Paul by resolution, which parcels need not be contiguous. For purposes of determining tax increments and the parcels treated as paying tax increments, each subdistrict shall be treated as a separate tax increment district.

[EFFECTIVE DATE.] This section is effective the day after the governing body of St. Paul and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 37. [WABASHA TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [DISTRICT EXTENSION.] The governing body of the city of Wabasha may elect to extend the duration of its redevelopment tax increment financing district number 3 by up to five additional years.

Subd. 2. [FIVE-YEAR RULE.] The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district must be considered to be met for the city of Wabasha redevelopment tax increment district number 3, if the activities are undertaken within ten years from the date of certification of the district.

Subd. 3. [NATIONAL EAGLE CENTER.] Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 4l, or any other law, the city of Wabasha may spend the proceeds of tax increment bonds issued prior to January 1, 2000, to pay the costs of acquiring and constructing a National Eagle Center in the city. The city of Wabasha may also use tax increment from its tax increment districts to pay the debt service on such bonds, or any bonds issued to refund such bonds, subject to legal restrictions on the pooling of tax increment.

[EFFECTIVE DATE.] Subdivision 1 is effective upon compliance with the provisions of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021. Subdivisions 2 and 3 are effective upon compliance by the governing body of the city of Wabasha with the provisions of Minnesota Statutes, section 645.021.

Sec. 38. [WINONA; EXTENSION OF DURATION OF TAX INCREMENT DISTRICT.]

Subdivision 1. [DURATION.] Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, the duration of riverfront tax increment financing district number 2, approved by the port authority of Winona on July 15, 1980, is extended to December 31, 2020. Any tax increment received after December 31, 2005, must be used solely to pay capital and administrative costs of transportation improvements related to the Pelzer Street project.

Subd. 2. [EXCEPTION.] The provisions of Minnesota Statutes, section 469.1782, subdivision 2, do not apply to this section.

[EFFECTIVE DATE.] This section is effective upon approval by the governing body of the port authority of Winona and compliance with Minnesota Statutes, section 645.021.

Sec. 39. [JOBZ EXPENDITURE LIMITATIONS; AUDITS.]

Subdivision 1. [DETERMINATION OF TAX EXPENDITURES.] By September 1, 2005, the commissioner of revenue, with the assistance of the commissioner of employment and economic development, must estimate the total amount of tax expenditures projected to have been obligated for all job opportunity building zone projects that have been approved before June 1, 2005. If the commissioner of revenue determines that the estimated amount of tax expenditures for fiscal years 2005-2007 exceeds \$13,780,000, the commissioner of revenue must inform the chairs of the house of representatives and senate tax committees.

Subd. 2. [AUDITS.] The Tax Increment Financing, Investment and Finance Division of the

Office of the State Auditor must annually audit the creation and operation of all job opportunity building zones and business subsidy agreements entered into under Minnesota Statutes, sections 469.310 to 469.320.

Sec. 40. [REPEALER.]

Laws 1994, chapter 587, article 9, section 20, subdivision 4, is repealed.

ARTICLE 6
PUBLIC FINANCE

Section 1. Minnesota Statutes 2004, section 118A.05, subdivision 5, is amended to read:

Subd. 5. [GUARANTEED INVESTMENT CONTRACTS.] Agreements or contracts for guaranteed investment contracts may be entered into if they are issued or guaranteed by United States commercial banks, domestic branches of foreign banks, United States insurance companies, or their Canadian subsidiaries, or the domestic affiliates of any of the foregoing. The credit quality of the issuer's or guarantor's short- and long-term unsecured debt must be rated in one of the two highest categories by a nationally recognized rating agency. Should the issuer's or guarantor's credit quality be downgraded below "A", the government entity must have withdrawal rights.

Sec. 2. Minnesota Statutes 2004, 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) property taxes approved by voters which are levied against the referendum market value as provided under section 275.61;

(6) 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 2001, or (ii) it is a new matching requirement that did not exist prior to 2002;

(7) 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, subdivision 2;

(8) 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;

(9) to pay an abatement under section 469.1815;

(10) to pay any costs attributable to increases in the employer contribution rates under chapter 353 that are effective after June 30, 2001;

(11) 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 (f), 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, except to pay operating or maintenance costs of a new regional jail facility under sections 641.262 to 641.264 which will not replace an existing jail facility, 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;

(12) to pay for operation of a lake improvement district, as authorized under section 103B.555. 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;

(13) 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;

(14) to pay for court administration costs as required under section 273.1398, subdivision 4b, less the (i) county's share of transferred fines and fees collected by the district courts in the county for calendar year 2001 and (ii) the aid amount certified to be paid to the county in 2004 under section 273.1398, subdivision 4c; however, for taxes levied to pay for these costs in the year in which the court financing is transferred to the state, the amount under this clause is limited to the amount of aid the county is certified to receive under section 273.1398, subdivision 4a; and

(15) to fund a police or firefighters relief association as required under section 69.77 to the extent that the required amount exceeds the amount levied for this purpose in 2001; and

(16) for purposes of a storm sewer improvement district, pursuant to section 444.20.

Sec. 3. Minnesota Statutes 2004, section 373.01, subdivision 3, is amended to read:

Subd. 3. [CAPITAL NOTES.] (a) A county board may, by resolution and without referendum, issue capital notes subject to the county debt limit to purchase capital equipment useful for county purposes that has an expected useful life at least equal to the term of the notes. The notes shall be payable in not more than five ten years and shall be issued on terms and in a manner the board determines. A tax levy shall be made for payment of the principal and interest on the notes, in accordance with section 475.61, as in the case of bonds.

(b) For purposes of this subdivision, "capital equipment" means:

(1) public safety, ambulance, road construction or maintenance, and medical equipment; and

(2) computer hardware and original operating system software, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer or software. The authority to issue capital notes for original operating systems computer software and related services expires on July 1, 2005 2007.

Sec. 4. Minnesota Statutes 2004, section 373.40, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] For purposes of this section, the following terms have the meanings given.

(a) "Bonds" means an obligation as defined under section 475.51.

(b) "Capital improvement" means acquisition or betterment of public lands, ~~development rights in the form of conservation easements under chapter 84C,~~ buildings, or other improvements within the county for the purpose of a county courthouse, administrative building, health or social service facility, correctional facility, jail, law enforcement center, hospital, morgue, library, park, qualified indoor ice arena, and roads and bridges, and the acquisition of development rights in the form of conservation easements under chapter 84C. An improvement must have an expected useful life of five years or more to qualify. "Capital improvement" does not include light rail transit or any activity related to it or a recreation or sports facility building (such as, but not limited to, a gymnasium, ice arena, racquet sports facility, swimming pool, exercise room or health spa), unless the building is part of an outdoor park facility and is incidental to the primary purpose of outdoor recreation.

(c) "Commissioner" means the commissioner of employment and economic development.

(d) "Metropolitan county" means a county located in the seven-county metropolitan area as defined in section 473.121 or a county with a population of 90,000 or more.

(e) "Population" means the population established by the most recent of the following (determined as of the date the resolution authorizing the bonds was adopted):

(1) the federal decennial census,

(2) a special census conducted under contract by the United States Bureau of the Census, or

(3) a population estimate made either by the Metropolitan Council or by the state demographer under section 4A.02.

(f) "Qualified indoor ice arena" means a facility that meets the requirements of section 373.43.

(g) "Tax capacity" means total taxable market value, but does not include captured market value.

Sec. 5. Minnesota Statutes 2004, section 400.04, is amended by adding a subdivision to read:

Subd. 4a. [PERFORMANCE BOND WAIVER OR ALTERNATIVE.] Notwithstanding the requirements of section 574.26 or any other public works bond requirements for a solid waste facilities project established under an agreement authorized under chapter 115A or chapter 400, the county may waive the requirement for performance bonds or accept another form of financial guarantee in any amount acceptable to the county, if the project is partially or fully funded by a county, and the county is not liable for financial acceptance until performance guarantees or other standards established under the agreement have been satisfied.

Sec. 6. Minnesota Statutes 2004, section 410.32, is amended to read:

410.32 [CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.]

(a) Notwithstanding any contrary provision of other law or charter, a home rule charter city may, by resolution and without public referendum, issue capital notes subject to the city debt limit to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; and

(2) computer hardware and ~~original operating system~~ software, provided whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer or software.

(c) The equipment or software ~~has~~ must have an expected useful life at least as long as the term of the notes. The authority to issue capital notes for ~~original operating system~~ computer software and related services expires on July 1, ~~2005~~ 2007.

(d) The notes shall be payable in not more than ~~five~~ ten years and be issued on terms and in the manner the city determines. The total principal amount of the capital notes issued in a fiscal year shall not exceed 0.03 percent of the market value of taxable property in the city for that year.

(e) A tax levy shall be made for the payment of the principal and interest on the notes, in accordance with section 475.61, as in the case of bonds.

(f) Notes issued under this section shall require an affirmative vote of two-thirds of the governing body of the city.

(g) Notwithstanding a contrary provision of other law or charter, a home rule charter city may also issue capital notes subject to its debt limit in the manner and subject to the limitations applicable to statutory cities pursuant to section 412.301.

Sec. 7. Minnesota Statutes 2004, section 412.301, is amended to read:

412.301 [FINANCING PURCHASE OF CERTAIN EQUIPMENT.]

(a) The council may issue certificates of indebtedness or capital notes subject to the city debt limits to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction ~~or~~ and maintenance equipment, and other capital equipment; and

(2) computer hardware and ~~original operating system~~ software, provided whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer or software.

(c) The equipment or software ~~has~~ must have an expected useful life at least as long as the terms of the certificates or notes. The authority to issue capital notes for ~~original operating system~~ software expires on July 1, ~~2005~~ 2007.

(d) Such certificates or notes shall be payable in not more than ~~five~~ ten years and shall be issued on such terms and in such manner as the council may determine.

(e) If the amount of the certificates or notes to be issued to finance any such purchase exceeds 0.25 percent of the market value of taxable property in the city, they shall not be issued for at least ten days after publication in the official newspaper of a council resolution determining to issue them; and if before the end of that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular municipal election is filed with the clerk, such certificates or notes shall not be issued until the proposition of their issuance has been approved by a majority of the votes cast on the question at a regular or special election.

(f) A tax levy shall be made for the payment of the principal and interest on such certificates or notes, in accordance with section 475.61, as in the case of bonds.

Sec. 8. Minnesota Statutes 2004, section 428A.101, is amended to read:

428A.101 [DEADLINE FOR SPECIAL SERVICE DISTRICT ~~DISTRICT~~ DISTRICTS UNDER GENERAL LAW.]

The establishment of a new special service district after June 30, 2005 2009, requires enactment of a special law authorizing the establishment of the area.

Sec. 9. Minnesota Statutes 2004, section 428A.21, is amended to read:

428A.21 [~~SUNSET DEADLINE FOR HOUSING IMPROVEMENT DISTRICTS~~ UNDER GENERAL LAW.]

~~No~~ The establishment of a new housing improvement areas may be established under sections 428A.11 to 428A.20 area after June 30, 2005. After June 30, 2005, a city may establish a housing improvement area, provided that it receives enabling legislation 2009, requires enactment of a special law authorizing the establishment of the area.

Sec. 10. Minnesota Statutes 2004, section 429.031, is amended by adding a subdivision to read:

Subd. 4. [IMPROVEMENTS; ORDERLY ANNEXATION.] An improvement may be made by a municipality in an area that is the subject of an orderly annexation agreement under section 414.0325 to which the municipality is a party. The municipality may subsequently reimburse itself for all or any part of the cost of such an improvement by levying assessments on the property subject to the orderly annexation agreement, when annexed, in the manner provided in section 429.051, but only if the orderly annexation agreement includes a statement that the municipality intends to do so and notice has been provided to the property owner as provided in subdivision 1.

Sec. 11. Minnesota Statutes 2004, section 429.051, is amended to read:

429.051 [APPORTIONMENT OF COST.]

The cost of any improvement, or any part thereof, may be assessed upon property benefited by the improvement, based upon the benefits received, whether or not the property abuts on the improvement and whether or not any part of the cost of the improvement is paid from the county state-aid highway fund, the municipal state-aid street fund, or the trunk highway fund. The area assessed may be less than but may not exceed the area proposed to be assessed as stated in the notice of hearing on the improvement, except as provided below. The municipality may pay such portion of the cost of the improvement as the council may determine from general ad valorem tax levies or from other revenues or funds of the municipality available for the purpose. The municipality may subsequently reimburse itself for all or any of the portion of the cost of a ~~water, storm sewer, or sanitary sewer~~ an improvement so paid by levying additional assessments upon any properties abutting on but not previously assessed for the improvement, on notice and hearing as provided for the assessments initially made. To the extent that such an improvement benefits nonabutting properties which may be served by the improvement when one or more later extensions or improvements are made but which are not initially assessed therefor, the municipality may also reimburse itself by adding all or any of the portion of the cost so paid to the assessments levied for any of such later extensions or improvements, provided that notice that such additional amount will be assessed is included in the notice of hearing on the making of such extensions or improvements. The additional assessments herein authorized may be made whether or not the properties assessed were included in the area described in the notice of hearing on the making of the original improvement.

In any city of the fourth class electing to proceed under a home rule charter as provided in this chapter, which charter provides for a board of water commissioners and authorizes such board to assess a water frontage tax to defray the cost of construction of water mains, such board may assess the tax based upon the benefits received and without regard to any charter limitation on the amount that may be assessed for each lineal foot of property abutting on the water main. The water frontage tax shall be imposed according to the procedure and, except as herein provided, subject to the limitations of the charter of the city.

Sec. 12. Minnesota Statutes 2004, section 469.034, subdivision 2, is amended to read:

Subd. 2. [GENERAL OBLIGATION REVENUE BONDS.] (a) An authority may pledge the general obligation of the general jurisdiction governmental unit as additional security for bonds payable from income or revenues of the project or the authority. The authority must find that the pledged revenues will equal or exceed 110 percent of the principal and interest due on the bonds for each year. The proceeds of the bonds must be used for a qualified housing development project or projects. The obligations must be issued and sold in the manner and following the procedures provided by chapter 475, except the obligations are not subject to approval by the electors, and the maturities may extend to not more than ~~30~~ 35 years ~~from the estimated date of completion of the project for obligations sold to finance housing for the elderly and 40 years for other obligations issued under this subdivision.~~ The authority is the municipality for purposes of chapter 475.

(b) The principal amount of the issue must be approved by the governing body of the general jurisdiction governmental unit whose general obligation is pledged. Public hearings must be held on issuance of the obligations by both the authority and the general jurisdiction governmental unit. The hearings must be held at least 15 days, but not more than 120 days, before the sale of the obligations.

(c) The maximum amount of general obligation bonds that may be issued and outstanding under this section equals the greater of (1) one-half of one percent of the taxable market value of the general jurisdiction governmental unit whose general obligation ~~which includes a tax on property~~ is pledged, or (2) \$3,000,000. In the case of county or multicounty general obligation bonds, the outstanding general obligation bonds of all cities in the county or counties issued under this subdivision must be added in calculating the limit under clause (1).

(d) "General jurisdiction governmental unit" means the city in which the housing development project is located. In the case of a county or multicounty authority, the county or counties may act as the general jurisdiction governmental unit. In the case of a multicounty authority, the pledge of the general obligation is a pledge of a tax on the taxable property in each of the counties.

(e) "Qualified housing development project" means a housing development project providing housing either for the elderly or for individuals and families with incomes not greater than 80 percent of the median family income as estimated by the United States Department of Housing and Urban Development for the standard metropolitan statistical area or the nonmetropolitan county in which the project is located, and will be owned by the authority for the term of the bonds. A qualified housing development project may admit nonelderly individuals and families with higher incomes if:

(1) three years have passed since initial occupancy;

(2) the authority finds the project is experiencing unanticipated vacancies resulting in insufficient revenues, because of changes in population or other unforeseen circumstances that occurred after the initial finding of adequate revenues; and

(3) the authority finds a tax levy or payment from general assets of the general jurisdiction governmental unit will be necessary to pay debt service on the bonds if higher income individuals or families are not admitted.

Sec. 13. Minnesota Statutes 2004, section 469.158, is amended to read:

469.158 [MANNER OF ISSUANCE OF BONDS; INTEREST RATE.]

Bonds authorized under sections 469.152 to 469.165 must be issued in accordance with the provisions of chapter 475 relating to bonds payable from income of revenue producing conveniences, except that public sale is not required, the provisions of sections 475.62 and 475.63 do not apply, and the bonds may mature at the time or times, in the amount or amounts, within 30 years, or in the case of bonds issued to finance dormitories or other types of student housing, 40 years from date of issue, and may be sold at a price equal to the percentage of the par value thereof, plus accrued interest, and bearing interest at the rate or rates agreed by the contracting party, the purchaser, and the municipality or redevelopment agency, notwithstanding any limitation of interest rate or cost or of the amounts of annual maturities contained in any other law.

Bonds issued to refund bonds previously issued pursuant to sections 469.152 to 469.165 may be issued in amounts determined by the municipality or redevelopment agency notwithstanding the provisions of section 475.67, subdivision 3.

Sec. 14. Minnesota Statutes 2004, section 473.39, is amended by adding a subdivision to read:

Subd. 1k. [OBLIGATIONS.] After July 1, 2005, in addition to the authority in subdivisions 1a, 1b, 1c, 1d, 1e, 1g, 1h, 1i, and 1j, the council may issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding \$64,000,000 for capital expenditures as prescribed in the council's regional transit master plan and transit capital improvement program and for related costs, including the costs of issuance and sale of the obligations.

Sec. 15. Minnesota Statutes 2004, section 474A.061, subdivision 2c, is amended to read:

Subd. 2c. [PUBLIC FACILITIES POOL ALLOCATION.] From the beginning of the calendar year and continuing for a period of 120 days, the commissioner shall reserve \$3,000,000 \$5,000,000 of the available bonding authority from the public facilities pool for applications for public facilities projects to be financed by the Western Lake Superior Sanitary District. Commencing on the second Tuesday in January and continuing on each Monday through the last Monday in July, the commissioner shall allocate available bonding authority from the public facilities pool to applications for eligible public facilities projects received on or before the Monday of the preceding week. If there are two or more applications for public facilities projects from the pool and there is insufficient available bonding authority to provide allocations for all projects in any one week, the available bonding authority shall be awarded by lot unless otherwise agreed to by the respective issuers.

Sec. 16. Minnesota Statutes 2004, section 474A.131, subdivision 1, is amended to read:

Subdivision 1. [NOTICE OF ISSUE.] Each issuer that issues bonds with an allocation received under this chapter shall provide a notice of issue to the department on forms provided by the department stating:

- (1) the date of issuance of the bonds;
- (2) the title of the issue;
- (3) the principal amount of the bonds;
- (4) the type of qualified bonds under federal tax law;
- (5) the dollar amount of the bonds issued that were subject to the annual volume cap; and
- (6) for entitlement issuers, whether the allocation is from current year entitlement authority or is from carryforward authority.

For obligations that are issued as a part of a series of obligations, a notice must be provided for each series. A penalty of one-half of the amount of the application deposit not to exceed \$5,000 shall apply to any issue of obligations for which a notice of issue is not provided to the department within five business days after issuance or before ~~the last Monday 4:30 p.m. on the last business day in December, whichever occurs first.~~ Within 30 days after receipt of a notice of issue the department shall refund a portion of the application deposit equal to one percent of the amount of the bonding authority actually issued if a one percent application deposit was made, or equal to two percent of the amount of the bonding authority actually issued if a two percent application deposit was made, less any penalty amount.

Sec. 17. Minnesota Statutes 2004, section 475.51, subdivision 4, is amended to read:

Subd. 4. [NET DEBT.] "Net debt" means the amount remaining after deducting from its gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

- (1) Obligations issued for improvements which are payable wholly or partly from the proceeds

of special assessments levied upon property specially benefited thereby, including those which are general obligations of the municipality issuing them, if the municipality is entitled to reimbursement in whole or in part from the proceeds of the special assessments.

(2) Warrants or orders having no definite or fixed maturity.

(3) Obligations payable wholly from the income from revenue producing conveniences.

(4) Obligations issued to create or maintain a permanent improvement revolving fund.

(5) Obligations issued for the acquisition, and betterment of public waterworks systems, and public lighting, heating or power systems, and of any combination thereof or for any other public convenience from which a revenue is or may be derived.

(6) Debt service loans and capital loans made to a school district under the provisions of sections 126C.68 and 126C.69.

(7) Amount of all money and the face value of all securities held as a debt service fund for the extinguishment of obligations other than those deductible under this subdivision.

(8) Obligations to repay loans made under section 216C.37.

(9) Obligations to repay loans made from money received from litigation or settlement of alleged violations of federal petroleum pricing regulations.

(10) Obligations issued to pay pension fund liabilities under section 475.52, subdivision 6, or any charter authority.

(11) Obligations issued to pay judgments against the municipality under section 475.52, subdivision 6, or any charter authority.

(12) All other obligations which under the provisions of law authorizing their issuance are not to be included in computing the net debt of the municipality.

Sec. 18. Minnesota Statutes 2004, section 475.52, subdivision 1, is amended to read:

Subdivision 1. [STATUTORY CITIES.] Any statutory city may issue bonds or other obligations for the acquisition or betterment of public buildings, means of garbage disposal, hospitals, nursing homes, homes for the aged, schools, libraries, museums, art galleries, parks, playgrounds, stadia, sewers, sewage disposal plants, subways, streets, sidewalks, warning systems; for any utility or other public convenience from which a revenue is or may be derived; for a permanent improvement revolving fund; for changing, controlling or bridging streams and other waterways; for the acquisition and betterment of bridges and roads within two miles of the corporate limits; for the acquisition of development rights in the form of conservation easements under chapter 84C; and for acquisition of equipment for snow removal, street construction and maintenance, or fire fighting. Without limitation by the foregoing the city may issue bonds to provide money for any authorized corporate purpose except current expenses.

Sec. 19. Minnesota Statutes 2004, section 475.52, subdivision 3, is amended to read:

Subd. 3. [COUNTIES.] Any county may issue bonds for the acquisition or betterment of courthouses, county administrative buildings, health or social service facilities, correctional facilities, law enforcement centers, jails, morgues, libraries, parks, and hospitals, for roads and bridges within the county or bordering thereon and for road equipment and machinery and for ambulances and related equipment; for the acquisition of development rights in the form of conservation easements under chapter 84C, and for capital equipment for the administration and conduct of elections providing the equipment is uniform countywide, except that the power of counties to issue bonds in connection with a library shall not exist in Hennepin County.

Sec. 20. Minnesota Statutes 2004, section 475.52, subdivision 4, is amended to read:

Subd. 4. [TOWNS.] Any town may issue bonds for the acquisition and betterment of town

halls, town roads and bridges, nursing homes and homes for the aged, and for acquisition of equipment for snow removal, road construction or maintenance, and fire fighting; for the acquisition of development rights in the form of conservation easements under chapter 84C; and for the acquisition and betterment of any buildings to house and maintain town equipment.

Sec. 21. Minnesota Statutes 2004, section 475.521, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] For purposes of this section, the following terms have the meanings given.

(a) "Bonds" mean an obligation defined under section 475.51.

(b) "Capital improvement" means acquisition or betterment of public lands, buildings or other improvements for the purpose of a city hall, town hall, library, public safety facility, and public works facility. An improvement must have an expected useful life of five years or more to qualify. Capital improvement does not include light rail transit or any activity related to it, or a park, library, road, bridge, administrative building other than a city or town hall, or land for any of those facilities.

(c) "City" "Municipality" means a home rule charter or statutory city or a town.

Sec. 22. Minnesota Statutes 2004, section 475.521, subdivision 2, is amended to read:

Subd. 2. [ELECTION REQUIREMENT.] (a) Bonds issued by a city municipality to finance capital improvements under an approved capital improvements plan are not subject to the election requirements of section 475.58. ~~The bonds are subject to the net debt limits under section 475.53.~~ The bonds must be approved by an affirmative vote of three-fifths of the members of a five-member city council governing body. In the case of a city council governing body having more or less than five members, the bonds must be approved by a vote of at least two-thirds of the city council members of the governing body.

(b) Before the issuance of bonds qualifying under this section, the city municipality must publish a notice of its intention to issue the bonds and the date and time of the hearing to obtain public comment on the matter. The notice must be published in the official newspaper of the city municipality or in a newspaper of general circulation in the city municipality. Additionally, the notice may be posted on the official Web site, if any, of the city municipality. The notice must be published at least 14 but not more than 28 days before the date of the hearing.

(c) A city municipality may issue the bonds only after obtaining the approval of a majority of the voters voting on the question of issuing the obligations, if a petition requesting a vote on the issuance is signed by voters equal to five percent of the votes cast in the city municipality in the last general election and is filed with the city clerk within 30 days after the public hearing. The commissioner of revenue shall prepare a suggested form of the question to be presented at the election.

Sec. 23. Minnesota Statutes 2004, section 475.521, subdivision 3, is amended to read:

Subd. 3. [CAPITAL IMPROVEMENT PLAN.] (a) A city municipality may adopt a capital improvement plan. The plan must cover at least a five-year period beginning with the date of its adoption. The plan must set forth the estimated schedule, timing, and details of specific capital improvements by year, together with the estimated cost, the need for the improvement, and sources of revenue to pay for the improvement. In preparing the capital improvement plan, the city council governing body must consider for each project and for the overall plan:

(1) the condition of the city's municipality's existing infrastructure, including the projected need for repair or replacement;

(2) the likely demand for the improvement;

(3) the estimated cost of the improvement;

- (4) the available public resources;
 - (5) the level of overlapping debt in the city municipality;
 - (6) the relative benefits and costs of alternative uses of the funds;
 - (7) operating costs of the proposed improvements; and
 - (8) alternatives for providing services most efficiently through shared facilities with other cities municipalities or local government units.
- (b) The capital improvement plan and annual amendments to it must be approved by the city council governing body after public hearing.

Sec. 24. Minnesota Statutes 2004, section 475.521, subdivision 4, is amended to read:

Subd. 4. [LIMITATIONS ON AMOUNT.] A city municipality may not issue bonds under this section if the maximum amount of principal and interest to become due in any year on all the outstanding bonds issued under this section, including the bonds to be issued, will equal or exceed ~~0.05367~~ 0.16 percent of the taxable market value of property in the county municipality. Calculation of the limit must be made using the taxable market value for the taxes payable year in which the obligations are issued and sold. In the case of a municipality with a population of 2,500 or more, the bonds are subject to the net debt limits under section 475.53. In the case of a shared facility in which more than one municipality participates, upon compliance by each participating municipality with the requirements of subdivision 2, the limitations in this subdivision and the net debt represented by the bonds shall be allocated to each participating municipality in proportion to its required financial contribution to the financing of the shared facility, as set forth in the joint powers agreement relating to the shared facility. This section does not limit the authority to issue bonds under any other special or general law.

Sec. 25. Minnesota Statutes 2004, section 475.58, subdivision 3b, is amended to read:

Subd. 3b. [STREET RECONSTRUCTION.] (a) A municipality may, without regard to the election requirement under subdivision 1, issue and sell obligations for street reconstruction, if the following conditions are met:

(1) the streets are reconstructed under a street reconstruction plan that describes the streets to be reconstructed, the estimated costs, and any planned reconstruction of other streets in the municipality over the next five years, and the plan and issuance of the obligations has been approved by a vote of all of the members of the governing body following a public hearing for which notice has been published in the official newspaper at least ten days but not more than 28 days prior to the hearing; and

(2) if a petition requesting a vote on the issuance is signed by voters equal to five percent of the votes cast in the last municipal general election and is filed with the municipal clerk within 30 days of the public hearing, the municipality may issue the bonds only after obtaining the approval of a majority of the voters voting on the question of the issuance of the obligations.

(b) Obligations issued under this subdivision are subject to the debt limit of the municipality and are not excluded from net debt under section 475.51, subdivision 4.

(c) For purposes of this subdivision, street reconstruction includes utility replacement and relocation and other activities incidental to the street reconstruction, but turn lanes and other improvements having a substantial public safety function, realignments, other modifications to intersect with state and county roads, and the local share of state and county road projects.

(d) Except in the case of turn lanes, safety improvements, realignments, intersection modifications, and the local share of state and county road projects, street reconstruction does not include the portion of project cost allocable to widening a street or adding curbs and gutters where none previously existed.

Sec. 26. [CITY OF ST. PAUL; RIVERCENTRE COMPLEX OPERATION.]

Subdivision 1. [DEFINITIONS.] (a) For the purposes of this section, the terms defined in this subdivision have the meanings given them.

(b) "City" means the city of St. Paul, its mayor, city council, and any other board, authority, commission, or officer authorized by law, charter, or ordinance to exercise city powers of the nature referred to in this section.

(c) "RiverCentre complex" means collectively the auditorium, convention, conference and education center, arena, and parking ramp facilities presently and commonly known as the Roy Wilkins Auditorium, St. Paul RiverCentre, Xcel Energy Center, and RiverCentre Parking Ramp, including all property, real or personal, tangible or intangible, located in the city, intended to be used as part of the RiverCentre complex or additions to or extensions of it.

Subd. 2. [CREATION OF NONPROFIT ORGANIZATION.] As required under Minnesota Statutes, section 465.717, and notwithstanding any other law, city charter provision, or ordinance to the contrary, the city of St. Paul may participate in the creation of a nonprofit organization for the purposes provided in this section.

Subd. 3. [GOVERNING BOARD.] (a) The mayor of the city, subject to approval by the city council, shall appoint a majority of the members of the governing board of the nonprofit organization performing all or a part of the activities necessary to carry out the purposes specified in this section. The mayor may designate any officer or employee of the city to serve as a member of the governing board of any nonprofit organization.

(b) In addition to the appointments made by the mayor under paragraph (a), the mayor shall designate three members of the city council to serve on the governing board of the nonprofit organization.

(c) Notwithstanding any provision contained in the articles of incorporation and bylaws of the nonprofit organization, any member of the governing board appointed by the mayor may be removed only by the mayor for cause.

(d) The governing board of the nonprofit organization shall select, subject to the approval of the mayor, a president to serve as chief executive officer and general manager of the nonprofit organization.

(e) The procedures in Minnesota Statutes, section 317A.255, subdivision 1, paragraph (b), relating to director conflicts of interest, are not required if the contract or other transaction is between the city and the nonprofit organization.

Subd. 4. [RIVERCENTRE MANAGEMENT; AUTHORITY TO CONTRACT WITH NONPROFIT ORGANIZATION.] The city may enter into an agreement with the nonprofit organization created in subdivision 2 to equip, maintain, manage, and operate all or a portion of the RiverCentre complex and to manage and operate a convention bureau to market and promote the city as a tourist or convention center. Except as otherwise provided in this section, the nonprofit organization may only contract and utilize and expend funds for these purposes under the direction of its governing board, subject to the accounting, financial reporting, and other conditions that the city may prescribe in a contract made under this section between the city and the nonprofit organization. The nonprofit organization may use the services of the office of the city attorney and the city's purchasing department. All activities performed to carry out these purposes are deemed to be for a public purpose.

Subd. 5. [BONDHOLDERS' RIGHTS AND RIVERCENTRE COMPLEX TAX EXEMPTIONS PRESERVED.] (a) The city must protect the rights of holders of bonds issued for the RiverCentre complex, including preserving the tax-exempt status of the bonds.

(b) The use and operation of the RiverCentre complex by the nonprofit organization with which the city contracts under this act is a use, lease, or occupancy for public, governmental, and municipal purposes, and the complex is exempt from taxation by the state or any political

subdivision of the state during such use, to the extent it would be exempt if the complex was equipped, maintained, managed, and operated by the city.

(c) Gross receipts of tickets and admissions to events at the RiverCentre complex sponsored by the nonprofit organization created in this section do not qualify for the sales tax exemption under Minnesota Statutes, section 297A.70, subdivision 10.

Subd. 6. [APPLICABLE GENERAL LAWS.] The following statutes apply to the nonprofit organization with which the city contracts under this section the same as they apply to the city, to the extent practicable:

(1) Minnesota Statutes, chapter 13D, the Minnesota Open Meeting Law; and

(2) Minnesota Statutes, chapter 13, the Government Data Practices Act.

Subd. 7. [SUCCESSION.] The nonprofit organization with which the city contracts under this section is the successor to all powers, rights, assets, privileges, and interests held and enjoyed by the RiverCentre authority on the effective date of this section, and established by the provisions of Laws 1967, chapter 459, sections 1, 2, 4, and 8, subdivisions 2 and 3, clause (3), as amended; Laws 1982, chapter 523, article 25, sections 4 and 5, as amended; Laws 1998, chapter 404, sections 81 and 82; and Minnesota Statutes, section 297A.98. On the effective date of the contract between the city and the nonprofit organization authorized by this section, the RiverCentre authority ceases to exist for only so long as the contract is in effect, and all other laws or provisions specifically relating to the RiverCentre authority and the RiverCentre complex that are not otherwise referenced in this section, do not apply to the nonprofit organization.

Subd. 8. [LIABILITY.] The nonprofit organization with which the city contracts under this section is a "municipality," and the officers, directors, employees, and agents of the nonprofit organization are "employees, officers, or agents," under Minnesota Statutes, chapter 466, relating to tort liability. The city must defend, save harmless, and indemnify the nonprofit organization, including the nonprofit's officers, directors, employees, and agents, against any claim or demand arising out of the nonprofit organization's performance under the contract.

[EFFECTIVE DATE.] This section is effective the day after the city council and the chief clerical officer of the city of St. Paul have timely completed their compliance with Minnesota Statutes, section 645.023, subdivisions 2 and 3.

Sec. 27. [TRANSFER OF MHFA BONDING AUTHORITY TO HESO.]

Notwithstanding Minnesota Statutes, section 474A.03, subdivision 2a, clause (b), the Minnesota Housing Finance Agency may enter into an agreement with the Higher Education Services Office under which the Higher Education Services Office issues qualified student loan bonds, up to \$50,000,000 of which are issued pursuant to bonding authority allocated to the Minnesota Housing Finance Agency in 2004 under Minnesota Statutes, section 474A.03, subdivision 2a, clause (a). This amount is in addition to the bonding authority otherwise allocated to the Higher Education Services Office under Minnesota Statutes, chapter 474A. Notwithstanding Minnesota Statutes, section 474A.04, subdivision 1a, 474A.061, or 474A.091, subdivision 2, bonding authority carried forward by the Minnesota Housing Financing Agency from its allocation for 2004 under Minnesota Statutes, section 474A.03, subdivision 2a, clause (b), are exempt from the requirement that the bonding authority be permanently issued by December 31 of the next succeeding calendar year.

Sec. 28. [APPLICATION.]

Section 14 applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 29. [REPEALER.]

Minnesota Statutes 2004, section 473.39, subdivision 1f, is repealed.

Sec. 30. [EFFECTIVE DATE.]

This article is effective the day following final enactment.

ARTICLE 7

MINERALS; AGGREGATE

Section 1. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 68. [PROPERTY USED IN THE BUSINESS OF MINING SUBJECT TO THE NET PROCEEDS TAX.] The following property used in the business of mining subject to the net proceeds tax under section 298.015 is exempt:

(1) deposits of ores, metals, and minerals and the lands in which they are contained;

(2) all real and personal property used in mining, quarrying, producing, or refining ores, minerals, or metals, including lands occupied by or used in connection with the mining, quarrying, production, or refining facilities; and

(3) concentrate or direct reduced ore.

This exemption applies for each year that a person subject to tax under section 298.015 uses the property for mining, quarrying, producing, or refining ores, metals, or minerals.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and thereafter.

Sec. 2. Minnesota Statutes 2004, section 290.05, subdivision 1, is amended to read:

Subdivision 1. [EXEMPT ENTITIES.] The following corporations, individuals, estates, trusts, and organizations shall be exempted from taxation under this chapter, provided that every such person or corporation claiming exemption under this chapter, in whole or in part, must establish to the satisfaction of the commissioner the taxable status of any income or activity:

(a) corporations, individuals, estates, and trusts engaged in the business of mining or producing iron ore and mining, producing, or refining other ores, metals, and minerals, the mining or production, or refining of which is subject to the occupation tax imposed by section 298.01; but if any such corporation, individual, estate, or trust engages in any other business or activity or has income from any property not used in such business it shall be subject to this tax computed on the net income from such property or such other business or activity. Royalty shall not be considered as income from the business of mining or producing iron ore within the meaning of this section;

(b) the United States of America, the state of Minnesota or any political subdivision of either agencies or instrumentalities, whether engaged in the discharge of governmental or proprietary functions; and

(c) any insurance company.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 3. Minnesota Statutes 2004, section 290.17, subdivision 4, is amended to read:

Subd. 4. [UNITARY BUSINESS PRINCIPLE.] (a) If a trade or business conducted wholly within this state or partly within and partly without this state is part of a unitary business, the entire income of the unitary business is subject to apportionment pursuant to section 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary business is considered to be derived from any particular source and none may be allocated to a particular place except as provided by the applicable apportionment formula. The provisions of this subdivision do not apply to business income subject to subdivision 5, income of an insurance company, or income of an investment company determined under section 290.36, or income of a mine or mineral processing facility subject to tax under section 298.01.

(b) The term "unitary business" means business activities or operations which result in a flow of value between them. The term may be applied within a single legal entity or between multiple entities and without regard to whether each entity is a sole proprietorship, a corporation, a partnership or a trust.

(c) Unity is presumed whenever there is unity of ownership, operation, and use, evidenced by centralized management or executive force, centralized purchasing, advertising, accounting, or other controlled interaction, but the absence of these centralized activities will not necessarily evidence a nonunitary business. Unity is also presumed when business activities or operations are of mutual benefit, dependent upon or contributory to one another, either individually or as a group.

(d) Where a business operation conducted in Minnesota is owned by a business entity that carries on business activity outside the state different in kind from that conducted within this state, and the other business is conducted entirely outside the state, it is presumed that the two business operations are unitary in nature, interrelated, connected, and interdependent unless it can be shown to the contrary.

(e) Unity of ownership is not deemed to exist when a corporation is involved unless that corporation is a member of a group of two or more business entities and more than 50 percent of the voting stock of each member of the group is directly or indirectly owned by a common owner or by common owners, either corporate or noncorporate, or by one or more of the member corporations of the group. For this purpose, the term "voting stock" shall include membership interests of mutual insurance holding companies formed under section 60A.077.

(f) The net income and apportionment factors under section 290.191 or 290.20 of foreign corporations and other foreign entities which are part of a unitary business shall not be included in the net income or the apportionment factors of the unitary business. A foreign corporation or other foreign entity which is required to file a return under this chapter shall file on a separate return basis. The net income and apportionment factors under section 290.191 or 290.20 of foreign operating corporations shall not be included in the net income or the apportionment factors of the unitary business except as provided in paragraph (g).

(g) The adjusted net income of a foreign operating corporation shall be deemed to be paid as a dividend on the last day of its taxable year to each shareholder thereof, in proportion to each shareholder's ownership, with which such corporation is engaged in a unitary business. Such deemed dividend shall be treated as a dividend under section 290.21, subdivision 4.

Dividends actually paid by a foreign operating corporation to a corporate shareholder which is a member of the same unitary business as the foreign operating corporation shall be eliminated from the net income of the unitary business in preparing a combined report for the unitary business. The adjusted net income of a foreign operating corporation shall be its net income adjusted as follows:

(1) any taxes paid or accrued to a foreign country, the commonwealth of Puerto Rico, or a United States possession or political subdivision of any of the foregoing shall be a deduction; and

(2) the subtraction from federal taxable income for payments received from foreign corporations or foreign operating corporations under section 290.01, subdivision 19d, clause (10), shall not be allowed.

If a foreign operating corporation incurs a net loss, neither income nor deduction from that corporation shall be included in determining the net income of the unitary business.

(h) For purposes of determining the net income of a unitary business and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20, there must be included only the income and apportionment factors of domestic corporations or other domestic entities other than foreign operating corporations that are determined to be part of the unitary business pursuant to this subdivision, notwithstanding that foreign corporations or other foreign entities might be included in the unitary business.

(i) Deductions for expenses, interest, or taxes otherwise allowable under this chapter that are

connected with or allocable against dividends, deemed dividends described in paragraph (g), or royalties, fees, or other like income described in section 290.01, subdivision 19d, clause (10), shall not be disallowed.

(j) Each corporation or other entity, except a sole proprietorship, that is part of a unitary business must file combined reports as the commissioner determines. On the reports, all intercompany transactions between entities included pursuant to paragraph (h) must be eliminated and the entire net income of the unitary business determined in accordance with this subdivision is apportioned among the entities by using each entity's Minnesota factors for apportionment purposes in the numerators of the apportionment formula and the total factors for apportionment purposes of all entities included pursuant to paragraph (h) in the denominators of the apportionment formula.

(k) If a corporation has been divested from a unitary business and is included in a combined report for a fractional part of the common accounting period of the combined report:

(1) its income includable in the combined report is its income incurred for that part of the year determined by proration or separate accounting; and

(2) its sales, property, and payroll included in the apportionment formula must be prorated or accounted for separately.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 4. Minnesota Statutes 2004, section 290.191, subdivision 1, is amended to read:

Subdivision 1. **[GENERAL RULE.]** (a) Except as otherwise provided in section 290.17, subdivision 5, the net income from a trade or business carried on partly within and partly without this state must be apportioned to this state as provided in this section. To the extent that an entity is exempt from taxation under this chapter as provided in section 290.05, the apportionment factors associated with the entity's exempt activities are excluded from the apportionment formula under this section.

(b) For purposes of this section, "state" means a state of the United States, the District of Columbia, the commonwealth of Puerto Rico, or any territory or possession of the United States or any foreign country.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 5. Minnesota Statutes 2004, section 297A.68, subdivision 4, is amended to read:

Subd. 4. **[TACONITE, OTHER ORES, METALS, OR MINERALS; PRODUCTION MATERIALS.]** Mill liners, grinding rods, and grinding balls that are substantially consumed in the production of taconite or other ores, metals, or minerals are exempt when sold to or stored, used, or consumed by persons taxed under the in-lieu provisions of chapter 298.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2005.

Sec. 6. Minnesota Statutes 2004, section 298.001, is amended by adding a subdivision to read:

Subd. 9. **[REFINING.]** "Refining" means and is limited to refining:

(1) of ores, metals, or mineral products, the mining, extraction, or quarrying of which were subject to tax under section 298.015; and

(2) carried on by the entity, or an affiliated entity, that mined, extracted, or quarried the metal or mineral products.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 7. Minnesota Statutes 2004, section 298.001, is amended by adding a subdivision to read:

Subd. 10. [PRECIOUS MINERALS TAX RELIEF AREA.] The "precious minerals tax relief area" means the area of the following Independent School Districts:

- (1) No. 166, Cook County;
- (2) No. 316, Coleraine;
- (3) No. 318, Grand Rapids;
- (4) No. 319, Nashwauk-Keewatin;
- (5) No. 381, Lake Superior;
- (6) No. 695, Chisholm;
- (7) No. 696, Ely;
- (8) No. 701, Hibbing;
- (9) No. 706, Virginia;
- (10) No. 712, Mountain Iron-Buhl;
- (11) No. 2711, Mesabi East;
- (12) No. 2142, St. Louis County; and
- (13) No. 2154, Eveleth-Gilbert.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 8. Minnesota Statutes 2004, section 298.01, subdivision 3, is amended to read:

Subd. 3. [OCCUPATION TAX; OTHER ORES.] Every person engaged in the business of mining, refining, or producing ores, metals, or minerals in this state, except iron ore or taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided in this subdivision. For purposes of this subdivision, mining includes the application of hydrometallurgical processes. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.0921, and 290.17, subdivision 4, do not apply. Except as provided in section 290.05, subdivision 1, paragraph (a), the tax is in addition to all other taxes.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 9. Minnesota Statutes 2004, section 298.01, subdivision 3a, is amended to read:

Subd. 3a. [GROSS INCOME.] (a) For purposes of determining a person's taxable income under subdivision 3, gross income is determined by the amount of gross proceeds from mining in this state under section 298.016 and includes any gain or loss recognized from the sale or disposition of assets used in the business in this state.

(b) In applying section 290.191, subdivision 5, transfers of ores, metals, or minerals that are subject to tax under this chapter are deemed to be sales outside this state if the ores, metals, or minerals are transported out of this state for further processing or refining by the person engaged in mining after the ores, metals, or minerals have been converted to a marketable quality.

(c) In applying section 290.191, subdivision 5, transfers of ores, metals, or minerals that are subject to tax under this chapter are deemed to be sales within this state if the ores, metals, or minerals are received by a purchaser at a point within this state, and the taxpayer is taxable in this

state, regardless of the f.o.b. point, or other conditions of the sale, or the ultimate destination of the property.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 10. Minnesota Statutes 2004, section 298.01, subdivision 4, is amended to read:

Subd. 4. [OCCUPATION TAX; IRON ORE; TACONITE CONCENTRATES.] A person engaged in the business of mining or producing of iron ore, taconite concentrates or direct reduced ore in this state shall pay an occupation tax to the state of Minnesota. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.0921, and 290.17, subdivision 4, do not apply. The tax is in addition to all other taxes.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004.

Sec. 11. Minnesota Statutes 2004, section 298.015, subdivision 1, is amended to read:

Subdivision 1. [TAX IMPOSED.] A person engaged in the business of mining shall pay to the state of Minnesota for distribution as provided in section 298.018 a net proceeds tax equal to ~~two~~ four percent of the net proceeds from mining in Minnesota. The tax applies to all ~~mineral and energy resources~~ ores, metals, and minerals mined or, extracted, produced, or refined within the state of Minnesota except for sand, silica sand, gravel, building stone, crushed rock, limestone, granite, dimension granite, dimension stone, horticultural peat, clay, soil, iron ore, and taconite concentrates. Except as provided in section 272.02, subdivision 68, the tax is in addition to all other taxes provided for by law.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and thereafter.

Sec. 12. Minnesota Statutes 2004, section 298.015, subdivision 2, is amended to read:

Subd. 2. [NET PROCEEDS.] For purposes of this section, the term "net proceeds" means the gross proceeds from mining, as defined in section 298.016, less the ~~same~~ deductions allowed in section 298.017 for purposes of determining taxable income under section 298.01, subdivision 3b. No other credits or deductions shall apply to this tax ~~except for those provided in section 298.017.~~

[EFFECTIVE DATE.] This section is effective for taxes payable in 2006 and thereafter.

Sec. 13. Minnesota Statutes 2004, section 298.016, subdivision 4, is amended to read:

Subd. 4. [DEFINITIONS.] For the purposes of sections 298.015 and 298.017, the terms defined in this subdivision have the meaning given them unless the context clearly indicates otherwise.

(a) "Metal or mineral products" means all those ~~mineral and energy resources~~ ores, metals, and minerals subject to the tax provided in section 298.015.

(b) "Exploration" means activities designed and engaged in to ascertain the existence, location, extent, or quality of any deposit of metal or mineral products prior to the development of a mining site.

(c) "Development" means activities designed and engaged in to prepare or develop a potential mining site for mining after the existence of metal or mineral products in commercially marketable quantities has been disclosed including, but not limited to, the clearing of forestation, the building of roads, removal of overburden, or the sinking of shafts.

(d) "Research" means activities designed and engaged in to create new or improved methods of mining, producing, processing, beneficiating, smelting, or refining metal or mineral products.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2005.

Sec. 14. Minnesota Statutes 2004, section 298.018, is amended to read:

298.018 [DISTRIBUTION OF PROCEEDS.]

Subdivision 1. [WITHIN THE TACONITE PRECIOUS MINERALS ASSISTANCE AREA.] The proceeds of the tax paid under sections 298.015 to 298.017 on ores, metals, and minerals and energy resources mined or extracted within the taconite precious minerals assistance area defined in section 273.1341, shall be allocated as follows:

(1) five percent to the city or town within which the ores, metals, or minerals or energy resources are mined or extracted;

(2) ten percent to the taconite municipal aid account to be distributed as provided in section 298.282 to qualifying municipalities, as defined in section 298.282 and located in the precious minerals assistance area;

(3) ten percent to the school district within which the ores, metals, or minerals or energy resources are mined or extracted;

(4) ~~20~~ 30 percent to a group of school districts comprised of those school districts wherein the mineral or energy resource was mined or extracted or in which there is a qualifying municipality as defined by section 273.134, paragraph (b), in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 126C.05 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions the state general fund to represent the portion of the tax that is in lieu of the state general tax under section 275.025;

(5) 20 percent to the county within which the ores, metals, or minerals or energy resources are mined or extracted;

(6) ~~20~~ percent to St. Louis County acting as the counties' fiscal agent to be distributed as provided in sections 273.134 to 273.136;

(7) five percent to the Iron Range Resources and Rehabilitation Board for the purposes of section 298.22;

(8) ~~five~~ (7) ten percent to the Douglas J. Johnson economic protection trust fund; and

(9) ~~five~~ (8) ten percent to the taconite environmental protection fund.

The proceeds of the tax shall be distributed on July 15 each year.

Subd. 2. [OUTSIDE THE TACONITE PRECIOUS MINERALS ASSISTANCE AREA.] The proceeds of the tax paid under sections 298.015 to 298.017 on ores, metals, or minerals and energy resources mined or extracted outside of the taconite precious minerals assistance area defined in section 273.1341, shall be deposited in the general fund.

Subd. 3. [SEGREGATION OF FUNDS.] The proceeds of the tax allocated under subdivision 1, clauses (2), (6), (7), and (8), including any investment earnings on them, must be segregated and separately accounted for in the respective funds or account to which they are allocated. These amounts must only be distributed to municipalities within the precious minerals assistance area or used for projects located in the precious minerals assistance area.

[EFFECTIVE DATE.] This section is effective for distribution of net proceeds tax revenues made after July 1, 2005.

Sec. 15. [298.021] [ROYALTY TAX.]

In addition to any other taxes imposed by law, a tax is imposed on a royalty, as defined in

section 290.923, subdivision 1, paid on ore, other than iron ore, taconite, iron sulphides, or semitaconite. The tax equals 12 percent of the amount of the royalty paid. The person paying the royalty shall withhold the tax from the payment and remit the payment to the commissioner at the times and under the procedures provided under section 290.923. The commissioner shall deposit proceeds in the general fund and allocate the proceeds as provided under section 298.018, subdivision 1.

[EFFECTIVE DATE.] This section is effective for royalties paid after June 30, 2005.

Sec. 16. Minnesota Statutes 2004, section 298.223, subdivision 1, is amended to read:

Subdivision 1. [CREATION; PURPOSES.] A fund called the taconite environmental protection fund is created for the purpose of reclaiming, restoring and enhancing those areas of northeast Minnesota located within the taconite assistance area defined in section 273.1341, that are adversely affected by the environmentally damaging operations involved in mining taconite and iron ore and producing iron ore concentrate and for the purpose of promoting the economic development of northeast Minnesota. The taconite environmental protection fund shall be used for the following purposes:

(a) to initiate investigations into matters the Iron Range Resources and Rehabilitation Board determines are in need of study and which will determine the environmental problems requiring remedial action;

(b) reclamation, restoration, or reforestation of minelands not otherwise provided for by state law;

(c) ~~local economic development projects including construction of sewer and water systems, and other~~ but only if those projects are approved by the board, and public works, including construction of sewer and water systems located within the taconite assistance area defined in section 273.1341;

(d) monitoring of mineral industry related health problems among mining employees.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 17. Minnesota Statutes 2004, section 298.24, subdivision 1, is amended to read:

Subdivision 1. (a) For concentrate produced in 2001, 2002, and 2003, 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 \$2.103 per gross ton of merchantable iron ore concentrate produced therefrom. For concentrates produced in 2005 and 2006, the tax rate is the same rate imposed for concentrates produced in 2004.

(b) For concentrates produced in 2004, 2007, 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" 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) Except for taxes payable in 2006 through 2008, 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 \$2.103 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 commercial production of direct reduced ore, no tax is imposed under this section. As used in this paragraph, "commercial production" is production of more than 50,000 tons of direct reduced ore in the current year or in any prior year, noncommercial production is production of 50,000 tons or less of direct reduced ore in any year, and "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 commercial 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 commercial production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth such commercial production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent commercial 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.

(3) Notwithstanding any other provision of this subdivision, no tax is imposed on direct reduced ore under this section during the facility's noncommercial production of direct reduced ore. The taconite or iron sulphides consumed in the noncommercial production of direct reduced ore is subject to the tax imposed by this section on taconite and iron sulphides. Three-year average production of direct reduced ore does not include production of direct reduced ore in any noncommercial year. Three-year average production for a direct reduced ore facility that has noncommercial production is the average of the commercial production of direct reduced ore for the current year and the previous two commercial years.

[EFFECTIVE DATE.] This section is effective for direct reduced ore produced after the date of final enactment.

Sec. 18. Minnesota Statutes 2004, section 298.28, subdivision 9b, is amended to read:

Subd. 9b. [TACONITE ENVIRONMENTAL FUND.] Five cents per ton for ~~distributions in 1999, 2000, 2001, 2002, and 2003~~ must be paid to the taconite environmental fund for use under section 298.2961, subdivision 4.

[EFFECTIVE DATE.] This section is effective for distributions in 2005 and later years.

Sec. 19. Minnesota Statutes 2004, section 298.28, subdivision 10, is amended to read:

Subd. 10. [INCREASE.] (a) Except as provided in paragraph (b), beginning with distributions in 2000, the amount determined under subdivision 9 shall be increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. Beginning with distributions in 2003, the amount determined under subdivision 6, paragraph (a), shall be increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1.

(b) For distributions in 2005 and subsequent years, an amount equal to the increased tax proceeds attributable to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, for taxes paid in 2005, except for the amount of revenue increases provided in subdivision 4, paragraph (d), is distributed to the grant and loan fund established in section 298.2961, subdivision 4.

Sec. 20. Minnesota Statutes 2004, section 298.2961, is amended by adding a subdivision to read:

Subd. 4. [GRANT AND LOAN FUND.] (a) A fund is established to receive distributions under section 298.28, subdivision 9b, and to make grants or loans as provided in this subdivision. Any grant or loan made under this subdivision must be approved by a majority of the members of the Iron Range Resources and Rehabilitation Board, established under section 298.22.

(b) Distributions received in calendar year 2005 are allocated to the city of Virginia for improvements and repairs to the city's steam heating system.

(c) Distributions received in calendar year 2006 are allocated to a project of the public utilities commissions of the cities of Hibbing and Virginia to convert their electrical generating plants to the use of biomass products, such as wood.

(d) Distributions received in calendar year 2007 must be paid to the city of Tower to be used for the East Two Rivers project in or near the city of Tower, including replacement of the Marked Trunk Highway 169 bridge over East Two Rivers, demolition of the present Marked Trunk Highway 135 bridge over East Two Rivers, and rerouting of Marked Trunk Highway 135, associated trunk highway construction and reconstruction, and associated marina development.

(e) For distributions received in 2008 and later, amounts may be allocated to joint ventures with mining companies for reclamation of lands containing abandoned or worked out mines to convert these lands to marketable properties for residential, recreational, commercial, or other valuable uses.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 21. Minnesota Statutes 2004, section 298.75, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] Except as may otherwise be provided, the following words, when used in this section, shall have the meanings herein ascribed to them.

(1) "Aggregate material" shall mean nonmetallic natural mineral aggregate including, but not limited to sand, silica sand, gravel, crushed rock, limestone, granite, and borrow, but only if the borrow is transported on a public road, street, or highway. Aggregate material shall not include dimension stone and dimension granite. Aggregate material must be measured or weighed after it has been extracted from the pit, quarry, or deposit.

(2) "Person" shall mean any individual, firm, partnership, corporation, organization, trustee, association, or other entity.

(3) "Operator" shall mean any person engaged in the business of removing aggregate material from the surface or subsurface of the soil, for the purpose of sale, either directly or indirectly, through the use of the aggregate material in a marketable product or service; except that operator does not include persons engaged in a transaction in which the aggregate is moved within a project's construction limits to other locations within that same project's construction limits.

(4) "Extraction site" shall mean a pit, quarry, or deposit containing aggregate material and any contiguous property to the pit, quarry, or deposit which is used by the operator for stockpiling the aggregate material.

(5) "Importer" shall mean any person who buys aggregate material produced from a county not listed in paragraph (6) or another state and causes the aggregate material to be imported into a county in this state which imposes a tax on aggregate material.

(6) "County" shall mean the counties of Pope, Stearns, Benton, Sherburne, Carver, Scott, Dakota, Le Sueur, Kittson, Marshall, Pennington, Red Lake, Polk, Norman, Mahnomen, Clay, Becker, Carlton, St. Louis, Rock, Murray, Wilkin, Big Stone, Sibley, Hennepin, Washington, Chisago, and Ramsey. County also means any other county whose board has voted after a public hearing to impose the tax under this section and has notified the commissioner of revenue of the imposition of the tax.

(7) "Borrow" shall mean granular borrow, consisting of durable particles of gravel and sand, crushed quarry or mine rock, crushed gravel or stone, or any combination thereof, the ratio of the portion passing the (#200) sieve divided by the portion passing the (1 inch) sieve may not exceed 20 percent by mass.

[EFFECTIVE DATE.] This section is effective for aggregate sold, imported, transported, or used from a stockpile after June 30, 2005.

Sec. 22. Minnesota Statutes 2004, section 298.75, subdivision 2, is amended to read:

Subd. 2. [TAX IMPOSED.] A county shall impose upon every importer and operator a production tax up to ten cents per cubic yard or up to seven cents per ton of aggregate material removed except that the county board may decide not to impose this tax if it determines that in the previous year operators removed less than 20,000 tons or 14,000 cubic yards of aggregate material from that county. A county or town may exempt an operator from the tax if the operator has removed less than 2,500 tons or 1,750 yards from the county in the year that the tax is due and no other aggregate operator has removed material from the same site in the same year. The tax shall be imposed on aggregate material produced in the county when the aggregate material is transported from the extraction site or sold. When aggregate material is stored in a stockpile within the state of Minnesota and a public highway, road or street is not used for transporting the aggregate material, the tax shall be imposed either when the aggregate material is sold, or when it is transported from the stockpile site, or when it is used from the stockpile, whichever occurs first. The tax shall be imposed on an importer when the aggregate material is imported into the county that imposes the tax.

If the aggregate material is transported directly from the extraction site to a waterway, railway, or another mode of transportation other than a highway, road or street, the tax imposed by this section shall be apportioned equally between the county where the aggregate material is extracted and the county to which the aggregate material is originally transported. If that destination is not located in Minnesota, then the county where the aggregate material was extracted shall receive all of the proceeds of the tax.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 23. [IRON RANGE RESOURCES AND REHABILITATION COMMISSIONER; BONDS AUTHORIZED.]

Subdivision 1. [ISSUANCE; PURPOSE.] Notwithstanding any provision of Minnesota Statutes, chapter 298, to the contrary, the commissioner of Iron Range resources and rehabilitation may issue revenue bonds in a principal amount of \$15,000,000 in one or more series, and bonds to refund those bonds. The proceeds of the bonds must be used to make grants to school districts located in the taconite tax relief area defined in Minnesota Statutes, section 273.134, or the taconite assistance area defined in Minnesota Statutes, section 273.1341, to be used by the school districts to pay for health, safety, and maintenance improvements but only if the school district has levied the maximum amount allowable under law for those purposes.

Subd. 2. [APPROPRIATION.] There is annually appropriated from the distribution of taconite production tax revenues to the taconite environmental protection fund pursuant to Minnesota Statutes, section 298.28, subdivision 11, and to the Douglas J. Johnson economic protection trust pursuant to Minnesota Statutes, section 298.28, subdivisions 9 and 11, in equal shares, an amount sufficient to pay when due the principal and interest on the bonds issued pursuant to subdivision 1. If the annual distribution to the Douglas J. Johnson economic protection trust is insufficient to pay its share after fulfilling any obligations of the trust under Minnesota Statutes, section 298.225 or 298.293, the deficiency shall be appropriated from the taconite environmental protection fund. The appropriation under this subdivision terminates upon payment or maturity of the last of the bonds issued under this section.

Subd. 3. [CREDIT ENHANCEMENT.] The bonds issued under this section shall be "debt obligations" and the commissioner of Iron Range resources and rehabilitation shall be a "district" for purposes of Minnesota Statutes, section 126C.55, provided that advances made under

subdivision 2 of Minnesota Statutes, section 126C.55, shall not be subject to subdivisions 4 to 7 of Minnesota Statutes, section 126C.55.

Sec. 24. [TRANSITION PROVISION.]

Each person with an alternative minimum tax credit on December 31, 2004, pursuant to Minnesota Statutes 2004, section 298.01, may take that credit against occupation tax under the provisions of Minnesota Statutes 2004, section 298.01, subdivision 3d or 4e.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 25. [REPEALER.]

(a) Minnesota Statutes 2004, section 298.01, subdivisions 3c, 3d, 4d, and 4e, are repealed effective for taxable years beginning after December 31, 2004.

(b) Minnesota Statutes 2004, section 298.017, is repealed effective for taxes payable in 2006 and thereafter.

ARTICLE 8
MISCELLANEOUS

Section 1. Minnesota Statutes 2004, section 270A.03, subdivision 5, is amended to read:

Subd. 5. [DEBT.] "Debt" means a legal obligation of a natural person to pay a fixed and certain amount of money, which equals or exceeds \$25 and which is due and payable to a claimant agency. The term includes criminal fines imposed under section 609.10 or 609.125, fines imposed for petty misdemeanors as defined in section 609.02, subdivision 4a, and restitution. The term also includes the co-payment for the appointment of a district public defender imposed under section 611.17, paragraph (c). A debt may arise under a contractual or statutory obligation, a court order, or other legal obligation, but need not have been reduced to judgment.

A debt includes any legal obligation of a current recipient of assistance which is based on overpayment of an assistance grant where that payment is based on a client waiver or an administrative or judicial finding of an intentional program violation; or where the debt is owed to a program wherein the debtor is not a client at the time notification is provided to initiate recovery under this chapter and the debtor is not a current recipient of food support, transitional child care, or transitional medical assistance.

A debt does not include any legal obligation to pay a claimant agency for medical care, including hospitalization if the income of the debtor at the time when the medical care was rendered does not exceed the following amount:

- (1) for an unmarried debtor, an income of \$8,800 or less;
- (2) for a debtor with one dependent, an income of \$11,270 or less;
- (3) for a debtor with two dependents, an income of \$13,330 or less;
- (4) for a debtor with three dependents, an income of \$15,120 or less;
- (5) for a debtor with four dependents, an income of \$15,950 or less; and
- (6) for a debtor with five or more dependents, an income of \$16,630 or less.

The income amounts in this subdivision shall be adjusted for inflation for debts incurred in calendar years 2001 and thereafter. The dollar amount of each income level that applied to debts incurred in the prior year shall be increased in the same manner as provided in section 1(f) of the Internal Revenue Code of 1986, as amended through December 31, 2000, except that for the purposes of this subdivision the percentage increase shall be determined from the year starting September 1, 1999, and ending August 31, 2000, as the base year for adjusting for inflation for debts incurred after December 31, 2000.

Debt also includes an agreement to pay a MinnesotaCare premium, regardless of the dollar amount of the premium authorized under section 256L.15, subdivision 1a.

Sec. 2. Minnesota Statutes 2004, section 289A.08, subdivision 16, is amended to read:

Subd. 16. [TAX REFUND OR RETURN PREPARERS; ELECTRONIC FILING; PAPER FILING FEE IMPOSED.] (a) A "tax refund or return preparer," as defined in section 289A.60, subdivision 13, paragraph (g) (h), who prepared more than ~~500~~ 100 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.~~

~~(e) (c) For each return that is not filed electronically by a tax refund or return preparer under this subdivision, including returns filed under paragraph (d), a paper filing fee of \$5 is imposed upon the preparer. The fee is collected from the preparer in the same manner as income tax. The fee does not apply to returns that the commissioner requires to be filed in paper form.~~

Sec. 3. Minnesota Statutes 2004, section 289A.60, subdivision 13, is amended to read:

Subd. 13. [PENALTIES FOR TAX RETURN PREPARERS.] (a) If an understatement of liability with respect to a return or claim for refund is due to a willful attempt in any manner to understate the liability for a tax by a person who is a tax return preparer with respect to the return or claim, the person shall pay to the commissioner a penalty of \$500. If a part of a property tax refund claim is excessive due to a willful attempt in any manner to overstate the claim for relief allowed under chapter 290A by a person who is a tax refund or return preparer, the person shall pay to the commissioner a penalty of \$500 with respect to the claim. These penalties may not be assessed against the employer of a tax return preparer unless the employer was actively involved in the willful attempt to understate the liability for a tax or to overstate the claim for refund. These penalties are income tax liabilities and may be assessed at any time as provided in section 289A.38, subdivision 5.

(b) A civil action in the name of the state of Minnesota may be commenced to enjoin any person who is a tax return preparer doing business in this state from further engaging in any conduct described in paragraph (c). An action under this paragraph must be brought by the attorney general in the district court for the judicial district of the tax return preparer's residence or principal place of business, or in which the taxpayer with respect to whose tax return the action is brought resides. The court may exercise its jurisdiction over the action separate and apart from any other action brought by the state of Minnesota against the tax return preparer or any taxpayer.

(c) In an action under paragraph (b), if the court finds that a tax return preparer has:

(1) engaged in any conduct subject to a civil penalty under section 289A.60 or a criminal penalty under section 289A.63;

(2) misrepresented the preparer's eligibility to practice before the Department of Revenue, or otherwise misrepresented the preparer's experience or education as a tax return preparer;

(3) guaranteed the payment of any tax refund or the allowance of any tax credit; or

(4) engaged in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of state tax law, and injunctive relief is appropriate to prevent the recurrence of that conduct,

the court may enjoin the person from further engaging in that conduct.

(d) If the court finds that a tax return preparer has continually or repeatedly engaged in conduct described in paragraph (c), and that an injunction prohibiting that conduct would not be sufficient to prevent the person's interference with the proper administration of state tax laws, the court may enjoin the person from acting as a tax return preparer. The court may not enjoin the employer of a tax return preparer for conduct described in paragraph (c) engaged in by one or more of the employer's employees unless the employer was also actively involved in that conduct.

(e) The commissioner may terminate or suspend a tax preparer's authority to transmit returns electronically to the state, if the commissioner determines that the tax preparer has engaged in a pattern and practice of conduct in violation of this subdivision or of section 289A.63.

(f) For purposes of this subdivision, the term "understatement of liability" means an understatement of the net amount payable with respect to a tax imposed by state tax law, or an overstatement of the net amount creditable or refundable with respect to a tax. The determination of whether or not there is an understatement of liability must be made without regard to any administrative or judicial action involving the taxpayer. For purposes of this subdivision, the amount determined for underpayment of estimated tax under either section 289A.25 or 289A.26 is not considered an understatement of liability.

(g) For purposes of this subdivision, the term "overstatement of claim" means an overstatement of the net amount refundable with respect to a claim for property tax relief provided by chapter 290A. The determination of whether or not there is an overstatement of a claim must be made without regard to administrative or judicial action involving the claimant.

(h) For purposes of this section, the term "tax refund or return preparer" means an individual who prepares for compensation, or who employs one or more individuals to prepare for compensation, a return of tax, or a claim for refund of tax. The preparation of a substantial part of a return or claim for refund is treated as if it were the preparation of the entire return or claim for refund. An individual is not considered a tax return preparer merely because the individual:

(1) gives typing, reproducing, or other mechanical assistance;

(2) prepares a return or claim for refund of the employer, or an officer or employee of the employer, by whom the individual is regularly and continuously employed;

(3) prepares a return or claim for refund of any person as a fiduciary for that person; or

(4) prepares a claim for refund for a taxpayer in response to a tax order issued to the taxpayer.

Sec. 4. Minnesota Statutes 2004, section 290A.07, is amended by adding a subdivision to read:

Subd. 5. [EARLY PAYMENT; E-FILE CLAIMS.] The commissioner may pay a claim up to 30 days earlier than the first permitted date under subdivision 2a or 3 if the claim is submitted by electronic means.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2004, section 297A.61, subdivision 4, is amended to read:

Subd. 4. [RETAIL SALE.] (a) A "retail sale" means any sale, lease, or rental for any purpose other than resale, sublease, or subrent.

(b) A sale of property used by the owner only by leasing it to others or by holding it in an effort to lease it, and put to no use by the owner other than resale after the lease or effort to lease, is a sale of property for resale.

(c) A sale of master computer software that is purchased and used to make copies for sale or lease is a sale of property for resale.

(d) A sale of building materials, supplies, and equipment to owners, contractors, subcontractors, or builders for the erection of buildings or the alteration, repair, or improvement of real property is a retail sale in whatever quantity sold, whether the sale is for purposes of resale in the form of real property or otherwise.

(e) A sale of carpeting, linoleum, or similar floor covering to a person who provides for installation of the floor covering is a retail sale and not a sale for resale since a sale of floor covering which includes installation is a contract for the improvement of real property.

(f) A sale of shrubbery, plants, sod, trees, and similar items to a person who provides for installation of the items is a retail sale and not a sale for resale since a sale of shrubbery, plants, sod, trees, and similar items that includes installation is a contract for the improvement of real property.

(g) A sale of tangible personal property that is awarded as prizes is a retail sale and is not considered a sale of property for resale.

(h) A sale of tangible personal property utilized or employed in the furnishing or providing of services under subdivision 3, paragraph (g), clause (1), including, but not limited to, property given as promotional items, is a retail sale and is not considered a sale of property for resale.

(i) A sale of tangible personal property used in conducting lawful gambling under chapter 349 or the state lottery under chapter 349A, including, but not limited to, property given as promotional items, is a retail sale and is not considered a sale of property for resale.

(j) A sale of machines, equipment, or devices that are used to furnish, provide, or dispense goods or services, including, but not limited to, coin-operated devices, is a retail sale and is not considered a sale of property for resale.

(k) In the case of a lease, a retail sale occurs (1) when an obligation to make a lease payment becomes due under the terms of the agreement or the trade practices of the lessor or (2) in the case of a lease of a motor vehicle, as defined in section 297B.01, subdivision 5, but excluding vehicles with a manufacturer's gross vehicle weight rating greater than 10,000 pounds and rentals of vehicles for not more than 28 days, at the time the lease is executed.

(l) In the case of a conditional sales contract, a retail sale occurs upon the transfer of title or possession of the tangible personal property.

[EFFECTIVE DATE.] This section is effective for leases entered into after September 30, 2005.

Sec. 6. Minnesota Statutes 2004, section 297A.67, is amended by adding a subdivision to read:

Subd. 32. [CIGARETTES.] Cigarettes upon which a tax has been imposed under section 297F.25 are exempt.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after July 31, 2005.

Sec. 7. [297A.825] [MOTOR VEHICLE LEASES.]

Subdivision 1. [MOTOR VEHICLE LEASE PRICE; PAYMENT.] (a) In the case of a lease of a motor vehicle as provided in section 297A.61, subdivision 4, paragraph (k), clause (2), the tax is imposed on the total amount to be paid by the lessee under the lease agreement. The lessor shall collect the tax in full at the time the lease is executed or, if the tax is included in the lease and the lease is assigned, the tax is due from the original lessor at the time the lease is assigned. The total amount to be paid by the lessee under the lease agreement equals the agreed-upon value of the vehicle less manufacturer's rebates, the stated residual value of the leased vehicle, and the total value allowed for a vehicle owned by the lessee taken in trade by the lessor, plus the price of any taxable goods and services included in the lease and the rent charge as provided by Code of Federal Regulations, title 12, section 213.4, excluding any rent charge related to the capitalization of the tax.

(b) If the total amount paid by the lessee for use of the leased vehicle includes amounts that are not calculated at the time the lease is executed, the tax is imposed and must be collected by the lessor at the time the amounts are paid by the lessee. In the case of a lease which by its terms may

be renewed, the sales tax is due and payable on the total amount to be paid during the initial term of the lease, and then for each subsequent renewal period on the total amount to be paid during the renewal period.

(c) If a lease is canceled or rescinded on or before 90 days of its execution or if a vehicle is returned to the manufacturer under section 325F.665, the lessor may file a claim for a refund of the total tax paid minus the amount of tax due for the period the vehicle is used by the lessee.

(d) If a lessee's obligation to make payments on a lease is canceled more than 90 days after its execution, a credit is allowed against sales tax or motor vehicle sales tax due on a subsequent lease or purchase of a motor vehicle if that lease or purchase is consummated within 30 days of the date the prior lease was canceled. The amount of the credit shall be equal to (1) the sales tax paid at the inception of the lease, multiplied by (2) the ratio of the number of full months remaining in the lease at the time of termination compared to the term of the lease used in calculating sales tax paid at the inception of the lease.

Subd. 2. [LEASE OF MOTOR VEHICLES.] When the lease of a motor vehicle as defined in section 297A.61, subdivision 4, paragraph (k), clause (2), originates in another state, the sales tax under subdivision 1 shall be calculated by the lessor on the total amount that is due under the lease agreement after the vehicle is required to be registered in Minnesota. If the total amount to be paid by the lessee under the lease agreement has already been subjected to tax by another state, a credit for taxes paid in the other state is allowed as provided in section 297A.80.

[EFFECTIVE DATE.] Subdivision 1 of this section is effective for leases entered into after September 30, 2005. Subdivision 2 of this section is effective for vehicles registering in Minnesota after September 30, 2005.

Sec. 8. Minnesota Statutes 2004, section 297F.01, is amended by adding a subdivision to read:

Subd. 10a. [OUT-OF-STATE RETAILER.] "Out-of-state retailer" means a person engaged outside of this state in the business of selling, or offering to sell, cigarettes or tobacco products to consumers located in this state.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 9. [297F.031] [REGISTRATION REQUIREMENT.]

Prior to making delivery sales or shipping cigarettes or tobacco products in connection with any sales, an out-of-state retailer shall file with the Department of Revenue a statement setting forth the out-of-state retailer's name, trade name, and the address of the out-of-state retailer's principal place of business and any other place of business.

Sec. 10. Minnesota Statutes 2004, section 297F.09, is amended by adding a subdivision to read:

Subd. 4a. [REPORTING REQUIREMENTS.] No later than the 18th day of each calendar month, an out-of-state retailer that has made a delivery of cigarettes or tobacco products or shipped or delivered cigarettes or tobacco products into the state in a delivery sale in the previous calendar month shall file with the Department of Revenue reports in the form and in the manner prescribed by the commissioner of revenue that provides for each delivery sale, the name and address of the purchaser and the brand or brands and quantity of cigarettes or tobacco products sold. A tobacco retailer that meets the requirements of United States Code, title 15, section 375 et seq. satisfies the requirements of this subdivision.

Sec. 11. Minnesota Statutes 2004, section 297F.14, subdivision 4, is amended to read:

Subd. 4. [BAD DEBT.] The commissioner may adopt rules providing a refund of the tax paid under this chapter if the tax paid qualifies as a bad debt under section 166(a) of the Internal Revenue Code. For any reporting period, a taxpayer may offset against taxes payable under this chapter the amount of taxes previously paid under this chapter that is attributable to a bad debt. The taxes must have been included in a transaction the consideration for which was a debt owed to the taxpayer and which became uncollectible, but only in proportion to the portion of debt that

became uncollectible. To qualify for offset under this subdivision, the debt must have qualified as a bad debt under section 166(a) of the Internal Revenue Code. The taxpayer may claim the offset within the time period prescribed in section 297F.17, subdivision 6. If the taxpayer is no longer liable for taxes imposed under this chapter, the commissioner shall refund to the taxpayer the amount of the taxes attributable to the bad debt. Any recovery of the tax claimed as a refund or credit must be reported to the commissioner on the tax return for the month in which the recovery is made. If the taxpayer is no longer required to file returns under this chapter, the taxpayer must reimburse the commissioner for tax recovered in the month following the recovery.

[EFFECTIVE DATE.] This section is effective for claims filed on or after July 1, 2005.

Sec. 12. [297F.25] [CIGARETTE SALES TAX.]

Subdivision 1. [IMPOSITION.] A tax is imposed on distributors on the sale of cigarettes by a cigarette distributor to a retailer or cigarette subjobber for resale in this state. The tax is equal to 6.5 percent of the weighted average retail price. The weighted average retail price must be expressed in cents per pack when rounded to the nearest one-tenth of a cent. The weighted average retail price must be determined annually, with new rates published by May 1, and effective for sales on or after July 1. The weighted average retail price must be established by surveying cigarette retailers statewide in a manner and time determined by the commissioner. The determination of the commissioner pursuant to this subdivision is not a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. As of August 1, 2005, the tax is 21 cents per pack of 20 cigarettes. For packs of cigarettes with other than 20 cigarettes, the tax must be adjusted proportionally.

Subd. 2. [PAYMENT.] Each taxpayer must remit payments of the taxes to the commissioner on the same dates prescribed under section 297F.09, subdivision 1, for cigarette tax returns, including the accelerated remittance of the June liability.

Subd. 3. [RETURN.] A taxpayer must file a return with the commissioner on the same dates prescribed under section 297F.09, subdivision 1, for cigarette tax returns. Notwithstanding any other provisions of this chapter, the tax due on the return is based upon actual stamps purchased during the reporting period.

Subd. 4. [FORM OF RETURN.] The return must contain the information and be in the form prescribed by the commissioner.

Subd. 5. [TAX AS DEBT.] The tax that is required to be paid by the distributor is a debt from the retailer or cigarette subjobber to the distributor recoverable at law in the same manner as other debts. A cigarette retailer or subjobber must pay the tax imposed under subdivision 1 to the distributor before the 12th day of the month following the month in which the cigarettes were purchased from the distributor.

Subd. 6. [SALES TAX STAMP.] Payment of the tax imposed under section 297F.05 and by this section must be evidenced by a dual-purpose single stamp affixed to each package.

Subd. 7. [ADMINISTRATION.] The stamping, audit, assessment, interest, penalty, appeal, refund, and collection provisions applicable to the taxes imposed under this chapter apply to taxes imposed under this section.

Subd. 8. [DEPOSIT OF REVENUES.] Notwithstanding the provisions of section 297F.10, the commissioner shall deposit all revenues, including penalties and interest, derived from the tax imposed by this section, in the general fund.

[EFFECTIVE DATE.] This section is effective for all sales made on or after August 1, 2005.

Sec. 13. Minnesota Statutes 2004, section 297I.05, subdivision 4, is amended to read:

Subd. 4. [MUTUAL PROPERTY AND CASUALTY COMPANIES WITH TOTAL ASSETS LESS THAN \$1,600,000,000 ON DECEMBER 31, 1989.] A tax is imposed on mutual insurance companies that sell both property and casualty companies insurance that had total assets greater

than \$5,000,000 at the end of the calendar year but that had total assets less than \$1,600,000,000 on December 31, 1989. The rate of tax is equal to:

~~(1) two percent of gross premiums less return premiums on all direct business received by the insurer or agents of the insurer in Minnesota for life insurance, in cash or otherwise, during the year; and~~

~~(2) 1.26 percent of gross premiums less return premiums on all other direct business received by the insurer or agents of the insurer in Minnesota, in cash or otherwise, during the year, except for life insurance as provided in subdivision 14.~~

[EFFECTIVE DATE.] This section is effective for premiums received after December 31, 2005.

Sec. 14. Minnesota Statutes 2004, section 2971.05, is amended by adding a subdivision to read:

Subd. 14. [LIFE INSURANCE.] A tax is imposed on life insurance. The rate of tax equals 1.50 percent of gross premiums less return premiums on all direct business received by the insurer or agents of the insurer in Minnesota for life insurance, in cash or otherwise, during the year.

[EFFECTIVE DATE.] This section is effective for premiums received after December 31, 2005.

Sec. 15. [325D.125] [EMPLOYERS NOT TO MISREPRESENT STATUS OF EMPLOYEES.]

Subdivision 1. [MISREPRESENTATION PROHIBITED.] No employer shall misrepresent the nature of its employment relationship with its employees to any federal, state, or local government unit, to other employers or to its employees. An employer misrepresents the nature of its employment relationship with its employees if it makes any statement regarding the nature of the relationship that the employer does not in good faith believe to be true or if it fails to report individuals as employees when legally required to do so.

Subd. 2. [EMPLOYEE COERCION PROHIBITED.] No employer shall require or request any employee to enter into any agreement, or sign any document, that results in misclassification of the employee as an independent contractor or otherwise does not accurately reflect the employment relationship with the employer.

Subd. 3. [VIOLATIONS.] Any court finding any person guilty of violating this section shall transmit a copy of the documentation of the finding of guilt to the commissioner of labor and industry. The commissioner of labor and industry shall report the finding of guilt to relevant state and federal agencies, including at least the commissioner of commerce, the commissioner of economic security, the commissioner of revenue, the federal Internal Revenue Service, and the United States Department of Labor.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 16. [325F.781] [REQUIREMENTS; TOBACCO PRODUCT DELIVERY SALES.]

Subdivision 1. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given, unless the language or context clearly provides otherwise.

(b) "Consumer" means an individual who purchases, receives, or possesses tobacco products for personal consumption and not for resale.

(c) "Delivery sale" means:

(1) a sale of tobacco products to a consumer in this state when:

(i) the purchaser submits the order for the sale by means of a telephonic or other method of voice transmission, the mail or any other delivery service, or the Internet or other on-line service;
or

(ii) the tobacco products are delivered by use of the mail or other delivery service; or

(2) a sale of tobacco products that satisfies the criteria in clause (1), item (i), regardless of whether the seller is located inside or outside of the state.

A sale of tobacco products to an individual in this state must be treated as a sale to a consumer, unless the individual is licensed as a distributor or retailer of tobacco products.

(d) "Delivery service" means a person, including the United States Postal Service, that is engaged in the commercial delivery of letters, packages, or other containers.

(e) "Distributor" means a person, whether located inside or outside of this state, other than a retailer, who sells or distributes tobacco products in the state. Distributor does not include a tobacco products manufacturer, export warehouse proprietor, or importer with a valid permit under United States Code, title 26, section 5712 (1997), if the person sells or distributes tobacco products in this state only to distributors who hold valid and current licenses under the laws of a state, or to an export warehouse proprietor or another manufacturer. Distributor does not include a common or contract carrier that is transporting tobacco products under a proper bill of lading or freight bill that states the quantity, source, and destination of tobacco products, or a person who ships tobacco products through this state by common or contract carrier under a bill of lading or freight bill.

(f) "Retailer" means a person, whether located inside or outside this state, who sells or distributes tobacco products to a consumer in this state.

(g) "Tobacco products" means:

(1) cigarettes, as defined in section 297F.01, subdivision 3; and

(2) smokeless tobacco as defined in section 325F.76.

Subd. 2. [REQUIREMENTS FOR ACCEPTING ORDER FOR DELIVERY SALE.] (a) This subdivision applies to acceptance of an order for a delivery sale of tobacco products.

(b) When accepting the first order for a delivery sale from a consumer, the tobacco retailer shall obtain the following information from the person placing the order:

(1) a copy of a valid government-issued document that provides the person's name, current address, photograph, and date of birth; and

(2) an original written statement signed by the person documenting that the person:

(i) is of legal age to purchase tobacco products in the state;

(ii) has made a choice whether to receive mailings from a tobacco retailer;

(iii) understands that providing false information may be a violation of law; and

(iv) understands that it is a violation of law to purchase tobacco products for subsequent resale or for delivery to persons who are under the legal age to purchase tobacco products.

(c) If an order is made as a result of advertisement over the Internet, the tobacco retailer shall request the e-mail address of the purchaser and shall receive payment by credit card or check prior to shipping.

(d) Prior to shipping the tobacco products, the tobacco retailer shall verify the information provided under paragraph (b) against a commercially available database. Any such database or databases may also include age and identity information from other government or validated commercial sources, if that additional information is regularly used by government and businesses for the purpose of identity verification and authentication, and if the additional information is used only to supplement and not to replace the government-issued identification data in the age and identity verification process.

Subd. 3. [REQUIREMENTS FOR SHIPPING A DELIVERY SALE.] (a) This subdivision applies to a tobacco retailer shipping tobacco products pursuant to a delivery sale.

(b) The tobacco retailer shall clearly mark the outside of the package of tobacco products to be shipped "tobacco products - adult signature required" and to show the name of the tobacco retailer.

(c) The tobacco retailer shall utilize a delivery service that imposes the following requirements:

(1) an adult must sign for the delivery; and

(2) the person signing for the delivery must show valid government-issued identification that contains a photograph of the person signing for the delivery and indicates that the person signing for the delivery is of legal age to purchase tobacco products and resides at the delivery address.

(d) The retailer must provide delivery instructions that clearly indicate the requirements of this subdivision and must declare that state law requires compliance with the requirements.

(e) No criminal penalty may be imposed on a person for a violation of this section other than a violation described in paragraph (f) or (g). Whenever it appears to the commissioner that any person has engaged in any act or practice constituting a violation of this section, and the violation is not within two years of any previous violation of this section, the commissioner shall issue and cause to be served upon the person an order requiring the person to cease and desist from violating this section. The order must give reasonable notice of the rights of the person to request a hearing and must state the reason for the entry of the order. Unless otherwise agreed between the parties, a hearing shall be held not later than seven days after the request for the hearing is received by the commissioner after which and within 20 days after the receipt of the administrative law judge's report and subsequent exceptions and argument, the commissioner shall issue an order vacating the cease and desist order, modifying it, or making it permanent as the facts require. If no hearing is requested within 30 days of the service of the order, the order becomes final and remains in effect until modified or vacated by the commissioner. All hearings shall be conducted in accordance with the provisions of chapter 14. If the person to whom a cease and desist order is issued fails to appear at the hearing after being duly notified, the person shall be deemed in default, and the proceeding may be determined against the person upon consideration of the cease and desist order, the allegations of which may be deemed to be true.

(f) Any person who violates this section within two years of a violation for which a cease and desist order was issued under paragraph (e), is guilty of a misdemeanor.

(g) Any person who commits a third or subsequent violation of this section, including a violation for which a cease and desist order was issued under paragraph (c), within any subsequent two-year period is guilty of a gross misdemeanor.

Subd. 4. [COMMON CARRIERS.] This section may not be construed as imposing liability upon any common carrier, or officers or employees of the common carrier, when acting within the scope of business of the common carrier.

Subd. 5. [REGISTRATION REQUIREMENT.] Prior to making delivery sales or shipping tobacco products in connection with any sales, an out-of-state retailer must meet the requirements of section 297F.031.

Subd. 6. [COLLECTION OF TAXES.] (a) Prior to shipping any tobacco products to a purchaser in this state, the out-of-state retailer shall comply with all requirements of chapter 297F and shall ensure that all state excise taxes and fees that apply to such tobacco products have been collected and paid to the state and that all related state excise tax stamps or other indicators of state excise tax payment have been properly affixed to those tobacco products.

(b) In addition to any penalties under chapter 297F, a distributor who fails to pay any tax due according to paragraph (a) shall pay, in addition to any other penalty, a penalty of 50 percent of the tax due but unpaid.

Subd. 7. [APPLICATION OF STATE LAWS.] All state laws that apply to in-state tobacco product retailers shall apply to Internet and mail-order sellers that sell into this state.

Subd. 8. [FORFEITURE.] Any tobacco product sold or attempted to be sold in a delivery sale that does not meet the requirements of this section is deemed to be contraband and is subject to forfeiture in the same manner as and in accordance with the provisions of section 297F.21.

Subd. 9. [CIVIL PENALTIES.] A tobacco retailer or distributor who violates this section or rules adopted under this section is subject to the following fines:

- (1) for the first violation, a fine of not more than \$1,000; and
- (2) for the second and any subsequent violation, a fine of not more than \$5,000.

Subd. 10. [ENFORCEMENT.] The attorney general may bring an action to enforce this section and may seek injunctive relief, including a preliminary or final injunction, and fines, penalties, and equitable relief and may seek to prevent or restrain actions in violation of this section by any person or any person controlling such person. In addition, a violation of this section is a violation of the Unlawful Trade Practices Act, sections 325D.09 to 325D.16.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 17. Minnesota Statutes 2004, section 366.011, is amended to read:

366.011 [CHARGES FOR EMERGENCY SERVICES; COLLECTION.]

A town may impose a reasonable service charge for emergency services, including fire, rescue, medical, and related services provided by the town or contracted for by the town. If the service charge remains unpaid 30 days after a notice of delinquency is sent to the recipient of the service or the recipient's representative or estate, the town or its contractor on behalf of the town may use any lawful means allowed to a private party for the collection of an unsecured delinquent debt. The town may also use the authority of section 366.012 to collect unpaid service charges of this kind from delinquent recipients of services who are owners of taxable real property in the town state.

The powers conferred by this section are in addition and supplemental to the powers conferred by any other law for a town to impose a service charge or assessment for a service provided by the town or contracted for by the town.

Sec. 18. Minnesota Statutes 2004, section 366.012, is amended to read:

366.012 [COLLECTION OF UNPAID SERVICE CHARGES.]

~~If a town is authorized to impose a service charge on the owner, lessee, or occupant of property, or any of them, for a governmental service provided by the town, the town board may certify to the county auditor of the county in which the recipient of the services owns real property, on or before October 15 for each year, any unpaid service charges which shall then be collected together with property taxes levied against the property. The county auditor shall remit to the town all service charges collected by the auditor on behalf of the town. A charge may be certified to the auditor only if, on or before September 15, the town has given written notice to the property owner of its intention to certify the charge to the auditor. The service charges shall be subject to the same penalties, interest, and other conditions provided for the collection of property taxes. This section is in addition to other law authorizing the collection of unpaid costs and service charges.~~

Sec. 19. [COMPACTS; RETALIATORY TAXES.]

The commissioner of revenue may enter into compact agreements with other states for the purpose of eliminating retaliatory insurance premiums tax provisions between this state and other states. The commissioner shall report to the chairpersons of the house and senate tax committees, on or before February 1, 2006, on the actions the commissioner has taken to enter into compact agreements with other states.

Sec. 20. [FLOOR STOCKS TAX.]

Subdivision 1. [CIGARETTES.] A floor stocks cigarette sales tax is imposed on every person

engaged in the business in this state as a distributor, retailer, subjobber, vendor, manufacturer, or manufacturer's representative of cigarettes, on the stamped cigarettes and unaffixed stamps in the person's possession or under the person's control at 12:01 a.m. on August 1, 2005. The tax is imposed at the rate of 21 cents per pack of 20 cigarettes. For packs of cigarettes with other than 20 cigarettes, the tax shall be adjusted proportionally.

Each distributor, by August 10, 2005, shall file a return with the commissioner, in the form the commissioner prescribes, showing the stamped cigarettes and unaffixed stamps on hand at 12:01 a.m. on August 1, 2005, and the amount of tax due on the cigarettes and unaffixed stamps. The tax imposed by this section is due and payable by September 7, 2005, and after that date bears interest at the rate of one percent a month.

Each retailer, subjobber, vendor, manufacturer, or manufacturer's representative, by August 10, 2005, shall file a return with the commissioner, in the form the commissioner prescribes, showing the cigarettes on hand at 12:01 a.m. on August 1, 2005, and the amount of tax due on the cigarettes. The tax imposed by this section is due and payable by September 7, 2005, and after that date bears interest at the rate of one percent a month.

Subd. 2. [AUDIT AND ENFORCEMENT.] The tax imposed by this section is subject to the audit, assessment, penalty, and collection provisions applicable to the taxes imposed under Minnesota Statutes, chapter 297F. The commissioner may require a distributor to receive and maintain copies of floor stocks tax returns filed by all persons requesting a credit for returned cigarettes.

Subd. 3. [DEPOSIT OF PROCEEDS.] The revenue from the tax imposed under this section shall be deposited by the commissioner in the state treasury and credited to the general fund.

[EFFECTIVE DATE.] This section is effective August 1, 2005.

ARTICLE 9

DEPARTMENT OF REVENUE

INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

Section 1. Minnesota Statutes 2004, section 289A.08, subdivision 3, is amended to read:

Subd. 3. [CORPORATIONS.] A corporation that is subject to the state's jurisdiction to tax under section 290.014, subdivision 5, must file a return, except that a foreign operating corporation as defined in section 290.01, subdivision 6b, is not required to file a return. The commissioner shall adopt rules for the filing of one return on behalf of the members of an affiliated group of corporations that are required to file a combined report. All members of an affiliated group that are required to file a combined report must file one return on behalf of the members of the group under rules adopted by the commissioner. If a corporation claims on a return that it has paid tax in excess of the amount of taxes lawfully due, that corporation may include on that return information necessary for payment of the tax in excess of the amount lawfully due by electronic means.

[EFFECTIVE DATE.] This section is effective for returns filed after December 31, 2005.

Sec. 2. Minnesota Statutes 2004, section 289A.08, subdivision 7, is amended to read:

Subd. 7. [COMPOSITE INCOME TAX RETURNS FOR NONRESIDENT PARTNERS, SHAREHOLDERS, AND BENEFICIARIES.] (a) The commissioner may allow a partnership with nonresident partners to file a composite return and to pay the tax on behalf of nonresident partners who have no other Minnesota source income. This composite return must include the names, addresses, Social Security numbers, income allocation, and tax liability for the nonresident partners electing to be covered by the composite return.

(b) The computation of a partner's tax liability must be determined by multiplying the income allocated to that partner by the highest rate used to determine the tax liability for individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard deductions, or personal exemptions are not allowed.

(c) The partnership must submit a request to use this composite return filing method for nonresident partners. The requesting partnership must file a composite return in the form prescribed by the commissioner of revenue. The filing of a composite return is considered a request to use the composite return filing method.

(d) The electing partner must not have any Minnesota source income other than the income from the partnership and other electing partnerships. If it is determined that the electing partner has other Minnesota source income, the inclusion of the income and tax liability for that partner under this provision will not constitute a return to satisfy the requirements of subdivision 1. The tax paid for the individual as part of the composite return is allowed as a payment of the tax by the individual on the date on which the composite return payment was made. If the electing nonresident partner has no other Minnesota source income, filing of the composite return is a return for purposes of subdivision 1.

(e) This subdivision does not negate the requirement that an individual pay estimated tax if the individual's liability would exceed the requirements set forth in section 289A.25. A composite estimate may, however, be filed in a manner similar to and containing the information required under paragraph (a).

(f) If an electing partner's share of the partnership's gross income from Minnesota sources is less than the filing requirements for a nonresident under this subdivision, the tax liability is zero. However, a statement showing the partner's share of gross income must be included as part of the composite return.

(g) The election provided in this subdivision is not only available to any a partner other than who has no other Minnesota source income and who is either (1) a full-year nonresident individual who has no other Minnesota source income or (2) a trust or estate that does not claim a deduction under either section 651 or 661 of the Internal Revenue Code.

(h) A corporation defined in section 290.9725 and its nonresident shareholders may make an election under this paragraph. The provisions covering the partnership apply to the corporation and the provisions applying to the partner apply to the shareholder.

(i) Estates and trusts distributing current income only and the nonresident individual beneficiaries of the estates or trusts may make an election under this paragraph. The provisions covering the partnership apply to the estate or trust. The provisions applying to the partner apply to the beneficiary.

(j) For the purposes of this subdivision, "income" means the partner's share of federal adjusted gross income from the partnership modified by the additions provided in section 290.01, subdivision 19a, clauses (6) and (7), and the subtractions provided in section 290.01, subdivision 19b, clause (11), to the extent the amount is assignable or allocable to Minnesota under section 290.17. The subtraction allowed under section 290.01, subdivision 19b, clause (11), is only allowed on the composite tax computation to the extent the electing partner would have been allowed the subtraction.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 3. Minnesota Statutes 2004, section 289A.18, subdivision 1, is amended to read:

Subdivision 1. [INDIVIDUAL INCOME, FIDUCIARY INCOME, CORPORATE FRANCHISE, AND ENTERTAINMENT TAXES; PARTNERSHIP AND S CORPORATION RETURNS; INFORMATION RETURNS; MINING COMPANY RETURNS.] The returns required to be made under sections 289A.08 and 289A.12 must be filed at the following times:

(1) returns made on the basis of the calendar year must be filed on April 15 following the close of the calendar year, except that returns of corporations must be filed on March 15 following the close of the calendar year;

(2) returns made on the basis of the fiscal year must be filed on the 15th day of the fourth

month following the close of the fiscal year, except that returns of corporations must be filed on the 15th day of the third month following the close of the fiscal year;

(3) returns for a fractional part of a year must be filed on the 15th day of the fourth month following the end of the month in which falls the last day of the period for which the return is made, except that the returns of corporations must be filed on the 15th day of the third month following the end of the ~~month~~ tax year of the unitary group in which falls the last day of the period for which the return is made;

(4) in the case of a final return of a decedent for a fractional part of a year, the return must be filed on the 15th day of the fourth month following the close of the 12-month period that began with the first day of that fractional part of a year;

(5) in the case of the return of a cooperative association, returns must be filed on or before the 15th day of the ninth month following the close of the taxable year;

(6) if a corporation has been divested from a unitary group and files a return for a fractional part of a year in which it was a member of a unitary business that files a combined report under section 290.34, subdivision 2, the divested corporation's return must be filed on the 15th day of the third month following the close of the common accounting period that includes the fractional year;

(7) returns of entertainment entities must be filed on April 15 following the close of the calendar year;

(8) returns required to be filed under section 289A.08, subdivision 4, must be filed on the 15th day of the fifth month following the close of the taxable year;

(9) returns of mining companies must be filed on May 1 following the close of the calendar year; and

(10) returns required to be filed with the commissioner under section 289A.12, subdivision 2, 4 to 10, or 14, must be filed within 30 days after being demanded by the commissioner.

[EFFECTIVE DATE.] This section is effective for fractional years closing after December 31, 2004.

Sec. 4. Minnesota Statutes 2004, section 289A.38, subdivision 7, is amended to read:

Subd. 7. **[FEDERAL TAX CHANGES.]** If the amount of income, items of tax preference, deductions, or credits for any year of a taxpayer as reported to the Internal Revenue Service is changed or corrected by the commissioner of Internal Revenue or other officer of the United States or other competent authority, or where a renegotiation of a contract or subcontract with the United States results in a change in income, items of tax preference, deductions, credits, or withholding tax, or, in the case of estate tax, where there are adjustments to the taxable estate resulting in a change to the credit for state death taxes, the taxpayer shall report the change or correction or renegotiation results in writing to the commissioner. The report must be submitted within 180 days after the final determination and must be in the form of either an amended Minnesota estate, withholding tax, corporate franchise tax, or income tax return conceding the accuracy of the federal determination or a letter detailing how the federal determination is incorrect or does not change the Minnesota tax. An amended Minnesota income tax return must be accompanied by an amended property tax refund return, if necessary. A taxpayer filing an amended federal tax return must also file a copy of the amended return with the commissioner of revenue within 180 days after filing the amended return.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2004, section 289A.50, subdivision 1a, is amended to read:

Subd. 1a. **[REFUND FORM.]** On or before January 1, 2000, the commissioner of revenue shall prepare and make available to taxpayers a form for filing claims for refund of taxes paid in excess

~~of the amount due. If the commissioner fails to prepare a form under this subdivision by January 1, 2000, any claims for refund made after January 1, 2000, and up to ten days after the form is made available to taxpayers are deemed to be made in compliance with the requirement of the form. The commissioner may request corporate franchise taxpayers claiming a refund of corporate franchise taxes paid in excess of the amount lawfully due to include on the claim for refund or amended return information necessary for payment of the taxes paid in excess of taxes lawfully due by electronic means.~~

[EFFECTIVE DATE.] This section is effective for claims for refund filed after December 31, 2005.

Sec. 6. Minnesota Statutes 2004, section 289A.60, subdivision 6, is amended to read:

Subd. 6. [PENALTY FOR FALSE OR FRAUDULENT RETURN, EVASION.] If a person files a false or fraudulent return, or claim for refund or attempts in any manner to evade or defeat a tax or payment of tax, there is imposed on the person a penalty equal to the sum of (1) 50 percent of the tax, less amounts paid by the person on the basis of the false or fraudulent return, due for the period to which the return related and (2) 50 percent of the portion of any refund claimed that is attributable to fraud.

[EFFECTIVE DATE.] This section is effective for returns filed after December 31, 2005.

Sec. 7. Minnesota Statutes 2004, section 289A.60, subdivision 12, is amended to read:

Subd. 12. [PENALTIES RELATING TO PROPERTY TAX REFUNDS.] (a) ~~If the commissioner determines that a property tax refund claim is or was excessive and was filed with fraudulent intent, the claim must be disallowed in full. If the claim has been paid, the amount disallowed may be recovered by assessment and collection.~~

(b) If it is determined that a property tax refund claim is excessive and was negligently prepared, ten percent of the corrected claim must be disallowed. If the claim has been paid, the amount disallowed must be recovered by assessment and collection.

(c) (b) An owner who without reasonable cause fails to give a certificate of rent constituting property tax to a renter, as required by section 290A.19, paragraph (a), is liable to the commissioner for a penalty of \$100 for each failure.

(d) (c) If the owner or managing agent knowingly gives rent certificates that report total rent constituting property taxes in excess of the amount of actual rent constituting property taxes paid on the rented part of a property, the owner or managing agent is liable for a penalty equal to the greater of (1) \$100 or (2) 50 percent of the excess that is reported. An overstatement of rent constituting property taxes is presumed to be knowingly made if it exceeds by ten percent or more the actual rent constituting property taxes.

[EFFECTIVE DATE.] This section is effective for returns filed after December 31, 2005.

Sec. 8. Minnesota Statutes 2004, section 290.01, subdivision 19a, is amended to read:

Subd. 19a. [ADDITIONS TO FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be added to federal taxable income:

(1)(i) interest income on obligations of any state other than Minnesota or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota exempt from federal income taxes under the Internal Revenue Code or any other federal statute; and

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, except the portion of the exempt-interest dividends derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, governmental agencies or instrumentalities, but only if the portion of the exempt-interest dividends from such Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest

dividends that are paid by the regulated investment company as defined in section 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code, making the payment; and

(iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal government described in section 7871(c) of the Internal Revenue Code shall be treated as interest income on obligations of the state in which the tribe is located;

(2) the amount of income taxes paid or accrued within the taxable year under this chapter and ~~income~~ the amount of taxes based on net income paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income tax is the last itemized deduction disallowed;

(3) the capital gain amount of a lump sum distribution to which the special tax under section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and ~~income~~ taxes based on net income paid to any other state or any province or territory of Canada, to the extent allowed as a deduction in determining federal adjusted gross income. For the purpose of this paragraph, income taxes do not include the taxes imposed by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

(5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10 other than expenses or interest used in computing net interest income for the subtraction allowed under subdivision 19b, clause (1);

(6) 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; and

(7) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 9. Minnesota Statutes 2004, 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) net 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 amount used to claim 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 363A. 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 purchased or leased for use 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) income as provided under section 290.0802;

(5) to the extent included in federal adjusted gross income, income realized on disposition of property exempt from tax under section 290.491;

~~(6) 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, sections 12601 to 12604;~~

(7) 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;

(8) (7) 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;

(9) (8) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit. For purposes of this clause, "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit;

~~(10) (9) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero; and~~

~~(11) (10) job opportunity building zone income as provided under section 469.316.~~

[EFFECTIVE DATE.] ~~The amendment to clause (9) is effective retroactively for tax years beginning after December 31, 2001. The rest of this section is effective for the tax years beginning after December 31, 2004.~~

Sec. 10. Minnesota Statutes 2004, 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 exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;

(9) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;

(10) 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;

(11) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g);

(12) ~~the amount of any environmental tax paid under section 59(a) of the Internal Revenue Code;~~

(13) 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;

(14) (13) the amount of net income excluded under section 114 of the Internal Revenue Code;

(15) (14) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 614 of Public Law 107-147; and

(16) (15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the amount of the loss from the activity that is not allowed in the

taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 11. Minnesota Statutes 2004, 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 ~~based on or measured by~~ net income to another state, 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 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) paragraph (b)~~, 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 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, 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 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 on the gross income earned within the other state 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 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 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. 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":

(1) includes:

(i) the District of Columbia; and

(ii) a province or territory of Canada; but

(2) excludes Puerto Rico and 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.

(k) For a tax imposed by a province or territory of Canada, the tax for purposes of this subdivision is the excess of the tax over the amount of the foreign tax credit allowed under section 27 of the Internal Revenue Code. In determining the amount of the foreign tax credit allowed, the net income taxes imposed by Canada on the income are deducted first. Any remaining amount of the allowable foreign tax credit reduces the provincial or territorial tax that qualifies for the credit under this subdivision.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 12. Minnesota Statutes 2004, section 290.0674, subdivision 1, is amended to read:

Subdivision 1. [CREDIT ALLOWED.] An individual is allowed a credit against the tax imposed by this chapter in an amount equal to 75 percent of the amount paid for education-related expenses for a qualifying child in kindergarten through grade 12. For purposes of this section, "education-related expenses" means:

(1) fees or tuition for instruction by an instructor under section 120A.22, subdivision 10, clause (1), (2), (3), (4), or (5), or a member of the Minnesota Music Teachers Association, and who is not a lineal ancestor or sibling of the dependent for instruction outside the regular school day or school year, including tutoring, driver's education offered as part of school curriculum, regardless of whether it is taken from a public or private entity or summer camps, in grade or age appropriate curricula that supplement curricula and instruction available during the regular school year, that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the ~~graduation rule under section 120B.02, paragraph (e), clauses (1) to (7), (9), and (10) required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (2), and that do not include the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship;~~

(2) expenses for textbooks, including books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. "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 extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs;

(3) a maximum expense of \$200 per family for personal computer hardware, excluding single purpose processors, and educational software that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the ~~graduation rule under section 120B.02 required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (2),~~ purchased for use in the taxpayer's home and not used in a trade or business regardless of whether the computer is required by the dependent's school; and

(4) the amount paid to others for transportation of a qualifying child 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 363A.

For purposes of this section, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 13. Minnesota Statutes 2004, section 290.0922, subdivision 2, is amended to read:

Subd. 2. [EXEMPTIONS.] The following entities are exempt from the tax imposed by this section:

- (1) corporations exempt from tax under section 290.05;
- (2) real estate investment trusts;
- (3) regulated investment companies or a fund thereof; and
- (4) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code;
- (5) town and farmers' mutual insurance companies;
- (6) cooperatives organized under chapter 308A or 308B that provide housing exclusively to persons age 55 and over and are classified as homesteads under section 273.124, subdivision 3; and
- (7) an entity, if for the taxable year all of its property is located in a job opportunity building zone designated under section 469.314 and all of its payroll is a job opportunity building zone payroll under section 469.310.

Entities not specifically exempted by this subdivision are subject to tax under this section, notwithstanding section 290.05.

[EFFECTIVE DATE.] This section is effective for tax years beginning after December 31, 2004.

Sec. 14. Minnesota Statutes 2004, section 291.005, subdivision 1, is amended to read:

Subdivision 1. [SCOPE.] 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, 2002 2004.

(9) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as defined by section 2011(b)(3) of the Internal Revenue Code, increased by the amount of deduction for state death taxes allowed under section 2058 of the Internal Revenue Code.

[EFFECTIVE DATE.] This section is effective for estates of decedents dying after December 31, 2004.

Sec. 15. Minnesota Statutes 2004, section 291.03, subdivision 1, is amended to read:

Subdivision 1. **[TAX AMOUNT.]** The tax imposed shall be an amount equal to the proportion of the maximum credit for state death taxes computed under section 2011 of the Internal Revenue Code, as amended through December 31, 2000, ~~for state death taxes~~ but using Minnesota adjusted taxable estate instead of federal adjusted taxable estate, as the Minnesota gross estate bears to the value of the federal gross estate. The tax determined under this paragraph shall not be greater than the federal estate tax amount computed by applying the rates and brackets under section 2001(c) of the Internal Revenue Code ~~after the allowance of~~ to the Minnesota adjusted gross estate and subtracting the federal credits credit allowed under section 2010 of the Internal Revenue Code of 1986, as amended through December 31, 2000. For the purposes of this section, expenses which are deducted for federal income tax purposes under section 642(g) of the Internal Revenue Code as amended through December 31, 2002, are not allowable in computing the tax under this chapter.

[EFFECTIVE DATE.] This section is effective for estates of decedents dying after December 31, 2004.

Sec. 16. **[REPEALER.]**

Minnesota Rules, parts 8093.2000 and 8093.3000, are repealed effective the day following final enactment.

ARTICLE 10
DEPARTMENT OF REVENUE
PROPERTY TAXES

Section 1. Minnesota Statutes 2004, section 4A.02, is amended to read:

4A.02 **[STATE DEMOGRAPHER.]**

(a) The director shall appoint a state demographer. The demographer must be professionally competent in demography and must possess demonstrated ability based upon past performance.

(b) The demographer shall:

(1) continuously gather and develop demographic data relevant to the state;

(2) design and test methods of research and data collection;

(3) periodically prepare population projections for the state and designated regions and periodically prepare projections for each county or other political subdivision of the state as necessary to carry out the purposes of this section;

(4) review, comment on, and prepare analysis of population estimates and projections made by state agencies, political subdivisions, other states, federal agencies, or nongovernmental persons, institutions, or commissions;

(5) serve as the state liaison with the United States Bureau of the Census, coordinate state and federal demographic activities to the fullest extent possible, and aid the legislature in preparing a census data plan and form for each decennial census;

(6) compile an annual study of population estimates on the basis of county, regional, or other political or geographical subdivisions as necessary to carry out the purposes of this section and section 4A.03;

(7) by January 1 of each year, issue a report to the legislature containing an analysis of the demographic implications of the annual population study and population projections;

(8) prepare maps for all counties in the state, all municipalities with a population of 10,000 or more, and other municipalities as needed for census purposes, according to scale and detail recommended by the United States Bureau of the Census, with the maps of cities showing precinct boundaries;

(9) prepare an estimate of population and of the number of households for each governmental subdivision for which the Metropolitan Council does not prepare an annual estimate, and an estimate of population over age 65 for each county for which the Metropolitan Council does not prepare an annual estimate, and convey the estimates to the governing body of each political subdivision by ~~May~~ June 1 of each year;

(10) direct, under section 414.01, subdivision 14, and certify population and household estimates of annexed or detached areas of municipalities or towns after being notified of the order or letter of approval by the director;

(11) prepare, for any purpose for which a population estimate is required by law or needed to implement a law, a population estimate of a municipality or town whose population is affected by action under section 379.02 or 414.01, subdivision 14; and

(12) prepare an estimate of average household size for each statutory or home rule charter city with a population of 2,500 or more for which the Metropolitan Council does not prepare an annual estimate, and convey the estimate to the governing body of each affected city by ~~May~~ June 1 of each year.

(c) A governing body may challenge an estimate made under paragraph (b) by filing their specific objections in writing with the state demographer by ~~June 10~~ 24. If the challenge does not result in an acceptable estimate by ~~June 24~~, the governing body may have a special census conducted by the United States Bureau of the Census. The political subdivision must notify the state demographer by July 1 of its intent to have the special census conducted. The political subdivision must bear all costs of the special census. Results of the special census must be received by the state demographer by the next April 15 to be used in that year's ~~May~~ June 1 estimate to the political subdivision under paragraph (b).

(d) The state demographer shall certify the estimates of population and household size to the commissioner of revenue by July 15 each year, including any estimates still under objection.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2004, section 168A.05, subdivision 1a, is amended to read:

Subd. 1a. [MANUFACTURED HOME; STATEMENT OF PROPERTY TAX PAYMENT.] In the case of a manufactured home as defined in section 327.31, subdivision 6, the department shall not issue a certificate of title unless the application under section 168A.04 is accompanied with a statement from the county auditor or county treasurer where the manufactured home is presently located, stating that all manufactured home personal property taxes levied on the unit in the name of the current owner at the time of transfer have been paid. For this purpose, manufactured home personal property taxes are treated as levied on January 1 of the payable year.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2004, section 270.11, subdivision 2, is amended to read:

Subd. 2. [COUNTY ASSESSOR'S REPORTS OF ASSESSMENT FILED WITH COMMISSIONER.] Each county assessor shall file by April 1 with the commissioner of revenue a copy of the abstract that will be acted upon by the local and county boards of review. The abstract must list the real and personal property in the county itemized by assessment districts. The assessor of each county in the state shall file with the commissioner, within ten working days following final action of the local board of review or equalization and within five days following final action of the county board of equalization, any changes made by the local or county board. The information must be filed in the manner prescribed by the commissioner. It must be accompanied by a printed or typewritten copy of the proceedings of the appropriate board.

The final abstract of assessments after adjustments by the State Board of Equalization and inclusion of any omitted property shall be submitted to the commissioner of revenue on or before September 1 of each calendar year. The final abstract must separately report the captured tax capacity of tax increment financing districts under section 469.177, subdivision 2, the ~~metropolitan revenue areawide net tax capacity contribution value values determined under section sections 276A.05, subdivision 1, and 473F.07, subdivision 1, and the value subject to the power line credit under section 273.42.~~

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2004, section 270.16, subdivision 2, is amended to read:

Subd. 2. [FAILURE TO APPRAISE.] When an assessor has failed to properly appraise at least ~~one-quarter~~ one-fifth of the parcels of property in a district or county as provided in section 273.01, the commissioner of revenue shall appoint a special assessor and deputy assessor as necessary and cause a reappraisal to be made of the property due for reassessment in accordance with law.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2004, section 272.01, subdivision 2, is amended to read:

Subd. 2. [EXEMPT PROPERTY USED BY PRIVATE ENTITY FOR PROFIT.] (a) When any real or personal property which is exempt from ad valorem taxes, and taxes in lieu thereof, is leased, loaned, or otherwise made available and used by a private individual, association, or corporation in connection with a business conducted for profit, there shall be imposed a tax, for the privilege of so using or possessing such real or personal property, in the same amount and to the same extent as though the lessee or user was the owner of such property.

(b) The tax imposed by this subdivision shall not apply to:

(1) property leased or used as a concession in or relative to the use in whole or part of a public park, market, fairgrounds, port authority, economic development authority established under chapter 469, municipal auditorium, municipal parking facility, municipal museum, or municipal stadium;

(2) property of an airport owned by a city, town, county, or group thereof which is:

(i) leased to or used by any person or entity including a fixed base operator; and

(ii) used as a hangar for the storage or repair of aircraft or to provide aviation goods, services, or facilities to the airport or general public;

the exception from taxation provided in this clause does not apply to:

(i) property located at an airport owned or operated by the Metropolitan Airports Commission or by a city of over 50,000 population according to the most recent federal census or such a city's airport authority;

(ii) hangars leased by a private individual, association, or corporation in connection with a business conducted for profit other than an aviation-related business; or

(iii) facilities leased by a private individual, association, or corporation in connection with a business for profit, that consists of a major jet engine repair facility financed, in whole or part, with the proceeds of state bonds and located in a tax increment financing district;

(3) property constituting or used as a public pedestrian ramp or concourse in connection with a public airport; or

(4) property constituting or used as a passenger check-in area or ticket sale counter, boarding area, or luggage claim area in connection with a public airport but not the airports owned or operated by the Metropolitan Airports Commission or cities of over 50,000 population or an airport authority therein. Real estate owned by a municipality in connection with the operation of a public airport and leased or used for agricultural purposes is not exempt;

(5) property leased, loaned, or otherwise made available to a private individual, corporation, or association under a cooperative farming agreement made pursuant to section 97A.135; or

(6) property leased, loaned, or otherwise made available to a private individual, corporation, or association under section 272.68, subdivision 4.

(c) Taxes imposed by this subdivision are payable as in the case of personal property taxes and shall be assessed to the lessees or users of real or personal property in the same manner as taxes assessed to owners of real or personal property, except that such taxes shall not become a lien against the property. When due, the taxes shall constitute a debt due from the lessee or user to the state, township, city, county, and school district for which the taxes were assessed and shall be collected in the same manner as personal property taxes. If property subject to the tax imposed by this subdivision is leased or used jointly by two or more persons, each lessee or user shall be jointly and severally liable for payment of the tax.

(d) The tax on real property of the state or any of its political subdivisions that is leased by a private individual, association, or corporation and becomes taxable under this subdivision or other provision of law must be assessed and collected as a personal property assessment. The taxes do not become a lien against the real property.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 6. Minnesota Statutes 2004, section 272.02, subdivision 1a, is amended to read:

Subd. 1a. **[LIMITATIONS ON EXEMPTIONS.]** The exemptions granted by subdivision 1 are subject to the limits contained in the other subdivisions of this section, ~~section 272.025, or 273.13, subdivision 25, paragraph (e), clause (1) or (2), or paragraph (d), clause (2) and all other provisions of applicable law.~~

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 7. Minnesota Statutes 2004, section 272.02, subdivision 7, is amended to read:

Subd. 7. **[INSTITUTIONS OF PUBLIC CHARITY.]** Institutions of purely public charity are exempt ~~except parcels of property containing structures and the structures described in section 273.13, subdivision 25, paragraph (e), other than those that qualify for exemption under subdivision 26. In determining whether rental housing property qualifies for exemption under this subdivision, the following are not gifts or donations to the owner of the rental housing:~~

(1) rent assistance provided by the government to or on behalf of tenants, and

(2) financing assistance or tax credits provided by the government to the owner on condition that specific units or a specific quantity of units be set aside for persons or families with certain income characteristics.

The items described in clauses (1) and (2) may, however, be considered when making other

determinations related to an exemption under this subdivision, including, without limitation, for the purpose of determining whether the recipient of housing or housing services is required to pay in whole or in part for the housing.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2004 and thereafter.

Sec. 8. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 68. [PROPERTY SUBJECT TO TACONITE PRODUCTION TAX OR NET PROCEEDS TAX.] (a) Real and personal property described in section 298.25 is exempt to the extent the tax on taconite and iron sulphides under section 298.24 is described in section 298.25 as being in lieu of other taxes on such property. This exemption applies for taxes payable in each year that the tax under section 298.24 is payable with respect to such property.

(b) Deposits of mineral, metal, or energy resources the mining of which is subject to taxation under section 298.015 are exempt. This exemption applies for taxes payable in each year that the tax under section 298.015 is payable with respect to such property.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 9. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 69. [RELIGIOUS CORPORATIONS.] Personal and real property that a religious corporation, formed under section 317A.909, necessarily uses for a religious purpose is exempt to the extent provided in section 317A.909, subdivision 3.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 10. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 70. [CHILDREN'S HOMES.] Personal and real property owned by a corporation formed under section 317A.907 is exempt to the extent provided in section 317A.907, subdivision 7.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 11. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 71. [HOUSING AND REDEVELOPMENT AUTHORITY AND TRIBAL HOUSING AUTHORITY PROPERTY.] Property owned by a housing and redevelopment authority described in chapter 469, or by a designated housing authority described in section 469.040, subdivision 5, is exempt to the extent provided in chapter 469.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 12. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 72. [PROPERTY OF HOUSING AND REDEVELOPMENT AUTHORITIES.] Property of projects of housing and redevelopment authorities are exempt to the extent permitted by sections 469.042, subdivision 1, and 469.043, subdivisions 2 and 5.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 13. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 73. [PROPERTY OF REGIONAL RAIL AUTHORITY.] Property of a regional rail authority as defined in chapter 398A is exempt to the extent permitted by section 398A.05.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 14. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 74. [SPIRIT MOUNTAIN RECREATION AREA AUTHORITY.] Property owned by the Spirit Mountain Recreation Area Authority is exempt from taxation to the extent provided in Laws 1973, chapter 327, section 6.

Sec. 15. Minnesota Statutes 2004, section 272.02, is amended by adding a subdivision to read:

Subd. 75. [INSTALLED CAPACITY DEFINED.] For purposes of this section, the term "installed capacity" means generator nameplate capacity.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 16. Minnesota Statutes 2004, section 272.029, subdivision 4, is amended to read:

Subd. 4. [REPORTS.] (a) An owner of a wind energy conversion system subject to tax under subdivision 3 shall file a report with the commissioner of revenue annually on or before ~~March~~ February 1 detailing the amount of electricity in kilowatt-hours that was produced by the wind energy conversion system for the previous calendar year. The commissioner shall prescribe the form of the report. The report must contain the information required by the commissioner to determine the tax due to each county under this section for the current year. If an owner of a wind energy conversion system subject to taxation under this section fails to file the report by the due date, the commissioner of revenue shall determine the tax based upon the nameplate capacity of the system multiplied by a capacity factor of 40 percent.

(b) On or before ~~March 31~~ February 28, the commissioner of revenue shall notify the owner of the wind energy conversion systems of the tax due to each county for the current year and shall certify to the county auditor of each county in which the systems are located the tax due from each owner for the current year.

[EFFECTIVE DATE.] This section is effective for reports and certifications due in 2006 and thereafter.

Sec. 17. Minnesota Statutes 2004, section 272.029, subdivision 6, is amended to read:

Subd. 6. [DISTRIBUTION OF REVENUES.] Revenues from the taxes imposed under subdivision 5 must be part of the settlement between the county treasurer and the county auditor under section 276.09. The revenue must be distributed by the county auditor or the county treasurer to ~~all~~ local taxing jurisdictions in which the wind energy conversion system is located, as follows: beginning with distributions in 2006, 80 percent to counties; 14 percent to cities and townships; and six percent to school districts; and for distributions occurring in 2004 and 2005 in the same proportion that each of the local taxing jurisdiction's current year's net tax capacity based tax rate is to the current year's total local net tax capacity based rate.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 18. Minnesota Statutes 2004, section 273.11, subdivision 8, is amended to read:

Subd. 8. [LIMITED EQUITY COOPERATIVE APARTMENTS.] For the purposes of this subdivision, the terms defined in this subdivision have the meanings given them.

A "limited equity cooperative" is a corporation organized under chapter 308A or 308B, which has as its primary purpose the provision of housing and related services to its members which meets one of the following criteria with respect to the income of its members: (1) a minimum of 75 percent of members must have incomes at or less than 90 percent of area median income, (2) a minimum of 40 percent of members must have incomes at or less than 60 percent of area median income, or (3) a minimum of 20 percent of members must have incomes at or less than 50 percent of area median income. For purposes of this clause, "member income" shall mean the income of a member existing at the time the member acquires cooperative membership, and median income shall mean the St. Paul-Minneapolis metropolitan area median income as determined by the United States Department of Housing and Urban Development. It must also meet the following requirements:

(a) The articles of incorporation set the sale price of occupancy entitling cooperative shares or memberships at no more than a transfer value determined as provided in the articles. That value may not exceed the sum of the following:

(1) the consideration paid for the membership or shares by the first occupant of the unit, as shown in the records of the corporation;

(2) the fair market value, as shown in the records of the corporation, of any improvements to the real property that were installed at the sole expense of the member with the prior approval of the board of directors;

(3) accumulated interest, or an inflation allowance not to exceed the greater of a ten percent annual noncompounded increase on the consideration paid for the membership or share by the first occupant of the unit, or the amount that would have been paid on that consideration if interest had been paid on it at the rate of the percentage increase in the revised Consumer Price Index for All Urban Consumers for the Minneapolis-St. Paul metropolitan area prepared by the United States Department of Labor, provided that the amount determined pursuant to this clause may not exceed \$500 for each year or fraction of a year the membership or share was owned; plus

(4) real property capital contributions shown in the records of the corporation to have been paid by the transferor member and previous holders of the same membership, or of separate memberships that had entitled occupancy to the unit of the member involved. These contributions include contributions to a corporate reserve account the use of which is restricted to real property improvements or acquisitions, contributions to the corporation which are used for real property improvements or acquisitions, and the amount of principal amortized by the corporation on its indebtedness due to the financing of real property acquisition or improvement or the averaging of principal paid by the corporation over the term of its real property-related indebtedness.

(b) The articles of incorporation require that the board of directors limit the purchase price of stock or membership interests for new member-occupants or resident shareholders to an amount which does not exceed the transfer value for the membership or stock as defined in clause (a).

(c) The articles of incorporation require that the total distribution out of capital to a member shall not exceed that transfer value.

(d) The articles of incorporation require that upon liquidation of the corporation any assets remaining after retirement of corporate debts and distribution to members will be conveyed to a charitable organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, or a public agency.

A "limited equity cooperative apartment" is a dwelling unit owned by a limited equity cooperative.

"Occupancy entitling cooperative share or membership" is the ownership interest in a cooperative organization which entitles the holder to an exclusive right to occupy a dwelling unit owned or leased by the cooperative.

For purposes of taxation, the assessor shall value a unit owned by a limited equity cooperative at the lesser of its market value or the value determined by capitalizing the net operating income of a comparable apartment operated on a rental basis at the capitalization rate used in valuing comparable buildings that are not limited equity cooperatives. If a cooperative fails to operate in accordance with the provisions of clauses (a) to (d), the property shall be subject to additional property taxes in the amount of the difference between the taxes determined in accordance with this subdivision for the last ten years that the property had been assessed pursuant to this subdivision and the amount that would have been paid if the provisions of this subdivision had not applied to it. The additional taxes, plus interest at the rate specified in section 549.09, shall be extended against the property on the tax list for the current year.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2004 and thereafter.

Sec. 19. Minnesota Statutes 2004, section 273.124, subdivision 3, is amended to read:

Subd. 3. [COOPERATIVES AND CHARITABLE CORPORATIONS; HOMESTEAD AND OTHER PROPERTY.] (a) When property is owned by a corporation or association organized under chapter 308A or 308B, and each person who owns a share or shares in the corporation or

association is entitled to occupy a building on the property, or a unit within a building on the property, the corporation or association may claim homestead treatment for each dwelling, or for each unit in the case of a building containing several dwelling units, or for the part of the value of the building occupied by a shareholder. Each building or unit must be designated by legal description or number. The net tax capacity of each building or unit that qualifies for assessment as a homestead under this subdivision must include not more than one-half acre of land, if platted, nor more than 80 acres if unplatted. The net tax capacity of the property is the sum of the net tax capacities of each of the respective buildings or units comprising the property, including the net tax capacity of each unit's or building's proportionate share of the land and any common buildings. To qualify for the treatment provided by this subdivision, the corporation or association must be wholly owned by persons having a right to occupy a building or unit owned by the corporation or association. A charitable corporation organized under the laws of Minnesota and not otherwise exempt thereunder with no outstanding stock qualifies for homestead treatment with respect to member residents of the dwelling units who have purchased and hold residential participation warrants entitling them to occupy the units.

(b) To the extent provided in paragraph (a), a cooperative or corporation organized under chapter 308A may obtain separate assessment and valuation, and separate property tax statements for each residential homestead, residential nonhomestead, or for each seasonal residential recreational building or unit not used for commercial purposes. The appropriate class rates under section 273.13 shall be applicable as if each building or unit were a separate tax parcel; provided, however, that the tax parcel which exists at the time the cooperative or corporation makes application under this subdivision shall be a single parcel for purposes of property taxes or the enforcement and collection thereof, other than as provided in paragraph (a) or this paragraph.

(c) A member of a corporation or association may initially obtain the separate assessment and valuation and separate property tax statements, as provided in paragraph (b), by applying to the assessor by June 30 of the assessment year.

(d) When a building, or dwelling units within a building, no longer qualify under paragraph (a) or (b), the current owner must notify the assessor within 30 days. Failure to notify the assessor within 30 days shall result in the loss of benefits under paragraph (a) or (b) for taxes payable in the year that the failure is discovered. For these purposes, "benefits under paragraph (a) or (b)" means the difference in the net tax capacity of the building or units which no longer qualify as computed under paragraph (a) or (b) and as computed under the otherwise applicable law, times the local tax rate applicable to the building for that taxes payable year. Upon discovery of a failure to notify, the assessor shall inform the auditor of the difference in net tax capacity for the building or buildings in which units no longer qualify, and the auditor shall calculate the benefits under paragraph (a) or (b). Such amount, plus a penalty equal to 100 percent of that amount, shall then be demanded of the building's owner. The property owner may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing a proof of service as provided in section 278.01 with the Minnesota Tax Court within 60 days of the date of the notice from the county. The appeal shall be governed by the Tax Court procedures provided in chapter 271, for cases relating to the tax laws as defined in section 271.01, subdivision 5; disregarding sections 273.125, subdivision 5, and 278.03, but including section 278.05, subdivision 2. If the amount of the benefits under paragraph (a) or (b) and penalty are not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of the benefit and penalty to the succeeding year's tax list to be collected as part of the property taxes on the affected property.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2004 and thereafter.

Sec. 20. Minnesota Statutes 2004, section 273.124, subdivision 6, is amended to read:

Subd. 6. [LEASEHOLD COOPERATIVES.] When one or more dwellings or one or more buildings which each contain several dwelling units is owned by a nonprofit corporation subject to the provisions of chapter 317A and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1990, or a limited partnership which corporation or partnership operates the property in conjunction with a cooperative association, and

has received public financing, homestead treatment may be claimed by the cooperative association on behalf of the members of the cooperative for each dwelling unit occupied by a member of the cooperative. The cooperative association must provide the assessor with the Social Security numbers of those members. To qualify for the treatment provided by this subdivision, the following conditions must be met:

(a) the cooperative association must be organized under chapter 308A or 308B and all voting members of the board of directors must be resident tenants of the cooperative and must be elected by the resident tenants of the cooperative;

(b) the cooperative association must have a lease for occupancy of the property for a term of at least 20 years, which permits the cooperative association, while not in default on the lease, to participate materially in the management of the property, including material participation in establishing budgets, setting rent levels, and hiring and supervising a management agent;

(c) to the extent permitted under state or federal law, the cooperative association must have a right under a written agreement with the owner to purchase the property if the owner proposes to sell it; if the cooperative association does not purchase the property it is offered for sale, the owner may not subsequently sell the property to another purchaser at a price lower than the price at which it was offered for sale to the cooperative association unless the cooperative association approves the sale;

(d) a minimum of 40 percent of the cooperative association's members must have incomes at or less than 60 percent of area median gross income as determined by the United States Secretary of Housing and Urban Development under section 142(d)(2)(B) of the Internal Revenue Code of 1986, as amended through December 31, 1991. For purposes of this clause, "member income" means the income of a member existing at the time the member acquires cooperative membership;

(e) if a limited partnership owns the property, it must include as the managing general partner a nonprofit organization operating under the provisions of chapter 317A and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1990, and the limited partnership agreement must provide that the managing general partner have sufficient powers so that it materially participates in the management and control of the limited partnership;

(f) prior to becoming a member of a leasehold cooperative described in this subdivision, a person must have received notice that (1) describes leasehold cooperative property in plain language, including but not limited to the effects of classification under this subdivision on rents, property taxes and tax credits or refunds, and operating expenses, and (2) states that copies of the articles of incorporation and bylaws of the cooperative association, the lease between the owner and the cooperative association, a sample sublease between the cooperative association and a tenant, and, if the owner is a partnership, a copy of the limited partnership agreement, can be obtained upon written request at no charge from the owner, and the owner must send or deliver the materials within seven days after receiving any request;

(g) if a dwelling unit of a building was occupied on the 60th day prior to the date on which the unit became leasehold cooperative property described in this subdivision, the notice described in paragraph (f) must have been sent by first class mail to the occupant of the unit at least 60 days prior to the date on which the unit became leasehold cooperative property. For purposes of the notice under this paragraph, the copies of the documents referred to in paragraph (f) may be in proposed version, provided that any subsequent material alteration of those documents made after the occupant has requested a copy shall be disclosed to any occupant who has requested a copy of the document. Copies of the articles of incorporation and certificate of limited partnership shall be filed with the secretary of state after the expiration of the 60-day period unless the change to leasehold cooperative status does not proceed;

(h) the county attorney of the county in which the property is located must certify to the assessor that the property meets the requirements of this subdivision;

(i) the public financing received must be from at least one of the following sources:

(1) tax increment financing proceeds used for the acquisition or rehabilitation of the building or interest rate write-downs relating to the acquisition of the building;

(2) government issued bonds exempt from taxes under section 103 of the Internal Revenue Code of 1986, as amended through December 31, 1991, the proceeds of which are used for the acquisition or rehabilitation of the building;

(3) programs under section 221(d)(3), 202, or 236, of Title II of the National Housing Act;

(4) rental housing program funds under Section 8 of the United States Housing Act of 1937 or the market rate family graduated payment mortgage program funds administered by the Minnesota Housing Finance Agency that are used for the acquisition or rehabilitation of the building;

(5) low-income housing credit under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1991;

(6) public financing provided by a local government used for the acquisition or rehabilitation of the building, including grants or loans from (i) federal community development block grants; (ii) HOME block grants; or (iii) residential rental bonds issued under chapter 474A; or

(7) other rental housing program funds provided by the Minnesota Housing Finance Agency for the acquisition or rehabilitation of the building;

(j) at the time of the initial request for homestead classification or of any transfer of ownership of the property, the governing body of the municipality in which the property is located must hold a public hearing and make the following findings:

(1) that the granting of the homestead treatment of the apartment's units will facilitate safe, clean, affordable housing for the cooperative members that would otherwise not be available absent the homestead designation;

(2) that the owner has presented information satisfactory to the governing body showing that the savings garnered from the homestead designation of the units will be used to reduce tenant's rents or provide a level of furnishing or maintenance not possible absent the designation; and

(3) that the requirements of paragraphs (b), (d), and (i) have been met.

Homestead treatment must be afforded to units occupied by members of the cooperative association and the units must be assessed as provided in subdivision 3, provided that any unit not so occupied shall be classified and assessed pursuant to the appropriate class. No more than three acres of land may, for assessment purposes, be included with each dwelling unit that qualifies for homestead treatment under this subdivision.

When dwelling units no longer qualify under this subdivision, the current owner must notify the assessor within 60 days. Failure to notify the assessor within 60 days shall result in the loss of benefits under this subdivision for taxes payable in the year that the failure is discovered. For these purposes, "benefits under this subdivision" means the difference in the net tax capacity of the units which no longer qualify as computed under this subdivision and as computed under the otherwise applicable law, times the local tax rate applicable to the building for that taxes payable year. Upon discovery of a failure to notify, the assessor shall inform the auditor of the difference in net tax capacity for the building or buildings in which units no longer qualify, and the auditor shall calculate the benefits under this subdivision. Such amount, plus a penalty equal to 100 percent of that amount, shall then be demanded of the building's owner. The property owner may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing a proof of service as provided in section 278.01 with the Minnesota Tax Court within 60 days of the date of the notice from the county. The appeal shall be governed by the Tax Court procedures provided in chapter 271, for cases relating to the tax laws as defined in section 271.01, subdivision 5; disregarding sections 273.125, subdivision 5, and 278.03, but including section 278.05, subdivision 2. If the amount of the benefits under this subdivision and penalty are not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of the benefit and penalty to the succeeding year's tax list to be collected as part of the property taxes on the affected buildings.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2004 and thereafter.

Sec. 21. Minnesota Statutes 2004, 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.] (a) Each family farm corporation, ~~each~~; each joint family farm venture; ~~and~~ and each limited liability company, ~~and each~~ or partnership ~~operating~~ which operates 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, and actively engaged in farming of the land owned by the family farm corporation, joint family farm venture, limited liability company, or partnership ~~operating a family farm~~. Homestead treatment applies even if legal title to the property is in the name of the family farm corporation, joint family farm venture, limited liability company, or partnership ~~operating the family farm~~, and not in the name of the person residing on it.

"Family farm corporation," "family farm," and "partnership operating a family farm" have the meanings given in section 500.24, except that the number of allowable shareholders, members, or partners under this subdivision shall not exceed 12. "Limited liability company" has the meaning contained in sections 322B.03, subdivision 28, and 500.24, subdivision 2, paragraphs (l) and (m). "Joint family farm venture" means a cooperative agreement among two or more farm enterprises authorized to operate a family farm under section 500.24.

(b) In addition to property specified in paragraph (a), any other residences owned by family farm corporations, joint family farm ventures, limited liability companies, or partnerships ~~operating a family farm~~ described in paragraph (a) which are located on agricultural land and occupied as homesteads by its shareholders, members, or partners who are actively engaged in farming on behalf of that 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.

(c) Agricultural property that is owned by a member, partner, or shareholder of a family farm corporation or joint family farm venture, limited liability company ~~operating a family farm~~, or by a partnership operating a family farm and leased to the family farm corporation, limited liability company, or partnership ~~operating a family farm~~, or joint farm venture, as defined in paragraph (a), is eligible for classification as class 1b or class 2a under section 273.13, if the owner is actually residing on the property, and is actually engaged in farming the land on behalf of that 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 family farm venture, limited liability company, or partnership ~~operating a family farm~~ under the lease.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 22. Minnesota Statutes 2004, section 273.124, subdivision 13, is amended to read:

Subd. 13. [HOMESTEAD APPLICATION.] (a) A person who meets the homestead requirements under subdivision 1 must file a homestead application with the county assessor to initially obtain homestead classification.

(b) On or before January 2, 1993, each county assessor shall mail a homestead application to the owner of each parcel of property within the county which was classified as homestead for the 1992 assessment year. The format and contents of a uniform homestead application shall be prescribed by the commissioner of revenue. The commissioner shall consult with the chairs of the house and senate tax committees on the contents of the homestead application form. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to continue receiving homestead treatment. The envelope containing the homestead application shall clearly identify its contents and alert the taxpayer of its necessary immediate response.

(c) Every property owner applying for homestead classification must furnish to the county

assessor the Social Security number of each occupant who is listed as an owner of the property on the deed of record, the name and address of each owner who does not occupy the property, and the name and Social Security number of each owner's spouse who occupies the property. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

If a property owner occupies a homestead, the property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse file with the assessor an affidavit or other proof required by the assessor stating that the property qualifies as a homestead under subdivision 1, paragraph (e).

Owners or spouses occupying residences owned by their spouses and previously occupied with the other spouse, either of whom fail to include the other spouse's name and Social Security number on the homestead application or provide the affidavits or other proof requested, will be deemed to have elected to receive only partial homestead treatment of their residence. The remainder of the residence will be classified as nonhomestead residential. When an owner or spouse's name and Social Security number appear on homestead applications for two separate residences and only one application is signed, the owner or spouse will be deemed to have elected to homestead the residence for which the application was signed.

The Social Security numbers or affidavits or other proofs of the property owners and spouses are private data on individuals as defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data may be disclosed to the commissioner of revenue, or, for purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

(d) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The Social Security number of each relative occupying the property and the Social Security number of each owner who is related to an occupant of the property shall be required on the homestead application filed under this subdivision. If a different relative of the owner subsequently occupies the property, the owner of the property must notify the assessor within 30 days of the change in occupancy. The Social Security number of a relative occupying the property is private data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of revenue.

(e) The homestead application shall also notify the property owners that the application filed under this section will not be mailed annually and that if the property is granted homestead status for the 1993 assessment, or any assessment year thereafter, that same property shall remain classified as homestead until the property is sold or transferred to another person, or the owners, the spouse of the owner, or the relatives no longer use the property as their homestead. Upon the sale or transfer of the homestead property, a certificate of value must be timely filed with the county auditor as provided under section 272.115. Failure to notify the assessor within 30 days that the property has been sold, transferred, or that the owner, the spouse of the owner, or the relative is no longer occupying the property as a homestead, shall result in (i) a requirement to repay homestead benefits related to assessment dates after the ownership or occupancy change, except for years for which a new and valid homestead application was effective, and limited to benefits for taxes payable in the current year and the five prior years; (ii) the penalty provided under this subdivision paragraph (h) for each of the same years, if applicable; and (iii) the property will lose its current homestead status for the current assessment year unless a new homestead application is effective for that assessment. The provisions of section 273.02 with regard to property erroneously classified as a homestead do not apply. The person to be notified of the reimbursement requirement and of the penalty under the procedures in paragraph (h) is the owner who sold or transferred the property or whose relative is no longer occupying the property as a homestead.

(f) If the homestead application is not returned within 30 days, the county will send a second

application to the present owners of record. The notice of proposed property taxes prepared under section 275.065, subdivision 3, shall reflect the property's classification. Beginning with assessment year 1993 for all properties, if a homestead application has not been filed with the county by December 15, the assessor shall classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner may be entitled to receive the homestead classification by proper application under section 375.192.

(g) At the request of the commissioner, each county must give the commissioner a list that includes the name and Social Security number of each property owner and the property owner's spouse occupying the property, or relative of a property owner, applying for homestead classification under this subdivision. The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

~~(h) If the commissioner a city or county assessor finds that a property owner may be claiming a fraudulent is receiving homestead benefits that are not allowable under the law, the commissioner shall notify the appropriate counties. Within 90 days of the notification, the county assessor shall investigate to determine if the homestead classification was properly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead benefits that had been improperly allowed for taxes payable in the current year and in each of the five prior years. For the purpose of this section, "homestead benefits" means the tax reduction resulting from the classification as a homestead under section 273.13, the taconite homestead credit under section 273.135, the residential homestead and agricultural homestead credits under section 273.1384, and the supplemental homestead credit under section 273.1391.~~

The county auditor shall send a notice to the person who owned the affected property at the time the homestead application related to the improper homestead was filed, demanding reimbursement of the homestead benefits not allowable under the law for taxes payable in the current year and the five prior years. The notice shall demand reimbursement of those homestead benefits, plus a penalty equal to 100 either:

(i) ten percent of the homestead benefits if the owner acted with negligent or intentional disregard of the applicable tax laws and rules but without intent to defraud; or

(ii) 50 percent of the homestead benefits if the owner fraudulently attempted in any manner to evade or defeat the proper tax.

If the penalty provided in this paragraph is imposed and the assessor becomes aware that the property is improperly classified as a homestead for the current assessment year, the assessor shall reclassify the property for that assessment, and the provisions of section 273.02 with regard to property erroneously classified as a homestead do not apply.

A penalty under this section shall be abated under section 375.192 upon a determination that the improper classification was due to reasonable cause. The person notified may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing proof of service as provided in section 278.01 with the Minnesota Tax Court within 60 days of the date of the notice from the county. Procedurally, the appeal is governed by the provisions in chapter 271 which apply to the appeal of a property tax assessment or levy, but without requiring any prepayment of the amount in controversy. If the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of taxes and penalty to the county treasurer. The county treasurer will add interest to the unpaid homestead benefits and penalty amounts at the rate provided in section 279.03 for real property taxes becoming delinquent in the calendar year during which the amount remains unpaid. Interest may be assessed for the period beginning 60 days after demand for payment was made.

If the person notified is the current owner of the property, the treasurer may add the total amount of homestead benefits, penalty, interest, and costs to the ad valorem taxes otherwise payable on the property by including the amounts on the property tax statements under section

276.04, subdivision 3. The amounts added under this paragraph to the ad valorem taxes shall include interest accrued through December 31 of the year preceding the taxes payable year for which the amounts are first added. These amounts, when added to the property tax statement, become subject to all the laws for the enforcement of real or personal property taxes for that year, and for any subsequent year.

If the person notified is not the current owner of the property, the treasurer may collect the amounts due under the Revenue Recapture Act in chapter 270A, or use any of the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment of the homestead benefits, penalty, interest, and costs, as if those amounts were delinquent tax obligations of the person who owned the property at the time the application related to the improperly allowed homestead was filed. The treasurer may relieve a prior owner of personal liability for the homestead benefits, penalty, interest, and costs, and instead extend those amounts on the tax lists against the property as provided in this paragraph to the extent that the current owner agrees in writing. On all demands, billings, property tax statements, and related correspondence, the county must list and state separately the amounts of homestead benefits, penalty, interest and costs being demanded, billed or assessed.

(i) Any amount of homestead benefits recovered by the county from the property owner shall be distributed to the county, city or town, and school district where the property is located in the same proportion that each taxing district's levy was to the total of the three taxing districts' levy for the current year. Any amount recovered attributable to taconite homestead credit shall be transmitted to the St. Louis County auditor to be deposited in the taconite property tax relief account. Any amount recovered that is attributable to supplemental homestead credit is to be transmitted to the commissioner of revenue for deposit in the general fund of the state treasury. The total amount of penalty collected must be deposited in the county general fund.

(j) If a property owner has applied for more than one homestead and the county assessors cannot determine which property should be classified as homestead, the county assessors will refer the information to the commissioner. The commissioner shall make the determination and notify the counties within 60 days.

(k) In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners. The Social Security numbers and federal identification numbers that are maintained by a county or city assessor for property tax administration purposes, and that may appear on the lists retain their classification as private or nonpublic data; but may be viewed, accessed, and used by the county auditor or treasurer of the same county for the limited purpose of assisting the commissioner in the preparation of microdata samples under section 270.0681.

(l) On or before April 30 each year, each county must provide the commissioner with the following data for each parcel of homestead property by electronic means as defined in section 289A.02, subdivision 8:

(i) the property identification number assigned to the parcel for purposes of taxes payable in the current year;

(ii) the name and Social Security number of each property owner and property owner's spouse, as shown on the tax rolls for the current and the prior assessment year;

(iii) the classification of the property under section 273.13 for taxes payable in the current year and in the prior year;

(iv) an indication of whether the property was classified as a homestead for taxes payable in the current year or for taxes payable in the prior year because of occupancy by a relative of the owner or by a spouse of a relative;

(v) the property taxes payable as defined in section 290A.03, subdivision 13, for the current year and the prior year;

(vi) the market value of improvements to the property first assessed for tax purposes for taxes payable in the current year;

(vii) the assessor's estimated market value assigned to the property for taxes payable in the current year and the prior year;

(viii) the taxable market value assigned to the property for taxes payable in the current year and the prior year;

(ix) whether there are delinquent property taxes owing on the homestead;

(x) the unique taxing district in which the property is located; and

(xi) such other information as the commissioner decides is necessary.

The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

[EFFECTIVE DATE.] This section is generally effective July 1, 2005, and thereafter, except the changes in paragraphs (e) and (h) are effective only for notices initially sent out under those paragraphs on or after July 1, 2005.

Sec. 23. Minnesota Statutes 2004, section 273.124, subdivision 21, is amended 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 the grantor, the spouse of the grantor, or the son or daughter of the grantor, who is also 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 or 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 or a person who received the homestead classification for taxes payable in 2005 under clause (3) who does not qualify under clause (3) for taxes payable in 2006 or thereafter but who continues to qualify under clause (3) as it existed for taxes payable in 2005.

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 2006 and thereafter.

Sec. 24. Minnesota Statutes 2004, section 273.1315, is amended to read:

273.1315 [CERTIFICATION OF 1B PROPERTY.]

Any property owner seeking classification and assessment of the owner's homestead as class 1b property pursuant to section 273.13, subdivision 22, paragraph (b), shall file with the commissioner of revenue a 1b homestead declaration, on a form prescribed by the commissioner. The declaration shall contain the following information:

(a) the information necessary to verify that on or before June 30 of the filing year, the property

owner or the owner's spouse satisfies the requirements of section 273.13, subdivision 22, paragraph (b), for 1b classification; and

(b) any additional information prescribed by the commissioner.

The declaration must be filed on or before October 1 to be effective for property taxes payable during the succeeding calendar year. The declaration and any supplementary information received from the property owner pursuant to this section shall be subject to chapter 270B. If approved by the commissioner, the declaration remains in effect until the property no longer qualifies under section 273.13, subdivision 22, paragraph (b). Failure to notify the commissioner within 30 days that the property no longer qualifies under that paragraph because of a sale, change in occupancy, or change in the status or condition of an occupant shall result in the penalty provided in section 273.124, subdivision 13, computed on the basis of the class 1b benefits for the property, and the property shall lose its current class 1b classification.

The commissioner shall provide to the assessor on or before November 1 a listing of the parcels of property qualifying for 1b classification.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 25. Minnesota Statutes 2004, section 273.19, subdivision 1a, is amended to read:

Subd. 1a. **[LEASE DESCRIBED.]** For purposes of this section, a lease includes any agreement, except a cooperative farming agreement pursuant to section 97A.135, subdivision 3, or a lease executed pursuant to section 272.68, subdivision 4, permitting a nonexempt person or entity to use the property, regardless of whether the agreement is characterized as a lease. A lease has a "term of at least one year" if the term is for a period of less than one year and the lease permits the parties to renew the lease without requiring that similar terms for leasing the property will be offered to other applicants or bidders through a competitive bidding or other form of offer to potential lessees or users.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 26. Minnesota Statutes 2004, section 273.372, is amended to read:

273.372 **[PROCEEDINGS AND APPEALS; UTILITY OR RAILROAD VALUATIONS.]**

~~An appeal by a utility or railroad company concerning the exemption, valuation, or classification of property for which the commissioner of revenue has provided the city or county assessor with valuations by order, or for which the commissioner has recommended values to the city or county assessor, 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.~~ Subdivision 1. **[SCOPE.]** This section governs judicial review of a claim that public utility property or railroad operating property has been partially, unfairly, or unequally assessed, or assessed at a valuation greater than its real or actual value, or that the property is exempt. However, this section applies only to property described in sections 273.33, 273.35, and 273.37, and only if the net tax capacity has not been changed from that provided to the city or a county by the commissioner. If the net tax capacity being appealed is not the net tax capacity established by the commissioner through order or recommendation, or if the petition claims that the tax levied against the parcel is illegal, in whole or in part, or if the petition claims the tax has been paid, the action must be brought under chapter 278 without regard to this section in each county where the property is located and proper service must be made upon the local officials specified in section 278.01, subdivision 1.

Subd. 2. **[CONTENTS AND FILING OF PETITION.]** In all cases under this section, the petition must be served on the commissioner and must be filed with the Tax Court in Ramsey County. In all cases under this section that directly challenge an order of the commissioner, the petition must include all the parcels encompassed by that order which the petitioner claims have been partially, unfairly, or unequally assessed, assessed at a valuation greater than their real or actual value, or are exempt. In all cases under this section not directly challenging a commissioner's order, the petition must include either all the utility parcels or all the railroad

parcels in the state in which the petitioner claims an interest and which the petitioner claims have been partially, unfairly, or unequally assessed, assessed at a valuation greater than their real or actual value, or are exempt.

Subd. 3. [APPLICABILITY OF OTHER LAWS.] If the appeal to court is from governed by this section directly challenges an order of the commissioner, it the appeal must be brought under chapter 271, except that when the provisions of this section conflict with chapter 271, this section prevails. If the an appeal governed by this section is from the exemption, valuation, classification, or tax that results from implementation of the a commissioner's order or recommendation, it must be brought under the provisions of chapter 278, and the provisions in that chapter apply, except that service shall be on the commissioner only and not on the county local officials specified in section 278.01, subdivision 1, and if any other provision of this section conflicts with chapter 278, this section prevails.

This provision applies to the property described in sections 273.33, 273.35, 273.36, and 273.37, but only if the appealed values have remained unchanged from those provided to the city or county by the commissioner. If the exemption, valuation, or classification being appealed has been changed by the city or county, then the action must be brought under chapter 278 in the county where the property is located and proper service must be made upon the county officials as specified in section 278.01, subdivision 1.

Subd. 4. [NOTICE.] Upon filing of any appeal by a utility company or railroad against the commissioner under this section, the commissioner shall give notice by first class mail to each county which would be affected by the appeal.

Subd. 5. [ADMINISTRATIVE APPEALS.] Companies that submit the reports under section 270.82 or 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 271.06 for appealing an order of the commissioner in Tax Court or the deadline in section 278.01 for filing a property tax claim or objection in Tax Court or district court.

[EFFECTIVE DATE.] This section is effective for petitions served and filed on or after September 1, 2005.

Sec. 27. Minnesota Statutes 2004, section 274.014, subdivision 2, is amended to read:

Subd. 2. [APPEALS AND EQUALIZATION COURSE.] By no later than January 1, Beginning in 2006, and each year thereafter, there must be at least one member at each meeting of a local board of appeal and equalization who has attended an appeals and equalization course developed or approved by the commissioner within the last four years, as certified by the commissioner. The course may be offered in conjunction with a meeting of the Minnesota League of Cities or the Minnesota Association of Townships. The course content must include, but need not be limited to, a review of the handbook developed by the commissioner under subdivision 1.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 28. Minnesota Statutes 2004, section 274.014, subdivision 3, is amended to read:

Subd. 3. [PROOF OF COMPLIANCE; TRANSFER OF DUTIES.] (a) Any city or town that does not conducts local boards of appeal and equalization meetings must provide proof to the county assessor by December 1, 2006, and each year thereafter, that it is in compliance with the requirements of subdivision 2, and that it had. Beginning in 2006, this notice must also verify that there was a quorum of voting members at each meeting of the board of appeal and equalization in the prior current year;. A city or town that does not comply with these requirements is deemed to have transferred its board of appeal and equalization powers to the county under section 274.01, subdivision 3, for beginning with the following year's assessment and continuing unless the powers are reinstated under paragraph (c).

(b) The county shall notify the taxpayers when the board of appeal and equalization for a city or town has been transferred to the county under this subdivision and, prior to the meeting time of the county board of equalization, the county shall make available to those taxpayers a procedure for a review of the assessments, including, but not limited to, open book meetings. This alternate review process shall take place in April and May.

(c) A local board whose powers are transferred to the county under this subdivision may be reinstated by resolution of the governing body of the city or town and upon proof of compliance with the requirements of subdivision 2. The resolution and proofs must be provided to the county assessor by December 1 in order to be effective for the following year's assessment.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 29. Minnesota Statutes 2004, section 274.14, is amended to read:

274.14 [LENGTH OF SESSION; RECORD.]

~~The county board of equalization or the special board of equalization appointed by it shall meet during the last ten meeting days in June. For this purpose, "meeting days" are defined as any day of the week excluding Saturday and Sunday. The board may meet on any ten consecutive meeting days in June, after the second Friday in June, if. The actual meeting dates are must be contained on the valuation notices mailed to each property owner in the county under as provided in section 273.121. For this purpose, "meeting days" is defined as any day of the week excluding Saturday and Sunday. No action taken by the county board of review after June 30 is valid, except for corrections permitted in sections 273.01 and 274.01. The county auditor shall keep an accurate record of the proceedings and orders of the board. The record must be published like other proceedings of county commissioners. A copy of the published record must be sent to the commissioner of revenue, with the abstract of assessment required by section 274.16.~~

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 30. Minnesota Statutes 2004, section 275.065, subdivision 1a, is amended to read:

Subd. 1a. [OVERLAPPING JURISDICTIONS.] In the case of a taxing authority lying in two or more counties, the home county auditor shall certify the proposed levy and the proposed local tax rate to the other county auditor by ~~September 20~~ October 5. The home county auditor must estimate the levy or rate in preparing the notices required in subdivision 3, if the other county has not certified the appropriate information. If requested by the home county auditor, the other county auditor must furnish an estimate to the home county auditor.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 31. Minnesota Statutes 2004, section 275.07, subdivision 1, is amended to read:

Subdivision 1. [CERTIFICATION OF LEVY.] (a) Except as provided under paragraph (b), the taxes voted by cities, counties, school districts, and special districts shall be certified by the proper authorities to the county auditor on or before five working days after December 20 in each year. A town must certify the levy adopted by the town board to the county auditor by September 15 each year. If the town board modifies the levy at a special town meeting after September 15, the town board must recertify its levy to the county auditor on or before five working days after December 20. ~~The taxes certified shall be reduced by the county auditor by the aid received under section 273.1398, subdivision 3.~~ If a city, town, county, school district, or special district fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year.

(b)(i) The taxes voted by counties under sections 103B.241, 103B.245, and 103B.251 shall be separately certified by the county to the county auditor on or before five working days after December 20 in each year. The taxes certified shall not be reduced by the county auditor by the aid received under section 273.1398, subdivision 3. If a county fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year.

(ii) For purposes of the proposed property tax notice under section 275.065 and the property tax

statement under section 276.04, for the first year in which the county implements the provisions of this paragraph, the county auditor shall reduce the county's levy for the preceding year to reflect any amount levied for water management purposes under clause (i) included in the county's levy.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 32. Minnesota Statutes 2004, section 275.07, subdivision 4, is amended to read:

Subd. 4. **[REPORT TO COMMISSIONER.]** (a) On or before October 8 of each year, the county auditor shall report to the commissioner of revenue the proposed levy certified by local units of government under section 275.065, subdivision 1. If any taxing authorities have notified the county auditor that they are in the process of negotiating an agreement for sharing, merging, or consolidating services but that when the proposed levy was certified under section 275.065, subdivision 1c, the agreement was not yet finalized, the county auditor shall supply that information to the commissioner when filing the report under this section and shall recertify the affected levies as soon as practical after October 10.

(b) On or before January 15 of each year, the county auditor shall report to the commissioner of revenue the final levy certified by local units of government under subdivision 1.

(c) The levies must be reported in the manner prescribed by the commissioner. ~~The reports must show a total levy and the amount of each special levy.~~

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 33. Minnesota Statutes 2004, section 276.04, subdivision 2, is amended to read:

Subd. 2. **[CONTENTS OF TAX STATEMENTS.]** (a) The treasurer shall provide for the printing of the tax statements. The commissioner of revenue shall prescribe the form of the property tax statement and its contents. The statement must contain a tabulated statement of the dollar amount due to each taxing authority and the amount of the state tax from the parcel of real property for which a particular tax statement is prepared. The dollar amounts attributable to the county, the state tax, the voter approved school tax, the other local school tax, the township or municipality, and the total of the metropolitan special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated. The amounts due all other special taxing districts, if any, may be aggregated. If the county levy under this paragraph includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount. The amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

(b) The property tax statements for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements for real property.

(c) Real and personal property tax statements must contain the following information in the order given in this paragraph. The information must contain the current year tax information in the right column with the corresponding information for the previous year in a column on the left:

(1) the property's estimated market value under section 273.11, subdivision 1;

(2) the property's taxable market value after reductions under section 273.11, subdivisions 1a and 16;

(3) the property's gross tax, calculated by adding the property's total property tax to the sum of the aids enumerated in clause (4);

(4) a total of the following aids:

(i) education aids payable under chapters 122A, 123A, 123B, 124D, 125A, 126C, and 127A;

(ii) local government aids for cities, towns, and counties under ~~chapter 477A~~ sections 477A.011 to 477A.014; and

(iii) disparity reduction aid under section 273.1398;

(5) for homestead residential and agricultural properties, the credits under section 273.1384;

(6) any credits received under sections 273.119; 273.123; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; and

(7) the net tax payable in the manner required in paragraph (a).

(d) If the county uses envelopes for mailing property tax statements and if the county agrees, a taxing district may include a notice with the property tax statement notifying taxpayers when the taxing district will begin its budget deliberations for the current year, and encouraging taxpayers to attend the hearings. If the county allows notices to be included in the envelope containing the property tax statement, and if more than one taxing district relative to a given property decides to include a notice with the tax statement, the county treasurer or auditor must coordinate the process and may combine the information on a single announcement.

The commissioner of revenue shall certify to the county auditor the actual or estimated aids enumerated in clause (4) that local governments will receive in the following year. The commissioner must certify this amount by January 1 of each year.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 34. Minnesota Statutes 2004, section 276.112, is amended to read:

276.112 [STATE PROPERTY TAXES; COUNTY TREASURER.]

On or before January 25 each year, for the period ending December 31 of the prior year, and on or before June ~~29~~ 28 each year, for the period ending on the most recent settlement day determined in section 276.09, and on or before December 2 each year, for the period ending November 20, the county treasurer must make full settlement with the county auditor according to sections 276.09, 276.10, and 276.111 for all receipts of state property taxes levied under section 275.025, and must transmit those receipts to the commissioner of revenue by electronic means.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 35. Minnesota Statutes 2004, section 276A.01, subdivision 7, is amended to read:

Subd. 7. [POPULATION.] "Population" means the most recent estimate of the population of a municipality made by the state demographer and filed with the commissioner of revenue as of July ~~1~~ 15 of the year in which a municipality's distribution net tax capacity is calculated. The state demographer shall annually estimate the population of each municipality and, in the case of a municipality which is located partly within and partly without the area, the proportion of the total which resides within the area, and shall file the estimates with the commissioner of revenue.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 36. Minnesota Statutes 2004, section 282.016, is amended to read:

282.016 [PROHIBITED PURCHASERS.]

~~No~~ (a) A county auditor, county treasurer, county attorney, court administrator of the district court, ~~or~~ county assessor ~~or~~, supervisor of assessments, ~~or~~ deputy or clerk or an employee of such officer, ~~and no~~ a commissioner for tax-forfeited lands or an assistant to such commissioner ~~may~~,

~~must not become a purchaser, either personally or as an agent or attorney for another person, of the properties offered for sale under the provisions of this chapter, either personally, or as agent or attorney for any other person, except that in the county for which the person performs duties.~~

(b) ~~Notwithstanding paragraph (a), such officer, deputy, court administrator clerk, or employee or commissioner for tax-forfeited lands or assistant to such commissioner may (1) purchase lands owned by that official at the time the state became the absolute owner thereof or (2) bid upon and purchase forfeited property offered for sale under the alternate sale procedure described in section 282.01, subdivision 7a.~~

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 37. Minnesota Statutes 2004, section 282.08, is amended to read:

282.08 [APPORTIONMENT OF PROCEEDS TO TAXING DISTRICTS.]

The net proceeds from the sale or rental of any parcel of forfeited land, or from the sale of products from the forfeited land, must be apportioned by the county auditor to the taxing districts interested in the land, as follows:

~~(1) the amounts necessary to pay the state general tax levy against the parcel for taxes payable in the year for which the tax judgment was entered, and for each subsequent payable year up to and including the year of forfeiture, must be apportioned to the state;~~

(2) the portion required to pay any amounts included in the appraised value under section 282.01, subdivision 3, as representing increased value due to any public improvement made after forfeiture of the parcel to the state, but not exceeding the amount certified by the clerk of the municipality must be apportioned to the municipal subdivision entitled to it;

~~(3)~~ (2) the portion required to pay any amount included in the appraised value under section 282.019, subdivision 5, representing increased value due to response actions taken after forfeiture of the parcel to the state, but not exceeding the amount of expenses certified by the Pollution Control Agency or the commissioner of agriculture, must be apportioned to the agency or the commissioner of agriculture and deposited in the fund from which the expenses were paid;

(4) ~~(3)~~ the portion of the remainder required to discharge any special assessment chargeable against the parcel for drainage or other purpose whether due or deferred at the time of forfeiture, must be apportioned to the municipal subdivision entitled to it; and

~~(5)~~ (4) any balance must be apportioned as follows:

(i) The county board may annually by resolution set aside no more than 30 percent of the receipts remaining to be used for timber development on tax-forfeited land and dedicated memorial forests, to be expended under the supervision of the county board. It must be expended only on projects approved by the commissioner of natural resources.

(ii) The county board may annually by resolution set aside no more than 20 percent of the receipts remaining to be used for the acquisition and maintenance of county parks or recreational areas as defined in sections 398.31 to 398.36, to be expended under the supervision of the county board.

(iii) Any balance remaining must be apportioned as follows: county, 40 percent; town or city, 20 percent; and school district, 40 percent, provided, however, that in unorganized territory that portion which would have accrued to the township must be administered by the county board of commissioners.

[EFFECTIVE DATE.] This section is effective the day following final enactment for state general tax levy amounts payable in 2004 and thereafter.

Sec. 38. Minnesota Statutes 2004, section 282.15, is amended to read:

282.15 [SALES OF FORFEITED AGRICULTURAL LANDS.]

The sale shall be conducted by the auditor of the county in which the parcels lie. The parcels shall be sold to the highest bidder but not for less than the appraised value. The sales shall be for cash or on the following terms: The appraised value of all merchantable timber on agricultural lands shall be paid for in full at the date of sale. At least 15 percent of the purchase price of the land shall be paid in cash at the time of purchase. The balance shall be paid in not more than 20 equal annual installments, with interest at a rate equal to the rate in effect at the time under section 549.09 on the unpaid balance each year. Both principal and interest are due and payable on December 31 each year following that in which the purchase was made. The purchaser may pay any number of installments of principal and interest on or before their due date. When the sale is on terms other than for cash in full, the purchaser shall receive from the county auditor a contract for deed, in a form prescribed by the attorney general. The county auditor shall make a report to the commissioner of natural resources not more than 30 days after each public sale showing the lands sold at the sales, and submit a copy of each contract of sale.

All lands sold pursuant to this section shall, ~~on the second day of January following the date of the sale,~~ must be restored to the tax rolls and become subject to taxation in the same manner as they were assessed and taxed before becoming the absolute property of the state for the assessment year determined under section 272.02, subdivision 38, paragraph (c).

[EFFECTIVE DATE.] This section is effective for sales occurring on or after July 1, 2005.

Sec. 39. Minnesota Statutes 2004, section 282.21, is amended to read:

282.21 [FORM OF CONVEYANCE.]

When any sale has been made under sections 282.14 to 282.22, upon payment in full of the purchase price, appropriate conveyance in fee in such form as may be prescribed by the attorney general shall be issued by the commissioner of ~~finance~~ natural resources to the purchaser or the purchaser's assigns and this conveyance shall have the force and effect of a patent from the state.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 40. Minnesota Statutes 2004, section 282.224, is amended to read:

282.224 [FORM OF CONVEYANCE.]

When any sale has been made under sections 282.221 to 282.226, upon payment in full of the purchase price, appropriate conveyance in fee, in such form as may be prescribed by the attorney general, shall be issued by the commissioner of natural resources to the purchaser or the purchaser's assignee, and the conveyance shall have the force and effect of a patent from the state.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 41. Minnesota Statutes 2004, section 282.301, is amended to read:

282.301 [RECEIPTS FOR PAYMENTS.]

When any sale has been made under sections 282.012 and 282.241 to 282.324, the purchaser shall receive from the county auditor at the time of repurchase a receipt, in such form as may be prescribed by the attorney general. When the purchase price of a parcel of land shall be paid in full, the following facts shall be certified by the county auditor to the commissioner of revenue of the state of Minnesota: the description of land, the date of sale, the name of the purchaser or the purchaser's assignee, and the date when the final installment of the purchase price was paid. Upon payment in full of the purchase price, the purchaser or the assignee shall receive a quitclaim deed from the state, to be executed by the commissioner of revenue. The deed must be sent to the county auditor who shall have it recorded before it is forwarded to the purchaser. Failure to make any payment herein required shall constitute default and upon such default and cancellation in accord with section 282.40, the right, title and interest of the purchaser or the purchaser's heirs, representatives, or assigns in such parcel shall terminate.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 42. Minnesota Statutes 2004, section 290A.19, is amended to read:

290A.19 [OWNER OR MANAGING AGENT TO FURNISH RENT CERTIFICATE.]

(a) The owner or managing agent of any property for which rent is paid for occupancy as a homestead must furnish a certificate of rent paid to a person who is a renter on December 31, in the form prescribed by the commissioner. If the renter moves before December 31, the owner or managing agent may give the certificate to the renter at the time of moving, or mail the certificate to the forwarding address if an address has been provided by the renter. The certificate must be made available to the renter before February 1 of the year following the year in which the rent was paid. The owner or managing agent must retain a duplicate of each certificate or an equivalent record showing the same information for a period of three years. The duplicate or other record must be made available to the commissioner upon request. For the purposes of this section, "owner" includes a park owner as defined under section 327C.01, subdivision 6, and "property" includes a lot as defined under section 327C.01, subdivision 3.

(b) The commissioner may require the owner or managing agent to file a copy of the certificate of rent paid with the commissioner by April 15 of the year following the year in which the rent was paid. The copy must be submitted to the commissioner by electronic means as that term is defined in section 289A.02, subdivision 8. This paragraph does not apply to any owner or managing agent that is required to issue certificates to renters of fewer than 100 units.

[EFFECTIVE DATE.] This section is effective for certificates of rent paid that are issued for rent paid after December 31, 2005.

Sec. 43. Minnesota Statutes 2004, 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 (i) the total amount of property taxes and special assessments levied upon the qualifying homestead by all taxing jurisdictions and (ii) 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.~~ For this purpose "special assessments" includes any assessment, fee, or other charge that may by law, and which does, appear on the property tax statement for the property for collection under the laws applicable to the enforcement of real estate taxes. 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.

[EFFECTIVE DATE.] This section is effective for amounts deferred in 2006 and thereafter.

Sec. 44. Minnesota Statutes 2004, section 373.45, subdivision 7, is amended to read:

Subd. 7. [AID REDUCTION FOR REPAYMENT.] (a) Except as provided in paragraph (b), the commissioner may reduce, by the amount paid by the state under this section on behalf of the county, plus the interest due on the state payments, ~~the following aids payable to the county:~~

~~(1) homestead and agricultural credit aid and disparity reduction aid payable under section 273.1398;~~

~~(2) county criminal justice aid payable under section 477A.0121; and~~

~~(3) family preservation aid payable under section 477A.0122~~ county program aid under section 477A.0124.

The amount of any aid reduction reverts from the appropriate account to the state general fund.

(b) If, after review of the financial situation of the county, the authority advises the commissioner that a total reduction of the aids would cause an undue hardship on the county, the authority, with the approval of the commissioner, may establish a different schedule for reduction of aids to repay the state. The amount of aids to be reduced are decreased by any amounts repaid to the state by the county from other revenue sources.

[EFFECTIVE DATE.] This section is effective for aid payable in 2005 and thereafter.

Sec. 45. Minnesota Statutes 2004, section 469.1735, subdivision 3, is amended to read:

Subd. 3. [TRANSFER AUTHORITY FOR PROPERTY TAX.] (a) A city may elect to use all or part of its allocation under subdivision 2 to reimburse the city or county or both for property tax reductions under section 272.0212. To elect this option, the city must notify the commissioner of revenue by October 1 of each calendar year of the amount of the property tax reductions for which it seeks reimbursements for taxes payable during the following current year and the governmental units to which the amounts will be paid. The commissioner may require the city to provide information substantiating the amount of the reductions granted or any other information necessary to administer this provision. The commissioner shall pay the reimbursements by December 26 of the taxes payable year. Any amount transferred under this authority reduces the amount of tax credit certificates available under subdivisions 1 and 2.

(b) The amount elected by the city under paragraph (a) is appropriated to the commissioner of revenue from the general fund to reimburse the city or county for tax reductions under section 272.0212. The amount appropriated may not exceed the maximum amounts allocated to a city under subdivision 2, paragraph (b), less the amount of certificates issued by the city under subdivision 1, and is available until expended.

[EFFECTIVE DATE.] This section is effective for reimbursements of taxes payable in 2005 and thereafter.

Sec. 46. [473.24] [POPULATION ESTIMATES.]

(a) The Metropolitan Council shall annually prepare an estimate of population for each county, city, and town in the metropolitan area and an estimate of the number of households and average household size for each city in the metropolitan area with a population of 2,500 or more, and an estimate of population over age 65 for each county in the metropolitan area, and convey the estimates to the governing body of each county, city, or town by June 1 each year. In the case of a city or town that is located partly within and partly without the metropolitan area, the Metropolitan Council shall estimate the proportion of the total population and the average size of households that reside within the area. The Metropolitan Council may prepare an estimate of the population and of the average household size for any other political subdivision located in the metropolitan area.

(b) A governing body may challenge an estimate made under this section by filing its specific objections in writing with the Metropolitan Council by June 24. If the challenge does not result in an acceptable estimate, the governing body may have a special census conducted by the United States Bureau of the Census. The political subdivision must notify the Metropolitan Council on or before July 1 of its intent to have the special census conducted. The political subdivision must bear all costs of the special census. Results of the special census must be received by the Metropolitan Council by the next April 15 to be used in that year's June 1 estimate under this section. The Metropolitan Council shall certify the estimates of population and the average household size to the state demographer and to the commissioner of revenue by July 15 each year, including any estimates still under objection.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 47. Minnesota Statutes 2004, section 473F.02, subdivision 7, is amended to read:

Subd. 7. [POPULATION.] "Population" means the most recent estimate of the population of a municipality made by the Metropolitan Council under section 473.24 and filed with the commissioner of revenue as of July 15 of the year in which a municipality's distribution net tax

capacity is calculated. ~~The council shall annually estimate the population of each municipality as of a date which it determines and, in the case of a municipality which is located partly within and partly without the area, the proportion of the total which resides within the area, and shall promptly thereafter file its estimates with the commissioner of revenue.~~

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 48. Minnesota Statutes 2004, section 477A.011, subdivision 3, is amended to read:

Subd. 3. [POPULATION.] "Population" means the population estimated or established as of July 1 15 in an aid calculation year by the most recent federal census, by a special census conducted under contract with the United States Bureau of the Census, by a population estimate made by the Metropolitan Council pursuant to section 473.24, or by a population estimate of the state demographer made pursuant to section 4A.02, whichever is the most recent as to the stated date of the count or estimate for the preceding calendar year, and which has been certified to the commissioner of revenue on or before July 15 of the aid calculation year. The term "per capita" refers to population as defined by this subdivision. A revision of an estimate or count is effective for these purposes only if it is certified to the commissioner on or before July 15 of the aid calculation year. Clerical errors in the certification or use of the estimates and counts established as of July 15 in the aid calculation year are subject to correction within the time periods allowed under section 477A.014.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 49. Minnesota Statutes 2004, section 477A.011, subdivision 36, is amended to read:

Subd. 36. [CITY AID BASE.] (a) Except as otherwise provided in this subdivision, "city aid base" is zero.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

~~(f) Beginning in 2004, the city aid base for a city is equal to the sum of its city aid base in 2003 and the amount of additional aid it was certified to receive under section 477A.06 in 2003. For 2004 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 2003.~~

~~(g)~~ 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.

~~(h)~~ ~~(g)~~ 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.

~~(i)~~ ~~(h)~~ 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.

~~(j)~~ (i) 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.

~~(k)~~ (j) 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.

~~(l)~~ (k) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and by an additional \$50,000 in calendar years 2002 to 2011, 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, and by \$50,000 in calendar year 2002 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.

~~(m)~~ (l) The city aid base for a city with a population of 10,000 or more which is located outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to the lesser of:

(1)(i) the total population of the city, as determined by the United States Bureau of the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or

(2) \$2,500,000.

(~~n~~) (m) The city aid base is increased by \$50,000 in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:

- (1) the city is located in the seven-county metropolitan area;
- (2) its population in 2000 is between 10,000 and 20,000; and
- (3) its commercial industrial percentage, as calculated for city aid payable in 2001, was greater than 25 percent.

(~~o~~) (n) The city aid base for a city is increased by \$150,000 in calendar years 2002 to 2011 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 2002 only, provided that:

- (1) the city had a population of at least 3,000 but no more than 4,000 in 1999;
- (2) its home county is located within the seven-county metropolitan area;
- (3) its pre-1940 housing percentage is less than 15 percent; and
- (4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900 per capita.

(~~p~~) (o) The city aid base for a city is increased by \$200,000 beginning in calendar year 2003 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 2003 only, provided that the city qualified for an increase in homestead and agricultural credit aid under Laws 1995, chapter 264, article 8, section 18.

(~~q~~) (p) The city aid base for a city is increased by \$200,000 in 2004 only and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$200,000 in calendar year 2004 only, if the city is the site of a nuclear dry cask storage facility.

(~~r~~) (q) The city aid base for a city is increased by \$10,000 in 2004 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$10,000 in calendar year 2004 only, if the city was included in a federal major disaster designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by more than 40 percent between 1990 and 2000.

[EFFECTIVE DATE.] This section is effective beginning with aids payable in 2004.

Sec. 50. Minnesota Statutes 2004, section 477A.011, subdivision 38, is amended to read:

Subd. 38. **[HOUSEHOLD SIZE.]** "Household size" means the average number of persons per household in the jurisdiction as most recently estimated and reported by the state demographer and Metropolitan Council as of July 15 of the aid calculation year. A revision to an estimate or enumeration is effective for these purposes only if it is certified to the commissioner on or before July 15 of the aid calculation year. Clerical errors in the certification or use of estimates and counts established as of July 15 in the aid calculation year are subject to correction within the time periods allowed under section 477A.014.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 51. Minnesota Statutes 2004, section 477A.0124, subdivision 2, is amended to read:

Subd. 2. **[DEFINITIONS.]** (a) For the purposes of this section, the following terms have the meanings given them.

(b) "County program aid" means the sum of "county need aid," "county tax base equalization aid," and "county transition aid."

(c) "Age-adjusted population" means a county's population multiplied by the county age index.

(d) "County age index" means the percentage of the population over age 65 within the county divided by the percentage of the population over age 65 within the state, except that the age index for any county may not be greater than 1.8 nor less than 0.8.

(e) "Population over age 65" means the population over age 65 established as of July 15 in an aid calculation year by the most recent federal census, by a special census conducted under contract with the United States Bureau of the Census, by a population estimate made by the Metropolitan Council, or by a population estimate of the state demographer made pursuant to section 4A.02, whichever is the most recent as to the stated date of the count or estimate for the preceding calendar year and which has been certified to the commissioner of revenue on or before July 15 of the aid calculation year. A revision to an estimate or count is effective for these purposes only if certified to the commissioner on or before July 15 of the aid calculation year. Clerical errors in the certification or use of estimates and counts established as of July 15 in the aid calculation year are subject to correction within the time periods allowed under section 477A.014.

(f) "Part I crimes" means the three-year average annual number of Part I crimes reported for each county by the Department of Public Safety for the most recent years available. By July 1 of each year, the commissioner of public safety shall certify to the commissioner of revenue the number of Part I crimes reported for each county for the three most recent calendar years available.

(g) "Households receiving food stamps" means the average monthly number of households receiving food stamps for the three most recent years for which data is available. By July 1 of each year, the commissioner of human services must certify to the commissioner of revenue the average monthly number of households in the state and in each county that receive food stamps, for the three most recent calendar years available.

(h) "County net tax capacity" means the net tax capacity of the county, computed analogously to city net tax capacity under section 477A.011, subdivision 20.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 52. Laws 2003, chapter 127, article 5, section 27, the effective date, is amended to read:

[EFFECTIVE DATE.] This section is effective for taxes payable in 2004 and thereafter distributions occurring on or after June 10, 2003.

Sec. 53. Laws 2003, chapter 127, article 5, section 28, the effective date, is amended to read:

[EFFECTIVE DATE.] This section is effective for taxes payable in 2004 and thereafter distributions occurring on or after June 10, 2003.

Sec. 54. Laws 2003, First Special Session chapter 21, article 5, section 13, is amended to read:

Sec. 13. [2004 CITY AID REDUCTIONS.]

The commissioner of revenue shall compute an aid reduction amount for 2004 for each city as provided in this section.

The initial aid reduction amount for each city is the amount by which the city's aid distribution under Minnesota Statutes, section 477A.013, and related provisions payable in 2003 exceeds the city's 2004 distribution under those provisions.

The minimum aid reduction amount for a city is the amount of its reduction in 2003 under section 12. If a city receives an increase to its city aid base under Minnesota Statutes, section 477A.011, subdivision 36, its minimum aid reduction is reduced by an equal amount.

The maximum aid reduction amount for a city is an amount equal to 14 percent of the city's total 2004 levy plus aid revenue base, except that if the city has a city net tax capacity for aids payable in 2004, as defined in Minnesota Statutes, section 477A.011, subdivision 20, of \$700 per

capita or less, the maximum aid reduction shall not exceed an amount equal to 13 percent of the city's total 2004 levy plus aid revenue base.

If the initial aid reduction amount for a city is less than the minimum aid reduction amount for that city, the final aid reduction amount for the city is the sum of the initial aid reduction amount and the lesser of the amount of the city's payable 2004 reimbursement under Minnesota Statutes, section 273.1384, or the difference between the minimum and initial aid reduction amounts for the city, and the amount of the final aid reduction in excess of the initial aid reduction is deducted from the city's reimbursements pursuant to Minnesota Statutes, section 273.1384.

If the initial aid reduction amount for a city is greater than the maximum aid reduction amount for the city, the city receives an additional distribution under this section equal to the result of subtracting the maximum aid reduction amount from the initial aid reduction amount. This distribution shall be paid in equal installments in 2004 on the dates specified in Minnesota Statutes, section 477A.015. The amount necessary for these additional distributions is appropriated to the commissioner of revenue from the general fund in fiscal year 2005.

~~The initial aid reduction is applied to the city's distribution pursuant to Minnesota Statutes, section 477A.013, and any aid reduction in excess of the initial aid reduction is applied to the city's reimbursements pursuant to Minnesota Statutes, section 273.1384.~~

To the extent that sufficient information is available on each payment date in 2004, the commissioner of revenue shall pay the reimbursements reduced under this section in equal installments on the payment dates provided in law.

[EFFECTIVE DATE.] This section is effective for aids payable in 2004.

Sec. 55. Laws 2003, First Special Session chapter 21, article 6, section 9, is amended to read:

Sec. 9. [DEFINITIONS.]

(a) For purposes of sections 9 to 15, the following terms have the meanings given them in this section.

(b) The 2003 and 2004 "levy plus aid revenue base" for a county is the sum of that county's certified property tax levy for taxes payable in 2003, plus the sum of the amounts the county was certified to receive in the designated calendar year as:

(1) homestead and agricultural credit aid under Minnesota Statutes, section 273.1398, subdivision 2, plus any additional aid under section 16, minus the amount calculated under section 273.1398, subdivision 4a, paragraph (b), for counties in judicial districts one, three, six, and ten, and 25 percent of the amount calculated under section 273.1398, subdivision 4a, paragraph (b), for counties in judicial districts two and four;

(2) the amount of county manufactured home homestead and agricultural credit aid computed for the county for payment in 2003 under section 273.166;

(3) criminal justice aid under Minnesota Statutes, section 477A.0121;

(4) family preservation aid under Minnesota Statutes, section 477A.0122;

(5) taconite aids under Minnesota Statutes, 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; and

(6) county program aid under section 477A.0124, exclusive of the attached machinery aid component.

[EFFECTIVE DATE.] This section is effective for aids payable in 2004.

Sec. 56. [LINCOLN AND PIPESTONE COUNTIES; TOWN LEVY ADJUSTMENT FOR WIND ENERGY PRODUCTION TAX.]

Notwithstanding the deadlines in Minnesota Statutes, section 275.07, towns located in Lincoln or Pipestone County are authorized to adjust their payable 2004 levy for all or a portion of their estimated wind energy production tax amounts for 2004, as computed by the commissioner of revenue from reports filed under Minnesota Statutes, section 272.029, subdivision 4. The Lincoln and Pipestone County auditors may adjust the payable 2004 levy certifications under Minnesota Statutes, section 275.07, subdivision 1, based upon the towns that have recertified their levies under this section by March 15, 2004.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2004.

Sec. 57. [REPEALER.]

(a) Minnesota Statutes 2004, sections 273.19, subdivision 5; 274.05; 275.15; 275.61, subdivision 2; and 283.07, are repealed effective the day following final enactment.

(b) Laws 1975, chapter 287, section 5, and Laws 2003, chapter 127, article 9, section 9, subdivision 4, are repealed effective without local approval for taxes payable in 2006 and thereafter.

ARTICLE 11

DEPARTMENT OF REVENUE

SALES AND USE TAXES

Section 1. Minnesota Statutes 2004, section 289A.38, subdivision 6, is amended to read:

Subd. 6. [OMISSION IN EXCESS OF 25 PERCENT.] Additional taxes may be assessed within 6-1/2 years after the due date of the return or the date the return was filed, whichever is later, if:

(1) the taxpayer omits from gross income an amount properly includable in it that is in excess of 25 percent of the amount of gross income stated in the return;

(2) the taxpayer omits from a sales, use, or withholding tax return an amount of taxes in excess of 25 percent of the taxes reported in the return; or

(3) the taxpayer omits from the gross estate assets in excess of 25 percent of the gross estate reported in the return.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2004, section 289A.38, is amended by adding a subdivision to read:

Subd. 15. [PURCHASER FILED REFUND CLAIMS.] If a purchaser refund claim is filed under section 289A.50, subdivision 2a, and the basis for the claim is that the purchaser was improperly charged tax on an improvement to real property or on the purchase of nontaxable services, sales or use tax may be assessed for the cost of materials used to make the real property improvement or to perform the nontaxable service. The assessment may be made against the person making the improvement to real property or the sale of nontaxable services, within the period prescribed in subdivision 1, or within one year after the date of the refund order, whichever is later.

[EFFECTIVE DATE.] This section is effective for purchaser refund claims filed on or after July 1, 2005.

Sec. 3. Minnesota Statutes 2004, section 289A.40, subdivision 2, is amended to read:

Subd. 2. [BAD DEBT LOSS.] If a claim relates to an overpayment because of a failure to deduct a loss due to a bad debt or to a security becoming worthless, the claim is considered timely if filed within seven years from the date prescribed for the filing of the return. A claim relating to an overpayment of taxes under chapter 297A must be filed within 3-1/2 years from the date prescribed for filing the return, plus any extensions granted for filing the return, but only if filed

within the extended time. The refund or credit is limited to the amount of overpayment attributable to the loss. "Bad debt" for purposes of this subdivision, has the same meaning as that term is used in United States Code, title 26, section 166, except that for a claim relating to an overpayment of taxes under chapter 297A the following are excluded from the calculation of bad debt: financing charges or interest; sales or use taxes charged on the purchase price; uncollectible amounts on property that remain in the possession of the seller until the full purchase price is paid; expenses incurred in attempting to collect any debt; and repossessed property.

[EFFECTIVE DATE.] For claims relating to an overpayment of taxes under chapter 297A, this section is effective for sales and purchases made on or after January 1, 2004; for all other bad debts or claims, this section is effective on or after July 1, 2003.

Sec. 4. Minnesota Statutes 2004, section 289A.40, is amended by adding a subdivision to read:

Subd. 5. **[PURCHASER FILED REFUND CLAIMS.]** A claim for refund of taxes paid on a transaction not subject to tax under chapter 297A, where the purchaser may apply directly to the commissioner under section 289A.50, subdivision 2a, must be filed within 3-1/2 years from the 20th day of the month following the month of the invoice date for the purchase.

[EFFECTIVE DATE.] This section is effective for claims filed on or after the day following final enactment.

Sec. 5. Minnesota Statutes 2004, section 289A.40, is amended by adding a subdivision to read:

Subd. 6. **[CAPITAL EQUIPMENT REFUND CLAIMS.]** A claim for refund for taxes paid under chapter 297A on capital equipment must be filed within 3-1/2 years from the 20th day of the month following the month of the invoice date for the purchase of the capital equipment. A claim for refund for taxes imposed on capital equipment under section 297A.63 must be filed within 3-1/2 years from the date prescribed for filing the return, or one year from the date of an order assessing tax under section 289A.37, subdivision 1, upon payment in full of the tax, penalties, and interest shown on the order, whichever period expires later.

[EFFECTIVE DATE.] This section is effective for claims filed on or after the day following final enactment.

Sec. 6. Minnesota Statutes 2004, section 297A.61, subdivision 3, is amended to read:

Subd. 3. **[SALE AND PURCHASE.]** (a) "Sale" and "purchase" include, but are not limited to, each of the transactions listed in this subdivision.

(b) Sale and purchase include:

(1) any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, for a consideration in money or by exchange or barter; and

(2) the leasing of or the granting of a license to use or consume, for a consideration in money or by exchange or barter, tangible personal property, other than a manufactured home used for residential purposes for a continuous period of 30 days or more.

(c) Sale and purchase include the production, fabrication, printing, or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing, or processing.

(d) Sale and purchase include the preparing for a consideration of food. Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited to, the following:

(1) prepared food sold by the retailer;

(2) soft drinks;

(3) candy; and

(4) dietary supplements; and

(5) all food sold through vending machines.

(e) A sale and a purchase includes the furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state.

(f) A sale and a purchase includes the transfer for a consideration of prewritten computer software whether delivered electronically, by load and leave, or otherwise.

(g) A sale and a purchase includes the furnishing for a consideration of the following services:

(1) the privilege of admission to places of amusement, recreational areas, or athletic events, and the making available of amusement devices, tanning facilities, reducing salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

(2) lodging and related services by a hotel, rooming house, resort, campground, motel, or trailer camp and the granting of any similar license to use real property in a specific facility, other than the renting or leasing of it for a continuous period of 30 days or more under an enforceable written agreement that may not be terminated without prior notice;

(3) nonresidential parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(4) the granting of membership in a club, association, or other organization if:

(i) the club, association, or other organization makes available for the use of its members sports and athletic facilities, without regard to whether a separate charge is assessed for use of the facilities; and

(ii) use of the sports and athletic facility is not made available to the general public on the same basis as it is made available to members.

Granting of membership means both onetime initiation fees and periodic membership dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and squash courts; basketball and volleyball facilities; running tracks; exercise equipment; swimming pools; and other similar athletic or sports facilities;

(5) delivery of aggregate materials and concrete block by a third party if the delivery would be subject to the sales tax if provided by the seller of the aggregate material or concrete block; and

(6) services as provided in this clause:

(i) laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply, cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not include services provided by coin operated facilities operated by the customer;

(ii) motor vehicle washing, waxing, and cleaning services, including services provided by coin operated facilities operated by the customer, and rustproofing, undercoating, and towing of motor vehicles;

(iii) building and residential cleaning, maintenance, and disinfecting and exterminating services;

(iv) detective, security, burglar, fire alarm, and armored car services; but not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit organization for monitoring and electronic surveillance of persons placed on in-home detention pursuant to court order or under the direction of the Minnesota Department of Corrections;

(v) pet grooming services;

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor plant care; tree, bush, shrub, and stump removal; and tree trimming for public utility lines. Services performed under a construction contract for the installation of shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

(vii) massages, except when provided by a licensed health care facility or professional or upon written referral from a licensed health care facility or professional for treatment of illness, injury, or disease; and

(viii) the furnishing of lodging, board, and care services for animals in kennels and other similar arrangements, but excluding veterinary and horse boarding services.

In applying the provisions of this chapter, the terms "tangible personal property" and "sales at retail" include taxable services listed in clause (6), items (i) to (vi) and (viii), and the provision of these taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable. Services performed by a partnership or association for another partnership or association are not taxable if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of the preceding sentence, "affiliated group of corporations" includes those entities that would be classified as members of an affiliated group under United States Code, title 26, section 1504, and that are eligible to file a consolidated tax return for federal income tax purposes.

(h) A sale and a purchase includes the furnishing for a consideration of tangible personal property or taxable services by the United States or any of its agencies or instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political subdivisions.

(i) A sale and a purchase includes the furnishing for a consideration of telecommunications services, including cable television services and direct satellite services. Telecommunications services are taxed to the extent allowed under federal law.

(j) A sale and a purchase includes the furnishing for a consideration of installation if the installation charges would be subject to the sales tax if the installation were provided by the seller of the item being installed.

(k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer to a customer when (1) the vehicle is rented by the customer for a consideration, or (2) the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section 65B.29, subdivision 1, clause (1).

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 7. Minnesota Statutes 2004, section 297A.61, subdivision 4, is amended to read:

Subd. 4. [RETAIL SALE.] (a) A "retail sale" means any sale, lease, or rental for any purpose, other than resale, sublease, or subrent of items by the purchaser in the normal course of business as defined in subdivision 21.

(b) A sale of property used by the owner only by leasing it to others or by holding it in an effort to lease it, and put to no use by the owner other than resale after the lease or effort to lease, is a sale of property for resale.

(c) A sale of master computer software that is purchased and used to make copies for sale or lease is a sale of property for resale.

(d) A sale of building materials, supplies, and equipment to owners, contractors, subcontractors, or builders for the erection of buildings or the alteration, repair, or improvement of real property is a retail sale in whatever quantity sold, whether the sale is for purposes of resale in the form of real property or otherwise.

(e) A sale of carpeting, linoleum, or similar floor covering to a person who provides for installation of the floor covering is a retail sale and not a sale for resale since a sale of floor covering which includes installation is a contract for the improvement of real property.

(f) A sale of shrubbery, plants, sod, trees, and similar items to a person who provides for installation of the items is a retail sale and not a sale for resale since a sale of shrubbery, plants, sod, trees, and similar items that includes installation is a contract for the improvement of real property.

(g) A sale of tangible personal property that is awarded as prizes is a retail sale and is not considered a sale of property for resale.

(h) A sale of tangible personal property utilized or employed in the furnishing or providing of services under subdivision 3, paragraph (g), clause (1), including, but not limited to, property given as promotional items, is a retail sale and is not considered a sale of property for resale.

(i) A sale of tangible personal property used in conducting lawful gambling under chapter 349 or the state lottery under chapter 349A, including, but not limited to, property given as promotional items, is a retail sale and is not considered a sale of property for resale.

(j) A sale of machines, equipment, or devices that are used to furnish, provide, or dispense goods or services, including, but not limited to, coin-operated devices, is a retail sale and is not considered a sale of property for resale.

(k) In the case of a lease, a retail sale occurs when an obligation to make a lease payment becomes due under the terms of the agreement or the trade practices of the lessor.

(l) In the case of a conditional sales contract, a retail sale occurs upon the transfer of title or possession of the tangible personal property.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 8. Minnesota Statutes 2004, section 297A.64, subdivision 4, is amended to read:

Subd. 4. [EXEMPTIONS.] (a) The tax and the fee imposed by this section do not apply to a lease or rental of (1) a vehicle to be used by the lessee to provide a licensed taxi service; (2) a hearse or limousine used in connection with a burial or funeral service; or (3) a van designed or adapted primarily for transporting property rather than passengers. The tax and the fee imposed under this section do not apply when the lease or rental of a vehicle is exempt from the tax imposed under section 297A.62, subdivision 1.

(b) The lessor may elect not to charge the fee imposed in subdivision 2 if in the previous calendar year the lessor had no more than 20 vehicles available for lease that would have been subject to tax under this section, or no more than \$50,000 in gross receipts that would have been subject to tax under this section.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 9. Minnesota Statutes 2004, section 297A.668, subdivision 1, is amended to read:

Subdivision 1. [APPLICABILITY.] The provisions of this section apply regardless of the characterization of a product as tangible personal property, a digital good, or a service; but do not apply to telecommunications services, or the sales of motor vehicles, ~~watercraft, aircraft, modular homes, manufactured homes, or mobile homes.~~ These provisions only apply to determine a seller's obligation to pay or collect and remit a sales or use tax with respect to the seller's sale of a product. These provisions do not affect the obligation of a seller as purchaser to remit tax on the use of the product.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 10. Minnesota Statutes 2004, section 297A.668, subdivision 5, is amended to read:

Subd. 5. [TRANSPORTATION EQUIPMENT.] (a) The retail sale, including lease or rental, of transportation equipment shall be sourced the same as a retail sale in accordance with the provisions of subdivision 2, notwithstanding the exclusion of lease or rental in subdivision 2.

(b) "Transportation equipment" means any of the following:

(1) locomotives and railcars that are utilized for the carriage of persons or property in interstate commerce; ~~and/or~~

(2) trucks and truck-tractors with a gross vehicle weight rating (GVWR) of 10,001 pounds or greater, trailers, semitrailers, or passenger buses that are:

(i) registered through the international registration plan; and

(ii) operated under authority of a carrier authorized and certified by the United States Department of Transportation or another federal authority to engage in the carriage of persons or property in interstate commerce;

(3) aircraft that are operated by air carriers authorized and certificated by the United States Department of Transportation or another federal or a foreign authority to engage in the carriage of persons or property in interstate commerce; or

(4) containers designed for use on and component parts attached or secured on the transportation equipment described in items (1) through (3).

[EFFECTIVE DATE.] This section is effective for sales and purchases made on or after January 1, 2004.

Sec. 11. Minnesota Statutes 2004, section 297A.67, subdivision 2, is amended to read:

Subd. 2. [FOOD AND FOOD INGREDIENTS.] Except as otherwise provided in this subdivision, food and food ingredients are exempt. For purposes of this subdivision, "food" and "food ingredients" mean substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. Food and food ingredients exempt under this subdivision do not include candy, soft drinks, food sold through vending machines, dietary supplements, and prepared foods. Food and food ingredients do not include alcoholic beverages, dietary supplements, and tobacco. For purposes of this subdivision, "alcoholic beverages" means beverages that are suitable for human consumption and contain one-half of one percent or more of alcohol by volume. For purposes of this subdivision, "tobacco" means cigarettes, cigars, chewing or pipe tobacco, or any other item that contains tobacco. For purposes of this subdivision, "dietary supplements" means any product, other than tobacco, intended to supplement the diet that:

(1) contains one or more of the following dietary ingredients:

(i) a vitamin;

(ii) a mineral;

(iii) an herb or other botanical;

(iv) an amino acid;

(v) a dietary substance for use by humans to supplement the diet by increasing the total dietary intake; and

(vi) a concentrate, metabolite, constituent, extract, or combination of any ingredient described in items (i) to (v);

(2) is intended for ingestion in tablet, capsule, powder, softgel, gelcap, or liquid form, or if not intended for ingestion in such form, is not represented as conventional food and is not represented for use as a sole item of a meal or of the diet; and

(3) is required to be labeled as a dietary supplement, identifiable by the supplement facts box found on the label and as required pursuant to Code of Federal Regulations, title 21, section 101.36.

[EFFECTIVE DATE.] This section is effective for sales made on or after the day following final enactment.

Sec. 12. Minnesota Statutes 2004, section 297A.68, subdivision 2, is amended to read:

Subd. 2. **[MATERIALS CONSUMED IN INDUSTRIAL PRODUCTION.]** (a) Materials stored, used, or consumed in industrial production of personal property intended to be sold ultimately at retail are exempt, whether or not the item so used becomes an ingredient or constituent part of the property produced. Materials that qualify for this exemption include, but are not limited to, the following:

(1) chemicals, including chemicals used for cleaning food processing machinery and equipment;

(2) materials, including chemicals, fuels, and electricity purchased by persons engaged in industrial production to treat waste generated as a result of the production process;

(3) fuels, electricity, gas, and steam used or consumed in the production process, except that electricity, gas, or steam used for space heating, cooling, or lighting is exempt if (i) it is in excess of the average climate control or lighting for the production area, and (ii) it is necessary to produce that particular product;

(4) petroleum products and lubricants;

(5) packaging materials, including returnable containers used in packaging food and beverage products;

(6) accessory tools, equipment, and other items that are separate detachable units with an ordinary useful life of less than 12 months used in producing a direct effect upon the product; and

(7) the following materials, tools, and equipment used in metalcasting: crucibles, thermocouple protection sheaths and tubes, stalk tubes, refractory materials, molten metal filters and filter boxes, degassing lances, and base blocks.

(b) This exemption does not include:

(1) machinery, equipment, implements, tools, accessories, appliances, contrivances and furniture and fixtures, except those listed in paragraph (a), clause (6); and

(2) petroleum and special fuels used in producing or generating power for propelling ready-mixed concrete trucks on the public highways of this state.

(c) Industrial production includes, 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, the production of road building materials, and the research, development, design, or production of computer software. Industrial production does not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process. Industrial production does not include the furnishing of services listed in section 297A.61, subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii).

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 13. Minnesota Statutes 2004, section 297A.68, subdivision 5, is amended to read:

Subd. 5. **[CAPITAL EQUIPMENT.]** (a) Capital equipment is exempt. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

"Capital equipment" means machinery and equipment purchased or leased, and used in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining, or refining tangible personal property to be sold ultimately at retail if the machinery and equipment are essential to the integrated production process of manufacturing, fabricating, mining, or refining. Capital equipment also includes machinery and equipment used primarily to electronically transmit results retrieved by a customer of an on-line computerized data retrieval system.

(b) Capital equipment includes, but is not limited to:

- (1) machinery and equipment used to operate, control, or regulate the production equipment;
- (2) machinery and equipment used for research and development, design, quality control, and testing activities;
- (3) environmental control devices that are used to maintain conditions such as temperature, humidity, light, or air pressure when those conditions are essential to and are part of the production process;
- (4) materials and supplies used to construct and install machinery or equipment;
- (5) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to machinery or equipment;
- (6) materials used for foundations that support machinery or equipment;
- (7) materials used to construct and install special purpose buildings used in the production process;
- (8) ready-mixed concrete equipment in which the ready-mixed concrete is mixed as part of the delivery process regardless if mounted on a chassis, repair parts for ready-mixed concrete trucks, and leases of ready-mixed concrete trucks; and
- (9) machinery or equipment used for research, development, design, or production of computer software.

(c) Capital equipment does not include the following:

- (1) motor vehicles taxed under chapter 297B;
- (2) machinery or equipment used to receive or store raw materials;
- (3) building materials, except for materials included in paragraph (b), clauses (6) and (7);
- (4) machinery or equipment used for nonproduction purposes, including, but not limited to, the following: plant security, fire prevention, first aid, and hospital stations; support operations or administration; pollution control; and plant cleaning, disposal of scrap and waste, plant communications, space heating, cooling, lighting, or safety;
- (5) farm machinery and aquaculture production equipment as defined by section 297A.61, subdivisions 12 and 13;
- (6) machinery or equipment purchased and installed by a contractor as part of an improvement to real property; ~~or~~
- (7) machinery and equipment used by restaurants in the furnishing, preparing, or serving of prepared foods as defined in section 297A.61, subdivision 31;
- (8) machinery and equipment used to furnish the services listed in section 297A.61, subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii); or
- (9) any other item that is not essential to the integrated process of manufacturing, fabricating, mining, or refining.

(d) For purposes of this subdivision:

(1) "Equipment" means independent devices or tools separate from machinery but essential to an integrated production process, including computers and computer software, used in operating, controlling, or regulating machinery and equipment; and any subunit or assembly comprising a component of any machinery or accessory or attachment parts of machinery, such as tools, dies, jigs, patterns, and molds.

(2) "Fabricating" means to make, build, create, produce, or assemble components or property to work in a new or different manner.

(3) "Integrated production process" means a process or series of operations through which tangible personal property is manufactured, fabricated, mined, or refined. For purposes of this clause, (i) manufacturing begins with the removal of raw materials from inventory and ends when the last process prior to loading for shipment has been completed; (ii) fabricating begins with the removal from storage or inventory of the property to be assembled, processed, altered, or modified and ends with the creation or production of the new or changed product; (iii) mining begins with the removal of overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and ends when the last process before stockpiling is completed; and (iv) refining begins with the removal from inventory or storage of a natural resource and ends with the conversion of the item to its completed form.

(4) "Machinery" means mechanical, electronic, or electrical devices, including computers and computer software, that are purchased or constructed to be used for the activities set forth in paragraph (a), beginning with the removal of raw materials from inventory through completion of the product, including packaging of the product.

(5) "Machinery and equipment used for pollution control" means machinery and equipment used solely to eliminate, prevent, or reduce pollution resulting from an activity described in paragraph (a).

(6) "Manufacturing" means an operation or series of operations where raw materials are changed in form, composition, or condition by machinery and equipment and which results in the production of a new article of tangible personal property. For purposes of this subdivision, "manufacturing" includes the generation of electricity or steam to be sold at retail.

(7) "Mining" means the extraction of minerals, ores, stone, or peat.

(8) "On-line data retrieval system" means a system whose cumulation of information is equally available and accessible to all its customers.

(9) "Primarily" means machinery and equipment used 50 percent or more of the time in an activity described in paragraph (a).

(10) "Refining" means the process of converting a natural resource to an intermediate or finished product, including the treatment of water to be sold at retail.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 14. Minnesota Statutes 2004, section 297A.68, subdivision 35, is amended to read:

Subd. 35. [TELECOMMUNICATIONS EQUIPMENT.] (a) Telecommunications machinery and equipment purchased or leased for use directly by a telecommunications service provider primarily in the provision of telecommunications services that are ultimately to be sold at retail are exempt, regardless of whether purchased by the owner, a contractor, or a subcontractor.

(b) For purposes of this subdivision, "telecommunications machinery and equipment" includes, but is not limited to:

(1) machinery, equipment, and fixtures utilized in receiving, initiating, amplifying, processing, transmitting, retransmitting, recording, switching, or monitoring telecommunications services,

such as computers, transformers, amplifiers, routers, bridges, repeaters, multiplexers, and other items performing comparable functions;

(2) machinery, equipment, and fixtures used in the transportation of telecommunications services, radio transmitters and receivers, satellite equipment, microwave equipment, and other transporting media, but not wire, cable, fiber, poles, or conduit;

(3) ancillary machinery, equipment, and fixtures that regulate, control, protect, or enable the machinery in clauses (1) and (2) to accomplish its intended function, such as auxiliary power supply, test equipment, towers, heating, ventilating, and air conditioning equipment necessary to the operation of the telecommunications equipment; and software necessary to the operation of the telecommunications equipment; and

(4) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to qualified machinery or equipment.

(c) For purposes of this subdivision, "telecommunications services" means telecommunications services as defined in section 297A.61, subdivision 24, ~~paragraph~~ paragraphs (a), ~~only~~ (c), and (d).

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 15. Minnesota Statutes 2004, section 297A.68, subdivision 39, is amended to read:

Subd. 39. [PREEXISTING BIDS OR CONTRACTS.] (a) The sale of tangible personal property or services is exempt from tax or a tax rate increase for a period of six months from the effective date of the law change that results in the imposition of the tax or the tax rate increase under this chapter if:

(1) the act imposing the tax or increasing the tax rate does not have transitional effective date language for existing construction contracts and construction bids; and

(2) the requirements of paragraph (b) are met.

(b) A sale is tax exempt under paragraph (a) if it meets the requirements of either clause (1) or (2):

(1) For a construction contract:

(i) the goods or services sold must be used for the performance of a bona fide written lump sum or fixed price construction contract;

(ii) the contract must be entered into before the date the goods or services become subject to the sales tax or the tax rate was increased;

(iii) the contract must not provide for allocation of future taxes; and

(iv) for each qualifying contract the contractor must give the seller documentation of the contract on which an exemption is to be claimed.

(2) For a construction bid:

(i) the goods or services sold must be used pursuant to an obligation of a bid or bids;

(ii) the bid or bids must be submitted and accepted before the date the goods or services became subject to the sales tax or the tax rate was increased;

(iii) the bid or bids must not be able to be withdrawn, modified, or changed without forfeiting a bond; and

(iv) for each qualifying bid, the contractor must give the seller documentation of the bid on which an exemption is to be claimed.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 16. Minnesota Statutes 2004, section 297A.99, subdivision 4, is amended to read:

Subd. 4. [TAX BASE.] (a) The tax applies to sales taxable under this chapter that occur within the political subdivision.

(b) Taxable goods or services are subject to a political subdivision's sales tax, if they are performed either:

(1) ~~within the political subdivision, or~~

(2) ~~partly within and partly without the political subdivision and more of the service is performed within the political subdivision, based on the cost of performance sourced to the political subdivision pursuant to section 297A.668.~~

[EFFECTIVE DATE.] This section is effective for sales made on or after January 1, 2004.

Sec. 17. Minnesota Statutes 2004, section 297A.99, subdivision 7, is amended to read:

Subd. 7. [EXEMPTIONS.] (a) All goods or services that are otherwise exempt from taxation under this chapter are exempt from a political subdivision's tax.

(b) The gross receipts from the sale of tangible personal property that meets the requirement requirements of section 297A.68, subdivision subdivisions 11, 15, and 16 are exempt, except the qualification test applies based on the boundaries of the political subdivision instead of the state of Minnesota.

(c) All mobile transportation equipment, and parts and accessories attached to or to be attached to the equipment are exempt, if purchased by a holder of a motor carrier direct pay permit under section 297A.90.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 18. [REPEALER.]

Minnesota Rules, parts 8130.0110, subpart 4; 8130.0200, subparts 5 and 6; 8130.0400, subpart 9; 8130.1200, subparts 5 and 6; 8130.2900; 8130.3100, subpart 1; 8130.4000, subparts 1 and 2; 8130.4200, subpart 1; 8130.4400, subpart 3; 8130.5200; 8130.5600, subpart 3; 8130.5800, subpart 5; 8130.7300, subpart 5; and 8130.8800, subpart 4, are repealed.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

ARTICLE 12

DEPARTMENT OF REVENUE

SPECIAL TAXES

Section 1. Minnesota Statutes 2004, section 287.04, is amended to read:

287.04 [EXEMPTIONS.]

The tax imposed by section 287.035 does not apply to:

(a) A decree of marriage dissolution or an instrument made pursuant to it.

(b) A mortgage given to correct a misdescription of the mortgaged property.

(c) A mortgage or other instrument that adds additional security for the same debt for which mortgage registry tax has been paid.

(d) A contract for the conveyance of any interest in real property, including a contract for deed.

(e) A mortgage secured by real property subject to the minerals production tax of sections 298.24 to 298.28.

(f) The principal amount of a mortgage loan made under a low and moderate income or other affordable housing program, if the mortgagee is a federal, state, or local government agency.

(g) Mortgages granted by fraternal benefit societies subject to section 64B.24.

(h) A mortgage amendment or extension, as defined in section 287.01.

(i) An agricultural mortgage if the proceeds of the loan secured by the mortgage are used to acquire or improve real property classified under section 273.13, subdivision 23, paragraph (a), or (b), clause (1), (2), or (3).

(j) A mortgage on an armory building as set forth in section 193.147.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2004, section 295.50, is amended by adding a subdivision to read:

Subd. 1a. **[BLOOD COMPONENTS.]** "Blood components" means the parts of the blood that are separated from blood by physical or mechanical means and are intended for transfusion. Blood components do not include blood derivatives.

[EFFECTIVE DATE.] This section is effective for gross revenues received after December 31, 2004.

Sec. 3. Minnesota Statutes 2004, section 295.50, subdivision 3, is amended to read:

Subd. 3. **[GROSS REVENUES.]** "Gross revenues" are total amounts received in money or otherwise by:

(1) a hospital for patient services;

(2) a surgical center for patient services;

(3) a health care provider, other than a staff model health carrier, for patient services;

(4) a wholesale drug distributor for sale or distribution of legend drugs that are delivered in Minnesota by the wholesale drug distributor, by common carrier, or by mail, unless the legend drugs are delivered to another wholesale drug distributor who sells legend drugs exclusively at wholesale. Legend drugs do not include nutritional products as defined in Minnesota Rules, part 9505.0325, and blood and blood components; and

(5) a staff model health plan company as gross premiums for enrollees, co-payments, deductibles, coinsurance, and fees for patient services.

[EFFECTIVE DATE.] This section is effective for gross revenues received after December 31, 2004.

Sec. 4. Minnesota Statutes 2004, 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 295.59:

(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 co-payments, whether paid by the Medicare enrollee or by a Medicare supplemental coverage as defined in section 62A.011, subdivision 3, clause (10), or by Medicaid payments under title XIX of the federal Social Security Act. Payments for services not covered by Medicare are taxable;

(2) payments received for home health care services;

(3) 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), (7), (10), or (14);

(4) 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), (7), (10), or (14);

(5) amounts paid for legend drugs, other than nutritional products and blood and blood components, to a wholesale drug distributor who is subject to tax under section 295.52, subdivision 3, reduced by reimbursements received for legend drugs otherwise exempt under this chapter;

(6) payments received by a health care provider or the wholly owned subsidiary of a health care provider for care provided outside Minnesota;

(7) payments received from the chemical dependency fund under chapter 254B;

(8) payments received in the nature of charitable donations that are not designated for providing patient services to a specific individual or group;

(9) 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;

(10) 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 or payments made by the government for services provided under general assistance medical care, the MinnesotaCare program, or the medical assistance program governed by title XIX of the federal Social Security Act, United States Code, title 42, sections 1396 to 1396v;

(11) government payments received by the commissioner of human services for state-operated services;

(12) payments received by a health care provider for hearing aids and related equipment or prescription eyewear delivered outside of Minnesota;

(13) payments received by an educational institution from student tuition, student activity fees, health care service fees, government appropriations, donations, or grants, and for services identified in and provided under an individualized education plan as defined in section 256B.0625 or Code of Federal Regulations, chapter 34, section 300.340(a). Fee for service payments and payments for extended coverage are taxable; and

(14) 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. Enrollee deductibles, coinsurance, and co-payments are subject to tax.

(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.] The change made to paragraph (a), clause (5), of this section is effective for amounts paid for blood and blood components after December 31, 2004. The change made to paragraph (a), clause (14), of this section is effective for enrollee deductibles, coinsurance, and co-payments received under the federal Employees Health Benefits Act on or after the day following final enactment.

Sec. 5. Minnesota Statutes 2004, section 295.60, subdivision 3, is amended to read:

Subd. 3. [PAYMENT.] (a) Each furrier shall make estimated payments of the taxes for the

calendar year in quarterly installments to the commissioner by April 15, July 15, October 15, and January 15 of the following calendar year.

(b) Estimated tax payments are not required if:

(1) the tax for the current calendar year is less than \$500; or

(2) the tax for the previous calendar year is less than \$500, if the taxpayer had a tax liability and was doing business the entire year.

(c) Underpayment of estimated installments bear interest at the rate specified in section 270.75, from the due date of the payment until paid or until the due date of the annual return, whichever comes first. An underpayment of an estimated installment is the difference between the amount paid and the lesser of (1) ~~90 percent of one-quarter of the tax for the calendar year~~ the tax for the actual gross revenues received during the quarter, or (2) one-quarter of the total tax for the previous calendar year if the taxpayer had a tax liability and was doing business the entire year.

[EFFECTIVE DATE.] This section is effective for gross revenues received after December 31, 2005.

Sec. 6. Minnesota Statutes 2004, section 296A.09, is amended by adding a subdivision to read:

Subd. 6. [EXEMPTIONS.] The provisions of subdivisions 1 and 2 do not apply to aviation gasoline or jet fuel purchased by an ambulance service licensed under chapter 144E.

[EFFECTIVE DATE.] This section is effective for purchases made on or after July 1, 2005.

Sec. 7. Minnesota Statutes 2004, section 296A.22, is amended by adding a subdivision to read:

Subd. 9. [ABATEMENT OF PENALTY.] (a) The commissioner may by written order abate any penalty imposed under this section, if in the commissioner's opinion there is reasonable cause to do so.

(b) A request for abatement of penalty must be filed with the commissioner within 60 days of the date the notice stating that a penalty has been imposed was mailed to the taxpayer's last known address.

(c) If the commissioner issues an order denying a request for abatement of penalty, the taxpayer may file an administrative appeal as provided in section 296A.25 or appeal to Tax Court as provided in section 271.06. If the commissioner does not issue an order on the abatement request within 60 days from the date the request is received, the taxpayer may appeal to Tax Court as provided in section 271.06.

[EFFECTIVE DATE.] This section is effective for penalties imposed on or after the day following final enactment.

Sec. 8. Minnesota Statutes 2004, section 297E.01, subdivision 5, is amended to read:

Subd. 5. [DISTRIBUTOR.] "Distributor" means a distributor as defined in section 349.12, subdivision 11, or a person or linked bingo game provider who markets, sells, or provides gambling product to a person or entity for resale or use at the retail level.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 9. Minnesota Statutes 2004, section 297E.01, subdivision 7, is amended to read:

Subd. 7. [GAMBLING PRODUCT.] "Gambling product" means bingo hard cards, bingo paper, or sheets, or linked bingo paper sheets; pull-tabs; tipboards; paddletickets and paddleticket cards; raffle tickets; or any other ticket, card, board, placard, device, or token that represents a chance, for which consideration is paid, to win a prize.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 10. Minnesota Statutes 2004, section 297E.01, is amended by adding a subdivision to read:

Subd. 9a. [LINKED BINGO GAME.] "Linked bingo game" means a bingo game played at two or more locations where licensed organizations are authorized to conduct bingo, when there is a common prize pool and a common selection of numbers or symbols conducted at one location, and when the results of the selection are transmitted to all participating locations by satellite, telephone, or other means by a linked bingo game provider.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 11. Minnesota Statutes 2004, section 297E.01, is amended by adding a subdivision to read:

Subd. 9b. [LINKED BINGO GAME PROVIDER.] "Linked bingo game provider" means any person who provides the means to link bingo prizes in a linked bingo game, who provides linked bingo paper sheets to the participating organizations, who provides linked bingo prize management, and who provides the linked bingo game system.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 12. Minnesota Statutes 2004, section 297E.06, subdivision 2, is amended to read:

Subd. 2. [BUSINESS RECORDS.] An organization shall maintain records supporting the gambling activity reported to the commissioner. Records include, but are not limited to, the following items:

- (1) all winning and unsold tickets, cards, or stubs for pull-tab, tipboard, paddlewheel, and raffle games;
- (2) all reports and statements, including checker's records, for each bingo occasion;
- (3) all cash journals and ledgers, deposit slips, register tapes, and bank statements supporting gambling activity receipts;
- (4) all invoices that represent purchases of gambling product;
- (5) all canceled checks or copies of substitute checks as defined in Public Law 108-100, section 3, check recorders, journals and ledgers, vouchers, invoices, bank statements, and other documents supporting gambling activity expenditures; and
- (6) all organizational meeting minutes.

All records required to be kept by this section must be preserved by the organization for at least 3-1/2 years and may be inspected by the commissioner of revenue at any reasonable time without notice or a search warrant.

[EFFECTIVE DATE.] This section is effective July 1, 2005.

Sec. 13. Minnesota Statutes 2004, section 297E.07, is amended to read:

297E.07 [INSPECTION RIGHTS.]

At any reasonable time, without notice and without a search warrant, the commissioner may enter a place of business of a manufacturer, distributor, ~~or~~ organization, or linked bingo game provider; any site from which pull-tabs or tipboards or other gambling equipment or gambling product are being manufactured, stored, or sold; or any site at which lawful gambling is being conducted, and inspect the premises, books, records, and other documents required to be kept under this chapter to determine whether or not this chapter is being fully complied with. If the commissioner is denied free access to or is hindered or interfered with in making an inspection of the place of business, books, or records, the permit of the distributor may be revoked by the commissioner, and the license of the manufacturer, the distributor, ~~or~~ the organization, or linked bingo game provider may be revoked by the board.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 14. Minnesota Statutes 2004, section 297F.08, subdivision 12, is amended to read:

Subd. 12. [CIGARETTES IN INTERSTATE COMMERCE.] (a) A person may not transport or cause to be transported from this state cigarettes for sale in another state without first affixing to the cigarettes the stamp required by the state in which the cigarettes are to be sold or paying any other excise tax on the cigarettes imposed by the state in which the cigarettes are to be sold.

(b) A person may not affix to cigarettes the stamp required by another state or pay any other excise tax on the cigarettes imposed by another state if the other state prohibits stamps from being affixed to the cigarettes, prohibits the payment of any other excise tax on the cigarettes, or prohibits the sale of the cigarettes.

(c) Not later than 15 days after the end of each calendar quarter, a person who transports or causes to be transported from this state cigarettes for sale in another state shall submit to the commissioner a report identifying the quantity and style of each brand of the cigarettes transported or caused to be transported in the preceding calendar quarter, and the name and address of each recipient of the cigarettes. This reporting requirement only applies to cigarettes manufactured by companies that are not original or subsequent participating manufacturers in the Master Settlement Agreement with other states.

(d) For purposes of this section, "person" has the meaning given in section 297F.01, subdivision 12. Person does not include any common or contract carrier, or public warehouse that is not owned, in whole or in part, directly or indirectly by such person, and does not include a manufacturer that ~~has entered into~~ is an original or subsequent participating manufacturer in the Master Settlement Agreement with other states.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 15. Minnesota Statutes 2004, section 297F.08, is amended by adding a subdivision to read:

Subd. 13. [BOND.] The commissioner may require the furnishing of a corporate surety bond or a certified check in an amount suitable to guarantee payment of the tax stamps purchased by a distributor. The bond or certified check may be required when the commissioner determines that a distributor is (1) delinquent in the filing of any return required under this chapter, or (2) delinquent in the payment of any uncontested tax liability under this chapter. The distributor shall furnish the bond or certified check for a period of two years, after which, if the distributor has not been delinquent in the filing of any returns required under this chapter, or delinquent in the paying of any tax under this chapter, a bond or certified check is no longer required. The commissioner at any time may apply the bond or certified check to any unpaid taxes or fees, including interest and penalties, owed to the department by the distributor.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 16. Minnesota Statutes 2004, 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 85 percent of the estimated June liability is due on the date payment of the tax is due. For distributors subject to the accelerated tax payment requirements in subdivision 10, the return for the May liability is due two business days before June 30th of the year and the return for the June liability is due on or before August 18th of the year.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 17. Minnesota Statutes 2004, 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. The return for the May liability and 85 percent of the estimated June liability is due on the date payment of the tax is due. For distributors subject to the accelerated tax payment requirements in subdivision 10, the return for the May liability is due two business days before June 30th of the year and the return for the June liability is due on or before August 18th of the year.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 18. Minnesota Statutes 2004, section 297G.09, is amended by adding a subdivision to read:

Subd. 10. [QUARTERLY AND ANNUAL PAYMENTS AND RETURNS.] (a) If a manufacturer, wholesaler, brewer, or importer has an average liquor tax liability equal to or less than \$500 per month in any quarter of a calendar year, and has substantially complied with the state tax laws during the preceding four calendar quarters, the manufacturer, wholesaler, brewer, or importer may request authorization to file and pay the taxes quarterly in subsequent calendar quarters. The authorization remains in effect during the period in which the manufacturer's, wholesaler's, brewer's, or importer's quarterly returns reflect liquor tax liabilities of less than \$1,500 and there is continued compliance with state tax laws.

(b) If a manufacturer, wholesaler, brewer, or importer has an average liquor tax liability equal to or less than \$100 per month during a calendar year, and has substantially complied with the state tax laws during that period, the manufacturer, wholesaler, brewer, or importer may request authorization to file and pay the taxes annually in subsequent years. The authorization remains in effect during the period in which the manufacturer's, wholesaler's, brewer's, or importer's annual returns reflect liquor tax liabilities of less than \$1,200 and there is continued compliance with state tax laws.

(c) The commissioner may also grant quarterly or annual filing and payment authorizations to manufacturers, wholesalers, brewers, or importers if the commissioner concludes that the manufacturer's, wholesaler's, brewer's, or importer's future tax liabilities will be less than the monthly totals identified in paragraphs (a) and (b). An authorization granted under this paragraph is subject to the same conditions as an authorization granted under paragraphs (a) and (b).

(d) The annual tax return and payments must be filed and paid on or before the 18th day of January following the calendar year. The quarterly returns and payments must be filed and paid on or before April 18 for the quarter ending March 31, on or before July 18 for the quarter ending June 30, on or before October 18 for the quarter ending September 30, and on or before January 18 for the quarter ending December 31.

[EFFECTIVE DATE.] This section is effective for tax returns and payments due on or after January 1, 2006.

Sec. 19. Minnesota Statutes 2004, section 297I.01, is amended by adding a subdivision to read:

Subd. 13a. [REINSURANCE.] "Reinsurance" is insurance whereby an insurance company, for a consideration, agrees to indemnify another insurance company against all or part of the loss which the latter may sustain under the policy or policies which it has issued.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 20. Minnesota Statutes 2004, section 297I.05, subdivision 5, is amended to read:

Subd. 5. [HEALTH MAINTENANCE ORGANIZATIONS, NONPROFIT HEALTH SERVICE PLAN CORPORATIONS, AND COMMUNITY INTEGRATED SERVICE NETWORKS.] (a) Health maintenance organizations, community integrated service networks, and nonprofit health care service plan corporations are exempt from the tax imposed under this section for premiums received in calendar years 2001 to 2003.

(b) For calendar years after 2003, A tax is imposed on health maintenance organizations, community integrated service networks, and nonprofit health care service plan corporations. The rate of tax is equal to one percent of gross premiums less return premiums on all direct business received by the organization, network, or corporation or its agents in Minnesota, in cash or otherwise, in the calendar year.

(c) 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 tax as described in paragraph (a) is reflected in the premium rate.

(d) (b) The commissioner shall deposit all revenues, including penalties and interest, collected under this chapter from health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations in the health care access fund. Refunds of overpayments of tax imposed by this subdivision must be paid from the health care access fund. There is annually appropriated from the health care access fund to the commissioner the amount necessary to make any refunds of the tax imposed under this subdivision.

[EFFECTIVE DATE.] This section is effective January 1, 2005.

Sec. 21. [REPEALER.]

Minnesota Statutes 2004, section 297E.12, subdivision 10, is repealed effective the day following final enactment.

ARTICLE 13

DEPARTMENT OF REVENUE

ELECTRONIC PAYMENTS

Section 1. [270.772] [MINIMUM DOLLAR REQUIREMENT FOR ELECTRONIC PAYMENT OF TAXES AND FEES.]

(a) Except as provided in paragraph (b), payments of every tax, fee, or surcharge administered by and payable to the commissioner in a calendar year, including deposits and estimated payments, must be remitted electronically if the liability of the taxpayer or payer for the tax, fee, or surcharge is:

(1) \$20,000 or more in the preceding fiscal year ending June 30, 2005; and

(2) \$10,000 or more in the preceding fiscal year ending June 30, 2006, and preceding fiscal years thereafter.

(b) This section does not apply to individual income, estate, fiduciary, and airflight property taxes, and it does not apply to any law requiring all payments for a specific type of tax, fee, or surcharge, or from a specific group of taxpayers or payers, to be made electronically regardless of dollar amount.

Sec. 2. Minnesota Statutes 2004, 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 Code of Federal Regulations, title 26, section 31.6302-1, as amended through December 31, 2001, 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 for wages paid in the subsequent calendar year by electronic means.~~

(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 electronic means as provided in paragraph (e), regardless of the aggregate amount of tax withheld during a fiscal year for all of the employers.

Sec. 3. Minnesota Statutes 2004, 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) or (g), 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 85 percent of the estimated June liability to the commissioner.

(2) On or before August 20 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 electronic means on or before the 20th day of the month following the month in which the taxable event occurred, or on or before the 20th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4, except for 85 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 20.~~

Sec. 4. Minnesota Statutes 2004, 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 1.7 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 electronic means.~~

(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 1.7 percent of the face value of the unsold pull-tab or tipboard tickets, provided that the refund or credit will be 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 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.

Sec. 5. Minnesota Statutes 2004, section 473.843, subdivision 3, is amended to read:

Subd. 3. [PAYMENT OF FEE.] On or before the 20th day of each month each operator shall pay the fee due under this section for the previous month, using a form provided by the commissioner of revenue.

~~An operator having a fee of \$120,000 or more during a fiscal year ending June 30 must pay all fees in the subsequent calendar year by electronic means.~~

Sec. 6. [REPEALER.]

Minnesota Statutes 2004, sections 289A.26, subdivision 2a; 289A.60, subdivision 21; 295.55, subdivision 4; 295.60, subdivision 4; 297F.09, subdivision 7; 297G.09, subdivision 6; 297I.35, subdivision 2; and 297I.85, subdivision 7, are repealed.

Sec. 7. [EFFECTIVE DATE.]

This article is effective for payments due in calendar year 2006, and in calendar years thereafter, based upon liabilities incurred in the fiscal year ending June 30, 2005, and in fiscal years thereafter.

ARTICLE 14

DEPARTMENT OF REVENUE

MISCELLANEOUS

Section 1. Minnesota Statutes 2004, section 15.06, subdivision 6, is amended to read:

Subd. 6. [GENERAL POWERS OF COMMISSIONERS.] Except as otherwise expressly provided by law, a commissioner shall have the following powers:

(1) to delegate to any subordinate employee the exercise of specified statutory powers or duties as the commissioner may deem advisable, subject to the commissioner's control; provided, that every delegation shall be made by written order, filed with the secretary of state; and further provided that only a deputy commissioner may have all the powers or duties of the commissioner. A commissioner who delegates the exercise of identical powers or duties to ten or more subordinate employees, may combine the delegation to these employees in one written order. A delegation of authority granted by a commissioner remains in effect until revoked by the commissioner, revoked by a successor commissioner, or termination of the employees' employment. A successor commissioner may continue to grant the same delegations of authority that were granted by a previous commissioner, by issuing a written order that is filed with the secretary of state and lists the names of the subordinate employees that have orders of delegations of authority, the date the order was signed, and the date the order was filed with the secretary of state;

(2) to appoint all subordinate employees and to prescribe their duties; provided, that all departments and agencies shall be subject to the provisions of chapter 43A;

(3) with the approval of the commissioner of administration, to organize the department or agency as deemed advisable in the interest of economy and efficiency; and

(4) to prescribe procedures for the internal management of the department or agency to the extent that the procedures do not directly affect the rights of or procedure available to the public.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2004, section 16D.10, is amended to read:

16D.10 [CASE REVIEWER.]

Subdivision 1. [DUTIES.] The commissioner shall make a case reviewer available to debtors. The reviewer must be available to answer a debtor's questions concerning the collection process and to review the collection activity taken. If the reviewer reasonably believes that the particular action being taken is unreasonable or unfair, the reviewer may make recommendations to the commissioner in regard to the collection action.

Subd. 2. [AUTHORITY TO ISSUE DEBTOR ASSISTANCE ORDER.] On application filed by a debtor with the case reviewer, in the form, manner, and in the time prescribed by the

commissioner, and after thorough investigation, the case reviewer may issue a debtor assistance order if, in the determination of the case reviewer, the manner in which the state debt collection laws are being administered is creating or will create an unjust and inequitable result for the debtor. Debtor assistance orders are governed by the provisions relating to taxpayer assistance orders under section 270.273.

Subd. 3. [TRANSFER OF DUTIES TO TAXPAYER RIGHTS ADVOCATE.] All duties and authority of the case reviewer under subdivisions 1 and 2 are transferred to the taxpayer rights advocate.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2004, 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 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 entered into the records of the commissioner; or, in the case of a consent agreement signed by the taxpayer under section 270.67, subdivision 3, the assessment date is the notice date shown on the agreement; 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 the day following final enactment.

Sec. 4. Minnesota Statutes 2004, section 270.67, subdivision 4, is amended to read:

Subd. 4. [OFFER-IN-COMPROMISE AND INSTALLMENT PAYMENT PROGRAM.] (a) In implementing the authority provided in subdivision 2 or in sections 8.30 and 16D.15 to accept offers of installment payments or offers-in-compromise of tax liabilities, the commissioner of revenue shall prescribe guidelines for employees of the Department of Revenue to determine whether an offer-in-compromise or an offer to make installment payments is adequate and should be accepted to resolve a dispute. In prescribing the guidelines, the commissioner shall develop and publish schedules of national and local allowances designed to provide that taxpayers entering into a compromise or payment agreement have an adequate means to provide for basic living expenses. The guidelines must provide that the taxpayer's ownership interest in a motor vehicle, to the extent of the value allowed in section 550.37, will not be considered as an asset; in the case of an offer related to a joint tax liability of spouses, that value of two motor vehicles must be excluded. The guidelines must provide that employees of the department shall determine, on the basis of the facts and circumstances of each taxpayer, whether the use of the schedules is appropriate and that employees must not use the schedules to the extent the use would result in the taxpayer not having adequate means to provide for basic living expenses. The guidelines must provide that:

(1) an employee of the department shall not reject an offer-in-compromise or an offer to make installment payments from a low-income taxpayer solely on the basis of the amount of the offer; and

(2) in the case of an offer-in-compromise which relates only to issues of liability of the taxpayer:

(i) the offer must not be rejected solely because the commissioner is unable to locate the taxpayer's return or return information for verification of the liability; and

(ii) the taxpayer shall not be required to provide an audited, reviewed, or compiled financial statement.

(b) The commissioner shall establish procedures:

(1) that require presentation of a counteroffer or a written rejection of the offer by the commissioner if the amount offered by the taxpayer in an offer-in-compromise or an offer to make installment payments is not accepted by the commissioner;

(2) for an administrative review of any written rejection of a proposed offer-in-compromise or installment agreement made by a taxpayer under this section before the rejection is communicated to the taxpayer;

(3) that allow a taxpayer to request reconsideration of any written rejection of the offer or agreement to the commissioner of revenue to determine whether the rejection is reasonable and appropriate under the circumstances; and

(4) that provide for notification to the taxpayer when an offer-in-compromise has been accepted, and issuance of certificates of release of any liens imposed under section 270.69 related to the liability which is the subject of the compromise.

(c) Each compromise proposal must be accompanied by a nonrefundable payment of \$250. If the compromise proposal is accepted, the payment must be applied to the accepted compromise amount. If the compromise is rejected, the payment must be applied to the outstanding tax debts of the taxpayer pursuant to section 270.652. In cases of financial hardship, upon presentation of information establishing an inability to make the \$250 payment, the commissioner may waive this requirement.

[EFFECTIVE DATE.] This section is effective for offers in compromise submitted after August 31, 2005.

Sec. 5. Minnesota Statutes 2004, section 270.69, subdivision 4, is amended to read:

Subd. 4. [PERIOD OF LIMITATIONS.] The lien imposed by this section shall, notwithstanding any other provision of law to the contrary, be enforceable from the time the lien arises and for ten years from the date of filing the notice of lien, which must be filed by the commissioner within five years after the date of assessment of the tax or final administrative or judicial determination of the assessment. A notice of lien filed in one county may be transcribed to the secretary of state or to any other county within ten years after the date of its filing, but the transcription shall not extend the period during which the lien is enforceable. A notice of lien may be renewed by the commissioner before the expiration of the ten-year period for an additional ten years. The taxpayer must receive written notice of the renewal.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 6. Minnesota Statutes 2004, section 289A.19, subdivision 4, is amended to read:

Subd. 4. [ESTATE TAX RETURNS.] ~~When in the commissioner's judgment good cause exists, the commissioner may extend the time for filing an estate tax return for not more than six months.~~ When an extension to file the federal estate tax return has been granted under section 6081 of the Internal Revenue Code, the time for filing the estate tax return is extended for that period. If the estate requests an extension to file an estate tax return within the time provided in section 289A.18, subdivision 3, the commissioner shall extend the time for filing the estate tax return for six months.

[EFFECTIVE DATE.] This section is effective for estates of decedents dying after December 31, 2004.

Sec. 7. Minnesota Statutes 2004, section 289A.31, subdivision 2, is amended to read:

Subd. 2. [JOINT INCOME TAX RETURNS.] (a) If a joint income tax return is made by a husband and wife, the liability for the tax is joint and several. A spouse who qualifies for relief from a liability attributable to an underpayment under section 6015(b) of the Internal Revenue Code is relieved of the state income tax liability on the underpayment.

(b) In the case of individuals who were a husband and wife prior to the dissolution of their marriage or their legal separation, or prior to the death of one of the individuals, for tax liabilities reported on a joint or combined return, the liability of each person is limited to the proportion of the tax due on the return that equals that person's proportion of the total tax due if the husband and wife filed separate returns for the taxable year. This provision is effective only when the commissioner receives written notice of the marriage dissolution, legal separation, or death of a spouse from the husband or wife. No refund may be claimed by an ex-spouse, legally separated or widowed spouse for any taxes paid more than 60 days before receipt by the commissioner of the written notice.

(c) A request for calculation of separate liability pursuant to paragraph (b) for taxes reported on a return must be made within six years after the due date of the return. For calculation of separate liability for taxes assessed by the commissioner under section 289A.35 or 289A.37, the request must be made within six years after the date of assessment. The commissioner is not required to calculate separate liability if the remaining unpaid liability for which recalculation is requested is \$100 or less.

[EFFECTIVE DATE.] This section is effective for requests for relief made on or after the day following final enactment.

Sec. 8. Minnesota Statutes 2004, section 289A.37, subdivision 5, is amended to read:

Subd. 5. **[SUFFICIENCY OF NOTICE.]** An order of assessment, sent postage prepaid by United States mail to the taxpayer at the taxpayer's last known address, or sent by electronic mail to the taxpayer's last known electronic mailing address as provided for in section 325L.08, is sufficient even if the taxpayer is deceased or is under a legal disability, or, in the case of a corporation, has terminated its existence, unless the department has been provided with a new address by a party authorized to receive notices of assessment.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 9. Minnesota Statutes 2004, section 289A.60, subdivision 2a, is amended to read:

Subd. 2a. **[PENALTIES FOR EXTENDED DELINQUENCY.]** (a) If an individual income tax is not paid within 180 days after the date of filing of a return or, in the case of taxes assessed by the commissioner, within 180 days after the assessment date or, if appealed, within 180 days after final resolution of the appeal, an extended delinquency penalty of five percent of the tax remaining unpaid is added to the amount due.

(b) ~~If a corporate franchise, fiduciary income, mining company, estate, partnership, S corporation, or nonresident entertainer tax return is not filed within 30 days after written demand for the filing of a delinquent return, an extended delinquency penalty of five percent of the tax not paid prior to the demand is added to the tax, or in the case of an individual income tax return, a minimum penalty of \$100 or the five percent penalty is imposed, whichever amount is greater.~~

[EFFECTIVE DATE.] This section is effective for returns originally due on or after August 1, 2005.

Sec. 10. Minnesota Statutes 2004, section 289A.60, subdivision 6, is amended to read:

Subd. 6. **[PENALTY FOR FAILURE TO FILE, FALSE OR FRAUDULENT RETURN, EVASION.]** If a person, with intent to evade or defeat a tax or payment of tax, fails to file a return, files a false or fraudulent return, or attempts in any other manner to evade or defeat a tax or payment of tax, there is imposed on the person a penalty equal to 50 percent of the tax, less amounts paid by the person on the basis of the false or fraudulent return, if any, due for the period to which the return related.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 11. Minnesota Statutes 2004, section 289A.60, subdivision 11, is amended to read:

Subd. 11. [PENALTIES RELATING TO INFORMATION REPORTS, WITHHOLDING.] (a) When a person required under section 289A.09, subdivision 2, to give a statement to an employee or payee and a duplicate statement to the commissioner, or to give a reconciliation of the statements and quarterly returns to the commissioner, gives a false or fraudulent statement to an employee or payee or a false or fraudulent duplicate statement or reconciliation of statements and quarterly returns to the commissioner, or fails to give a statement or the reconciliation in the manner, when due, and showing the information required by section 289A.09, subdivision 2, or rules prescribed by the commissioner under that section, that person is liable for a penalty of \$50 for an act or failure to act. The total amount imposed on the delinquent person for failures during a calendar year must not exceed \$25,000.

(b) In addition to any other penalty provided by law, an employee who gives a withholding exemption certificate or a residency affidavit to an employer that ~~the employee has reason to know contains a materially incorrect statement~~ decreases the amount withheld under section 290.92 and as of the time the certificate or affidavit was given to the employer there was no reasonable basis for the statements in the certificate or affidavit is liable to the commissioner of revenue for a penalty of \$500 for each instance.

(c) In addition to any other penalty provided by law, an employer who fails to submit a copy of a withholding exemption certificate or a residency affidavit required by section 290.92, subdivision 5a, clause (1)(a), (1)(b), or (2) is liable to the commissioner of revenue for a penalty of \$50 for each instance.

(d) An employer or payor who fails to file an application for a withholding account number, as required by section 290.92, subdivision 24, is liable to the commissioner for a penalty of \$100.

[EFFECTIVE DATE.] This section is effective for certificates and affidavits given to employers after December 31, 2005.

Sec. 12. Minnesota Statutes 2004, section 290.92, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (1) [WAGES.] For purposes of this section, the term "wages" means the same as that term is defined in section 3401(a) and (f) of the Internal Revenue Code.

(2) [PAYROLL PERIOD.] For purposes of this section the term "payroll period" means a period for which a payment of wages is ordinarily made to the employee by the employee's employer, and the term "miscellaneous payroll period" means a payroll period other than a daily, weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual payroll period.

(3) [EMPLOYEE.] For purposes of this section the term "employee" means any resident individual performing services for an employer, either within or without, or both within and without the state of Minnesota, and every nonresident individual performing services within the state of Minnesota, the performance of which services constitute, establish, and determine the relationship between the parties as that of employer and employee. As used in the preceding sentence, the term "employee" includes an officer of a corporation, and an officer, employee, or elected official of the United States, a state, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing.

(4) [EMPLOYER.] For purposes of this section the term "employer" means any person, including individuals, fiduciaries, estates, trusts, partnerships, limited liability companies, and corporations transacting business in or deriving any income from sources within the state of Minnesota for whom an individual performs or performed any service, of whatever nature, as the employee of such person, except that if the person for whom the individual performs or performed the services does not have legal control of the payment of the wages for such services, the term "employer," except for purposes of paragraph (1), means the person having legal control of the payment of such wages. As used in the preceding sentence, the term "employer" includes any corporation, individual, estate, trust, or organization which is exempt from taxation under section 290.05 and further includes, but is not limited to, officers of corporations who have legal control, either individually or jointly with another or others, of the payment of the wages.

(5) [NUMBER OF WITHHOLDING EXEMPTIONS CLAIMED.] For purposes of this section, the term "number of withholding exemptions claimed" means the number of withholding exemptions claimed in a withholding exemption certificate in effect under subdivision 5, except that if no such certificate is in effect, the number of withholding exemptions claimed shall be considered to be zero.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 13. Minnesota Statutes 2004, section 290C.05, is amended to read:

290C.05 [ANNUAL CERTIFICATION.]

On or before July 1 of each year, beginning with the year after the claimant has received an approved application, the commissioner shall send each claimant enrolled under the sustainable forest incentive program a certification form. The claimant must sign the certification, attesting that the requirements and conditions for continued enrollment in the program are currently being met, and must return the signed certification form to the commissioner by August 15 of that same year. ~~Failure to~~ If the claimant does not return an annual certification form by the due date ~~shall result in removal of the lands from the provisions of the sustainable forest incentive program, and the imposition of any applicable removal penalty,~~ the provisions in section 290C.11 apply. The claimant may appeal the removal and any associated penalty according to the procedures and within the time allowed under this chapter.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 14. [290C.055] [LENGTH OF COVENANT.]

The covenant remains in effect for a minimum of eight years. If land is removed from the program before it has been enrolled for four years, the covenant remains in effect for eight years from the date recorded.

If land that has been enrolled for four years or more is removed from the program for any reason, there is a waiting period before the covenant terminates. The covenant terminates on January 1 of the fifth calendar year that begins after the date that:

(1) the commissioner receives notification from the claimant that the claimant wishes to remove the land from the program under section 290C.10; or

(2) the date that the land is removed from the program under section 290C.11.

Notwithstanding the other provisions of this section, the covenant is terminated at the same time that the land is removed from the program due to acquisition of title or possession for a public purpose under section 290C.10.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 15. Minnesota Statutes 2004, section 290C.10, is amended to read:

290C.10 [WITHDRAWAL PROCEDURES.]

An approved claimant under the sustainable forest incentive program for a minimum of four years may notify the commissioner of the intent to terminate enrollment. Within 90 days of receipt of notice to terminate enrollment, the commissioner shall inform the claimant in writing, acknowledging receipt of this notice and indicating the effective date of termination from the sustainable forest incentive program. Termination of enrollment in the sustainable forest incentive program occurs on January 1 of the fifth calendar year that begins after receipt by the commissioner of the termination notice. After the commissioner issues an effective date of termination, a claimant wishing to continue the land's enrollment in the sustainable forest incentive program beyond the termination date must apply for enrollment as prescribed in section 290C.04. A claimant who withdraws a parcel of land from this program may not reenroll the parcel for a period of three years. Within 90 days after the termination date, the commissioner

shall execute and acknowledge a document releasing the land from the covenant required under this chapter. The document must be mailed to the claimant and is entitled to be recorded. The commissioner may allow early withdrawal from the Sustainable Forest Incentive Act without penalty ~~in cases of condemnation~~ when the state of Minnesota, any local government unit, or any other entity which has the right of eminent domain acquires title or possession to the land for a public purpose notwithstanding the provisions of this section. In the case of such acquisition, the commissioner shall execute and acknowledge a document releasing the land acquired by the state, local government unit, or other entity from the covenant. All other enrolled land must remain in the program.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 16. Minnesota Statutes 2004, section 325D.33, subdivision 6, is amended to read:

Subd. 6. [VIOLATIONS.] If the commissioner determines that a distributor is violating any provision of this chapter, the commissioner must give the distributor a written warning explaining the violation and an explanation of what must be done to comply with this chapter. Within ten days of issuance of the warning, the distributor must notify the commissioner that the distributor has complied with the commissioner's recommendation or request that the commissioner set the issue for a hearing pursuant to chapter 14. If a hearing is requested, the hearing shall be scheduled within 20 days of the request and the recommendation of the administrative law judge shall be issued within five working days of the close of the hearing. The commissioner's final determination shall be issued within five working days of the receipt of the administrative law judge's recommendation. If the commissioner's final determination is adverse to the distributor and the distributor does not comply within ten days of receipt of the commissioner's final determination, the commissioner may order the distributor to immediately cease the stamping of cigarettes. As soon as practicable after the order, the commissioner must remove the meter and any unapplied cigarette stamps from the premises of the distributor.

If within ten days of issuance of the written warning the distributor has not complied with the commissioner's recommendation or requested a hearing, the commissioner may order the distributor to immediately cease the stamping of cigarettes and remove the meter and unapplied stamps from the distributor's premises.

~~If, within any 12-month period, the commissioner has issued three written warnings to any distributor, even if the distributor has complied within ten days, the commissioner shall notify the distributor of the commissioner's intent to revoke the distributor's license for a continuing course of conduct contrary to this chapter. For purposes of this paragraph, a written warning that was ultimately resolved by removal of the warning by the commissioner is not deemed to be a warning. The commissioner must notify the distributor of the date and time of a hearing pursuant to chapter 14 at least 20 days before the hearing is held. The hearing must provide an opportunity for the distributor to show cause why the license should not be revoked. If the commissioner revokes a distributor's license, the commissioner shall not issue a new license to that distributor for 180 days.~~

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 17. Minnesota Statutes 2004, section 473.843, subdivision 5, is amended to read:

Subd. 5. [PENALTIES; ENFORCEMENT.] The audit, penalty, and enforcement provisions applicable to corporate franchise taxes imposed under chapter 290 apply to the fees imposed under this section. The commissioner of revenue shall administer the provisions.

[EFFECTIVE DATE.] This section is effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to financing and operation of state and local government; making policy, technical, administrative, enforcement, collection, refund, and other changes to income, franchise, property, sales and use, health care provider, cigarette and tobacco products, insurance premiums, aggregate removal, occupation, net proceeds, and production taxes, and other taxes and

tax-related provisions; establishing a regional investment credit; establishing credits for carsharing and historic preservation; providing an income tax checkoff; providing a refund for transit passes; authorizing sales tax exemptions; authorizing local government sales taxes; authorizing distributions of tax proceeds; changing provisions relating to fiscal disparities, education financing, state debt collection procedures, sustainable forest incentives programs, and business subsidy provisions; conforming provisions to certain changes in federal law; changing powers and duties of certain local governments and authorities and state departments or agencies; providing for payments of certain aids to local units of government; providing for certain school levies; providing for issuance of obligations by local governments, and use of the proceeds of the debt; requiring transfer of a parking facility; changing tax increment financing and abatement provisions, and providing authorities to certain districts; changing provisions relating to certificates of title of motor vehicles and manufactured homes; changing electronic filing provisions; prohibiting misrepresentation of employment; imposing requirements related to JOBZ; providing for studies and reports; providing penalties; creating an education reserve account; providing for allocation and transfers of funds; appropriating money; amending Minnesota Statutes 2004, sections 4A.02; 15.06, subdivision 6; 16D.10; 103C.331, subdivision 16; 116J.993, subdivision 3, by adding a subdivision; 116J.994, subdivisions 4, 5, 9, by adding a subdivision; 118A.05, subdivision 5; 123B.53, subdivision 4, by adding a subdivision; 123B.55; 123B.71, subdivision 9; 126C.17, subdivisions 6, 7, 9, by adding subdivisions; 161.1231, by adding a subdivision; 168A.05, subdivisions 1a, 1b; 270.11, subdivision 2; 270.16, subdivision 2; 270.65; 270.67, subdivision 4; 270.69, subdivision 4; 270A.03, subdivision 5; 272.01, subdivision 2; 272.02, subdivisions 1a, 7, 22, 47, 56, by adding subdivisions; 272.0212, subdivisions 1, 2; 272.029, subdivisions 4, 6; 273.11, subdivisions 1a, 8, by adding subdivisions; 273.112, subdivision 3; 273.123, by adding a subdivision; 273.124, subdivisions 1, 3, 6, 8, 13, 14, 21; 273.13, subdivisions 22, 23, 25; 273.1315; 273.1384, subdivision 3; 273.19, subdivision 1a; 273.372; 274.014, subdivisions 2, 3; 274.14; 275.065, subdivisions 1a, 3, by adding subdivisions; 275.066; 275.07, subdivisions 1, 4; 275.70, subdivisions 5; 276.04, subdivision 2; 276.112; 276A.01, subdivision 7; 278.03, subdivision 1; 279.01, subdivision 1, by adding a subdivision; 282.016; 282.08; 282.15; 282.21; 282.224; 282.301; 287.04; 289A.02, subdivision 7; 289A.08, subdivisions 3, 7, 16; 289A.11, subdivision 1; 289A.18, subdivisions 1, 4, by adding a subdivision; 289A.19, subdivision 4; 289A.20, subdivisions 2, 4; 289A.31, subdivision 2; 289A.37, subdivision 5; 289A.38, subdivisions 6, 7, by adding a subdivision; 289A.39, subdivision 1; 289A.40, subdivision 2, by adding subdivisions; 289A.50, subdivision 1a; 289A.60, subdivisions 2a, 6, 11, 12, 13; 290.01, subdivisions 7, 19, 19a, 19b, 19c, 19d, 31; 290.032, subdivisions 1, 2; 290.05, subdivision 1; 290.06, subdivisions 2c, 22, 28, by adding subdivisions; 290.067, subdivisions 1, 2a; 290.0671, subdivision 1; 290.0674, subdivisions 1, 2; 290.0675, subdivision 1; 290.091, subdivisions 2, 3; 290.0922, subdivision 2; 290.10; 290.17, subdivision 4; 290.191, subdivision 1; 290.92, subdivisions 1, 4b; 290A.03, subdivisions 3, 15; 290A.07, by adding a subdivision; 290A.19; 290B.05, subdivision 3; 290C.05; 290C.10; 291.005, subdivision 1; 291.03, subdivision 1; 295.50, subdivision 3, by adding a subdivision; 295.53, subdivision 1; 295.60, subdivision 3; 296A.09, by adding a subdivision; 296A.22, by adding a subdivision; 297A.61, subdivisions 3, 4, by adding a subdivision; 297A.64, subdivision 4; 297A.668, subdivisions 1, 5; 297A.67, subdivision 2, by adding subdivisions; 297A.68, subdivisions 2, 4, 5, 19, 35, 39, by adding subdivisions; 297A.70, subdivision 8, by adding a subdivision; 297A.71, by adding subdivisions; 297A.75, subdivisions 1, 2, 3; 297A.83, subdivision 1; 297A.87, subdivisions 2, 3; 297A.99, subdivisions 4, 7; 297B.03; 297E.01, subdivisions 5, 7, by adding subdivisions; 297E.02, subdivision 4; 297E.06, subdivision 2; 297E.07; 297F.01, by adding a subdivision; 297F.08, subdivision 12, by adding a subdivision; 297F.09, subdivisions 1, 2, by adding a subdivision; 297F.14, subdivision 4; 297G.09, by adding a subdivision; 297I.01, by adding a subdivision; 297I.05, subdivisions 4, 5, by adding a subdivision; 298.001, by adding subdivisions; 298.01, subdivisions 3, 3a, 4; 298.015, subdivisions 1, 2; 298.016, subdivision 4; 298.018; 298.223, subdivision 1; 298.24, subdivision 1; 298.28, subdivisions 9b, 10; 298.2961, by adding a subdivision; 298.75, subdivisions 1, 2; 325D.33, subdivision 6; 343.11; 366.011; 366.012; 373.01, subdivision 3; 373.40, subdivision 1; 373.45, subdivision 7; 400.04, by adding a subdivision; 410.32; 412.301; 428A.101; 428A.21; 429.031, by adding a subdivision; 429.051; 469.034, subdivision 2; 469.158; 469.169, by adding a subdivision; 469.1735, subdivision 3; 469.174, by adding a subdivision; 469.175, subdivisions 1, 4, 6; 469.176, subdivision 1c, by adding subdivisions; 469.1761, by adding a subdivision; 469.1763, subdivision 2; 469.1792; 469.310,

subdivision 11; 473.39, by adding a subdivision; 473.843, subdivisions 3, 5; 473F.02, subdivision 7; 473F.08, by adding subdivisions; 474A.061, subdivision 2c; 474A.131, subdivision 1; 475.51, subdivision 4; 475.52, subdivisions 1, 3, 4; 475.521, subdivisions 1, 2, 3, 4; 475.58, subdivision 3b; 477A.011, subdivisions 3, 36, 38; 477A.0124, subdivision 2; 477A.016; 477A.11, subdivision 4, by adding a subdivision; 477A.12, subdivisions 1, 2; 477A.14, subdivision 1; Laws 1991, chapter 291, article 8, section 27, subdivision 4; Laws 1994, chapter 587, article 9, section 20, subdivision 1; Laws 1994, chapter 587, article 9, section 20, subdivision 2; Laws 1996, chapter 471, article 2, section 29; Laws 1998, chapter 389, article 3, section 41; Laws 1998, chapter 389, article 3, section 42, subdivision 2, as amended; Laws 1998, chapter 389, article 8, section 43, subdivision 3; Laws 1998, chapter 389, article 8, section 43, subdivision 4; Laws 1998, chapter 389, article 11, section 19, subdivision 3; Laws 1999, chapter 243, article 4, section 18, subdivision 1; Laws 1999, chapter 243, article 4, section 18, subdivision 3; Laws 1999, chapter 243, article 4, section 18, subdivision 4; Laws 2001, First Special Session chapter 5, article 3, section 8; Laws 2001, First Special Session chapter 5, article 12, section 67; Laws 2001, First Special Session chapter 5, article 12, section 82, as amended; Laws 2001, First Special Session chapter 5, article 12, section 95, as amended; Laws 2002, chapter 377, article 3, section 4; Laws 2002, chapter 377, article 12, section 16, subdivision 1; Laws 2003, chapter 127, article 5, section 27; Laws 2003, chapter 127, article 5, section 28; Laws 2003, chapter 127, article 12, section 38; Laws 2003, First Special Session chapter 21, article 4, section 12, subdivision 11; Laws 2003, First Special Session chapter 21, article 5, section 13; Laws 2003, First Special Session chapter 21, article 6, section 9; proposing coding for new law in Minnesota Statutes, chapters 103C; 174; 270; 273; 278; 290; 290C; 297A; 297F; 298; 325D; 325F; 462A; 473; repealing Minnesota Statutes 2004, sections 273.19, subdivision 5; 274.05; 275.15; 275.61, subdivision 2; 283.07; 289A.26, subdivision 2a; 289A.60, subdivision 21; 295.55, subdivision 4; 295.60, subdivision 4; 297A.99, subdivision 13; 297E.12, subdivision 10; 297F.09, subdivision 7; 297G.09, subdivision 6; 297I.35, subdivision 2; 297I.85, subdivision 7; 298.01, subdivisions 3c, 3d, 4d, 4e; 298.017; 473.39, subdivision 1f; Laws 1975, chapter 287, section 5; Laws 1994, chapter 587, article 9, section 20, subdivision 4; Laws 2003, chapter 127, article 9, section 9, subdivision 4; repealing Minnesota Rules, parts 8093.2000; 8093.3000; 8130.0110, subpart 4; 8130.0200, subparts 5, 6; 8130.0400, subpart 9; 8130.1200, subparts 5, 6; 8130.2900; 8130.3100, subpart 1; 8130.4000, subparts 1, 2; 8130.4200, subpart 1; 8130.4400, subpart 3; 8130.5200; 8130.5600, subpart 3; 8130.5800, subpart 5; 8130.7300, subpart 5; 8130.8800, subpart 4."

And when so amended the bill do pass. Amendments adopted. Report adopted.

SECOND READING OF SENATE BILLS

S.F. No. 1683 was read the second time.

MOTIONS AND RESOLUTIONS - CONTINUED

SUSPENSION OF RULES

Remaining on the Order of Business of Motions and Resolutions, Senator Johnson, D.E. moved that the Senate take up the Consent Calendar and that the rules of the Senate be so far suspended as to waive the lie-over requirement. The motion prevailed.

CONSENT CALENDAR

H.F. No. 925: A bill for an act relating to insurance; making federally conforming changes in Medicare-related coverage; providing financial solvency regulation for stand-alone Medicare Part D prescription drug plans; making related technical changes; amending Minnesota Statutes 2004, sections 62A.31, subdivisions 1f, 1k, 1n, 1s, 1t, 1u, 3, 4, 7; 62A.315; 62A.316; 62A.318; 62A.36, subdivision 1; 62L.12, subdivision 2; 62Q.01, subdivision 6; 256.9657, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 62A.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 63 and nays 0, as follows:

Those who voted in the affirmative were:

Bachmann	Gaither	Larson	Olson	Scheid
Bakk	Gerlach	LeClair	Ortman	Senjem
Belanger	Hann	Limmer	Ourada	Skoe
Berglin	Higgins	Lourey	Pappas	Skoglund
Betzold	Hottinger	Marko	Pariseau	Solon
Chaudhary	Johnson, D.E.	Marty	Pogemiller	Sparks
Cohen	Johnson, D.J.	McGinn	Ranum	Stumpf
Day	Kelley	Metzen	Reiter	Tomassoni
Dibble	Kierlin	Michel	Rest	Vickerman
Dille	Kiscaden	Moua	Robling	Wergin
Fischbach	Kleis	Murphy	Rosen	Wiger
Foley	Koering	Neuville	Ruud	
Frederickson	Kubly	Nienow	Saxhaug	

So the bill passed and its title was agreed to.

H.F. No. 1036: A bill for an act relating to state government; the Office of Administrative Hearings; providing state copies of Minnesota Rules to the office; regulating hearings and cases; providing rulemaking; assessing costs; amending Minnesota Statutes 2004, sections 14.47, subdivision 8; 14.50; 14.51; 14.53; 14.62, subdivision 2a.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 63 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Frederickson	Kubly	Olson	Scheid
Bachmann	Gaither	Larson	Ortman	Senjem
Bakk	Gerlach	LeClair	Ourada	Skoe
Belanger	Hann	Limmer	Pappas	Skoglund
Berglin	Higgins	Lourey	Pariseau	Solon
Betzold	Hottinger	Marko	Pogemiller	Sparks
Chaudhary	Johnson, D.E.	Marty	Ranum	Stumpf
Cohen	Johnson, D.J.	McGinn	Reiter	Tomassoni
Day	Kelley	Metzen	Rest	Vickerman
Dibble	Kierlin	Michel	Robling	Wergin
Dille	Kiscaden	Moua	Rosen	Wiger
Fischbach	Kleis	Murphy	Ruud	
Foley	Koering	Nienow	Saxhaug	

So the bill passed and its title was agreed to.

S.F. No. 308: A bill for an act relating to landlord and tenant; regulating actions by government units to obtain remedies for building and other code violations; amending Minnesota Statutes 2004, section 504B.395, subdivision 1.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 63 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Belanger	Chaudhary	Dibble	Foley
Bachmann	Berglin	Cohen	Dille	Frederickson
Bakk	Betzold	Day	Fischbach	Gaither

Gerlach	Koering	Michel	Ranum	Skoglund
Hann	Kubly	Moua	Reiter	Solon
Higgins	Larson	Murphy	Rest	Sparks
Hottinger	LeClair	Neuville	Robling	Stumpf
Johnson, D.E.	Limmer	Nienow	Rosen	Tomassoni
Johnson, D.J.	Lourey	Olson	Ruud	Vickerman
Kelley	Marko	Ourada	Saxhaug	Wergin
Kierlin	Marty	Pappas	Scheid	Wiger
Kiscaden	McGinn	Pariseau	Senjem	
Kleis	Metzen	Pogemiller	Skoe	

So the bill passed and its title was agreed to.

S.F. No. 909: A bill for an act relating to insurance; broadening an existing right to purchase Medicare supplement coverage under certain circumstances; amending Minnesota Statutes 2004, section 62A.31, subdivision 1h.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

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

Those who voted in the affirmative were:

Anderson	Frederickson	Kubly	Nienow	Saxhaug
Bachmann	Gaither	Larson	Olson	Scheid
Bakk	Gerlach	LeClair	Ortman	Senjem
Belanger	Hann	Limmer	Ourada	Skoe
Berglin	Higgins	Lourey	Pappas	Skoglund
Betzold	Hottinger	Marko	Pariseau	Solon
Chaudhary	Johnson, D.E.	Marty	Pogemiller	Sparks
Cohen	Johnson, D.J.	McGinn	Ranum	Stumpf
Day	Kelley	Metzen	Reiter	Tomassoni
Dibble	Kierlin	Michel	Rest	Vickerman
Dille	Kiscaden	Moua	Robling	Wergin
Fischbach	Kleis	Murphy	Rosen	Wiger
Foley	Koering	Neuville	Ruud	

So the bill passed and its title was agreed to.

S.F. No. 1472: A bill for an act relating to traffic regulations; authorizing day activity center buses to operate certain school bus warning equipment under certain circumstances; amending Minnesota Statutes 2004, section 169.448, by adding a subdivision.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

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

Those who voted in the affirmative were:

Anderson	Frederickson	Kubly	Nienow	Saxhaug
Bachmann	Gaither	Larson	Olson	Scheid
Bakk	Gerlach	LeClair	Ortman	Senjem
Belanger	Hann	Limmer	Ourada	Skoe
Berglin	Higgins	Lourey	Pappas	Skoglund
Betzold	Hottinger	Marko	Pariseau	Solon
Chaudhary	Johnson, D.E.	Marty	Pogemiller	Sparks
Cohen	Johnson, D.J.	McGinn	Ranum	Stumpf
Day	Kelley	Metzen	Reiter	Tomassoni
Dibble	Kierlin	Michel	Rest	Vickerman
Dille	Kiscaden	Moua	Robling	Wergin
Fischbach	Kleis	Murphy	Rosen	Wiger
Foley	Koering	Neuville	Ruud	

So the bill passed and its title was agreed to.

S.F. No. 1466: A bill for an act relating to transportation; clarifying seasonal load restrictions for utility vehicles; amending Minnesota Statutes 2004, section 169.87, subdivision 5.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

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

Those who voted in the affirmative were:

Anderson	Frederickson	Kubly	Nienow	Saxhaug
Bachmann	Gaither	Larson	Olson	Scheid
Bakk	Gerlach	LeClair	Ortman	Senjem
Belanger	Hann	Limmer	Ourada	Skoe
Berglin	Higgins	Lourey	Pappas	Skoglund
Betzold	Hottinger	Marko	Pariseau	Solon
Chaudhary	Johnson, D.E.	Marty	Pogemiller	Sparks
Cohen	Johnson, D.J.	McGinn	Ranum	Stumpf
Day	Kelley	Metzen	Reiter	Tomassoni
Dibble	Kierlin	Michel	Rest	Vickerman
Dille	Kiscaden	Moua	Robling	Wergin
Fischbach	Kleis	Murphy	Rosen	Wiger
Foley	Koering	Neuville	Ruud	

So the bill passed and its title was agreed to.

S.F. No. 1621: A bill for an act relating to the military; providing for rental of certain facilities at Camp Ripley; amending Minnesota Statutes 2004, section 190.16, by adding a subdivision.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 63 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Frederickson	Kubly	Nienow	Scheid
Bachmann	Gaither	Larson	Olson	Senjem
Bakk	Gerlach	LeClair	Ourada	Skoe
Belanger	Hann	Limmer	Pappas	Skoglund
Berglin	Higgins	Lourey	Pariseau	Solon
Betzold	Hottinger	Marko	Pogemiller	Sparks
Chaudhary	Johnson, D.E.	Marty	Ranum	Stumpf
Cohen	Johnson, D.J.	McGinn	Reiter	Tomassoni
Day	Kelley	Metzen	Rest	Vickerman
Dibble	Kierlin	Michel	Robling	Wergin
Dille	Kiscaden	Moua	Rosen	Wiger
Fischbach	Kleis	Murphy	Ruud	
Foley	Koering	Neuville	Saxhaug	

So the bill passed and its title was agreed to.

S.F. No. 1622: A bill for an act relating to the military; changing eligibility for certain duties; amending Minnesota Statutes 2004, sections 193.29, subdivision 3; 193.30; 193.31.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 61 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Belanger	Chaudhary	Dibble	Foley
Bachmann	Berglin	Cohen	Dille	Frederickson
Bakk	Betzold	Day	Fischbach	Gaither

Gerlach	Koering	Moua	Reiter	Sparks
Hann	Kubly	Murphy	Rest	Stumpf
Higgins	Larson	Neuville	Robling	Tomassoni
Hottinger	LeClair	Nienow	Rosen	Vickerman
Johnson, D.E.	Limmer	Olson	Saxhaug	Wergin
Johnson, D.J.	Lourey	Ortman	Scheid	Wiger
Kelley	Marko	Ourada	Senjem	
Kierlin	McGinn	Pariseau	Skoe	
Kiscaden	Metzen	Pogemiller	Skoglund	
Kleis	Michel	Ranum	Solon	

So the bill passed and its title was agreed to.

MEMBERS EXCUSED

Senators Jungbauer and Sams were excused from the Session of today. Senator Anderson was excused from the Session of today from 8:00 to 10:15 a.m.

ADJOURNMENT

Senator Johnson, D.E. moved that the Senate do now adjourn until 8:00 a.m., Wednesday, March 23, 2005. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate

INDEX TO DAILY JOURNAL

Tuesday, March 22, 2005

EXECUTIVE AND OFFICIAL COMMUNICATIONS

Pages 853 to 854

CHAPTER LAWS

S.F. Nos.	H.F. Nos.	Session Laws Chapter No.	Page
75		12	854
532		13	854

REPORTS OF COMMITTEES AND SECOND READINGS

S.F. Nos.	Report Page	2nd Reading Page	H.F. Nos.	Report Page	2nd Reading Page
152	858	886	367	885	886
492	854	886	423	886	886
643	862		933	885	886
908	862				
944	890				
993	862				
1000	861				
1028	862				
1039	867				
1056	857	886			
1193	859	886			
1226	855	886			
1260	862				
1266	863				
1280	866	886			
1311	854				
1335	859	886			
1535	867	886			
1555	867				
1683	899	1126			
1794	859				

MOTIONS AND RESOLUTIONS

S.F. Nos.	Page	H.F. Nos.	Page
508	886		
1427	887		
1770	886		
1863	886		
Sen. Res. No . 62	886		
Sen. Res.			

No . 63 887
 Sen. Res.
 No . 64 887

CONSENT CALENDAR

S.F. Nos.	Page	H.F. Nos.	Page
308	.....1127	925	..... 1126
909	.....1128	1036	..... 1127
1466	.....1129		
1472	.....1128		
1621	.....1129		
1622	.....1129		

INTRODUCTION AND FIRST READING OF SENATE BILLS

S.F. Nos. 1880 to 1895 Pages 887 to 889